

## ASSESSING CUSTOMER SATISFACTION AMONG FARMERS AVAILING LOANS FROM ZARAI TARAQIATI BANK LIMITED

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### ABSTRACT

The loaning schemes for farmers are considered as one of the main tools towards gearing up the economy in developing countries like Pakistan. However, the farmers are still facing many troubles in availing such facilities in Pakistan. The main objective of this study is to access the satisfaction of those agricultural/Livestock farmers who avail loans from Zarai Taraqiati Bank Limited (ZTBL). Perceived service quality and customer satisfaction were measured by using established scales, which were first adopted and then adapted. The data were collected from farmers availing loaning facilities from various branches of ZTBL in the main cities of Punjab. A total of 200 farmers responded to the questionnaires who were approached through convenience sampling. Structural Equation Modelling (SEM) approach was used to test the hypotheses. It was found that tangibility ( $\beta=0.30$ ) and assurance ( $\beta=0.20$ ) were the main predictors of customer satisfaction in the Pakistani context. It was recommended that ZTBL should increase customer satisfaction by introducing such schemes, which mainly have these characteristics. To the best of our knowledge this study is one of the initial studies in the Pakistani context and has great significance for the Pakistani banking sector and livestock farmers. The managerial implications were also given.

**Key words:** Customer satisfaction, Banking sector, ZTBL, Livestock farmers, Service quality.

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### INTRODUCTION

Pakistan's agriculture sector plays a major role in the economy as it contributes almost 19.3% to GDP and engages 38.5 % of the labor force (GOP, 2020). Foreign exchange earnings are highly dependent on it and it accelerates growth in other segments of the economy too. On the other hand, the agriculture sector also fulfills the consumption needs of the country. For this particular reason, different Government and commercial banks are offering a variety of loaning schemes to fulfill the needs of the farmers and to accelerate their economic activities.

The offering of credits to farmers is considered as an integral component towards commercialization of the rural economy (Bashir and Azeem, 2008). Such facilities help farmers to utilize resources properly and increase output which ultimately help in securing food production (Olagunju, 2007). Indeed, the agricultural credit schemes act as a catalyst for the farmers in their farming operations/activities. The ZTBL (Zarai Taraqiati Bank Limited) contributes around 2/3<sup>rd</sup> of the agricultural credits offered in Pakistan (Chaudhry and Roomi, 2003). However, some other Government and non-Government sources are also working on offering loans to farmers but of limited use.

Agricultural credits are the bloodline of this less appreciated sector. These schemes also become a great source of modernization and commercialization of the

agricultural sector because the availability of more finances ensures speedy growth. It is claimed that adequate academic work has been done on the service quality related to the banking industry in general (e.g. Anthony, 2001, Bradshaw, 2001, Edvardsson, 1998). Likewise, Lassar *et al.* (2000) explored the theoretical and practical insights into the service quality model. However, it has been indicated by many studies (e.g. Chandio *et al.*, 2018, Memon *et al.*, 2016) that there is a dire need of exploring this aspect in banking sector and farmers community in Pakistan.

In developing economies like Pakistan, there is a major research gap in determining the service quality of the banking industry with special reference to agricultural context (Shahab *et al.*, 2018). This study has a unique contribution to the body of literature regarding the banking field. After an extensive review of the literature leading to the research gap in this area. Although, the literature shows various service quality dimensions in different service sectors and organizations but the measurement of the service quality concerning the loaning schemes offered by govt. banks; and their impact upon customer satisfaction is still unexplored in Pakistani banking industry context. This will be the main contribution to the banking service industry and towards the satisfaction of the borrowers about the agricultural context. This will also provide us with the view that what attributes of the service quality need improvement so that

end-users of the services can get the best out of these schemes. This will also provide information to the policymakers about what kinds of policies or schemes need to be made that will directly fulfill the needs of the farmers.

The objective of this paper was to empirically investigate the relationship between the perceived service quality related to loaning schemes and the satisfaction of the agricultural farmers in Pakistan. SERVQUAL model prescribed by Parasuraman *et al.* (1988) was used to find out the service quality by getting the score value of what the client is expecting of service and what the client perceives. This model is considered the most widely used model for measuring customer satisfaction in various contexts. Thus, the perceived service quality aspect of the service quality is worked out in this study to get the actual results of the perception in the minds of the farmers.

## MATERIALS AND METHODS

The data were collected from the clients of ZTBL who were availing any kind of loan from any of the schemes offered by the bank. There were in total 19,814 loan cases dealt by the bank for the year 2018 under different loaning schemes of ZTBL in selected

zones i.e., Lahore, Sheikhpura, and Faisalabad. These zones were selected on the basis that there were 15 to 20 branches showing extensive working going on in these zones. A convenient sampling, non-probability sampling technique was used. The branches of ZTBL were visited and the questionnaires were got filled from the walk-in clients who came to deposit their installments. To ensure generalizability, the sample was collected from three major cities of Panjab including Lahore, Sheikhpura, and Faisalabad. A total of 500 questionnaires were distributed and 200 were got filled and used for analysis (Hair *et al.*, 2010). For the operationalization of various constructs/variables, the following definitions were used (Table 1).

For the measurement of various constructs, the scale items were adopted and adapted from previously established measurement scales. For instance, a scale proposed by Parasuraman *et al.* (1988) was used for measuring the perceptions of service quality of farmers as it is being considered the most authentic and reliable scale. The SERVQUAL model consists of 22 items that are being distributed among five dimensions: Tangibles (four items), responsiveness (4 Items), reliability (5 Items), empathy (5 Items), and assurance (4 Items). All the scale items are given in table no.2 below.

**Table 1: Operationalization of Attributes of the Service Quality.**

Tangibility	The appearance of the ZTBL physical facilities, equipment, personnel and communication materials.
Reliability	Reliability means ZTBL's ability to perform a task dependably and accurately.
Responsiveness	ZTBL's willingness to help customers and provide prompt service.
Assurance	The knowledge and courtesy of the ZTBL's employees and their ability to convey
Empathy	The caring individual attention ZTBL provides to its customers

**Table no.2: Scale Items for measuring constructs.**

Codes	Customer Satisfaction
CS1	I am content with the services provided by the Bank
CS2	I am satisfied with the services provided by the bank
CS3	What I get from using the services meets what I expect from this type of service
	<b>Empathy</b>
Em1	ZTBL does not give you individual attention.
Em2	Employees of ZTBL do not give you personal attention.
Em3	Employees of ZTBL do not know what your needs are.
Em4	ZTBL does not have your best interests at heart.
Em5	ZTBL does not have operating hours convenient to all their customers.
	<b>Assurance</b>
A1	You can trust employees of ZTBL.
A2	You feel safe in your transactions with ZTBL's employees.

A3	Employees of ZTBL are polite.
A4	Employees get adequate support from ZTBL to do their jobs well.
	<b>Responsiveness</b>
Res1	ZTBL does not tell customers exactly when the services <u>will be performed</u> .
Res2	You do not receive prompt service from ZTBL's employees.
Res3	Employees in ZTBL are not always willing to help customers.
Res4	Employees of the ZTBL are too busy to respond to customer requests promptly.
	<b>Reliability</b>
R1	When ZTBL promises to do something by a certain time, it does so.
R2	When you have problems, ZTBL is sympathetic and reassuring.
R3	ZTBL is dependable.
R4	ZTBL provides its services at the time it promises to do so.
R4	ZTBL keeps its records accurately.
	<b>Tangibility</b>
T1	ZTBL has up-to-date equipment.
T2	ZTBL's physical features are visually appealing.
T3	ZTBL's employees are well dressed and appear neat.
T4	The appearance of the physical facilities of ZTBL is in keeping with the type of services provided

The five-point Likert scaling was used varying from “Strongly Disagree”, “Disagree”, “Neutral”, “Agree” and “Strongly Agree”. The statistical software including SPSS-22 and AMOS-22 were used for data analysis (Hair *et al.*, 2010). The statistical techniques included exploratory factor analysis (EFA) and structural

equation modeling (SEM). SEM is one of the most advanced technique which is used to work out the theoretical relationships for validation. The measurement model and structural model were formed and the loading values of the items were checked. The hypothesized theoretical model is given below as figure 1:

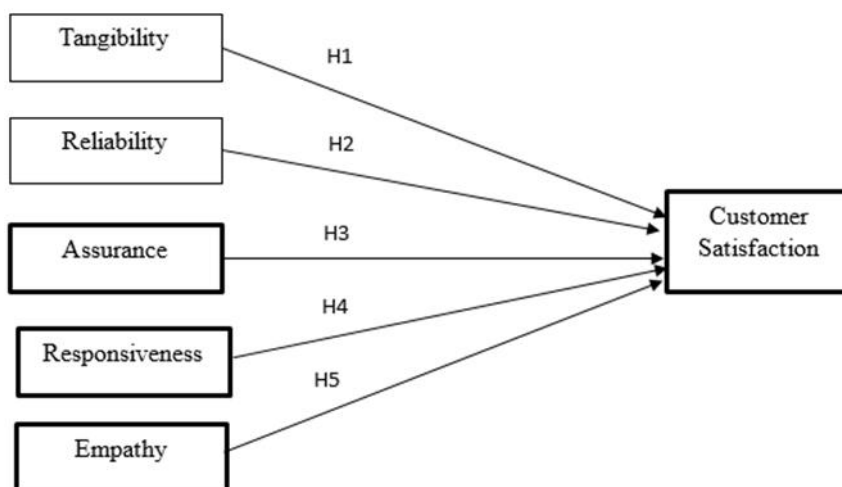


Fig. 1: Theoretical Model

## RESULTS AND DISCUSSION

**Reliability Analysis:** According to Nunnally (1978), the Cronbach alpha was assessed and it was found that this value for various constructs was; tangibles (0.895), responsiveness (0.781), reliability (0.764), assurance (0.843) and empathy (0.764). The value above 0.7 is considered reliable. All the values are above 0.7, which indicates that the data is reliable.

**Exploratory factor analysis (EFA)** was worked out to find the impact of the individual item of a particular variable. EFA was performed using SPSS-22 software. The rotated component matrix indicates the responses of

the items and their loading on a particular component showing that the items of the same variable are hitting on the same component. From the table, it can be seen that the items of tangibility, reliability, assurance, empathy, customer satisfaction and responsiveness, and are all responding to different components. The values of the individual variables are not overlapping which means that the items are not asking the same response from the respondents. The above table of the rotational component matrix also tells the loading values of the items and as it can be seen all the values are more than 0.7, which shows that, the item loading is satisfactory. All the values are given in table no. 3 below.

**Table no.3: Rotated Component Matrix.**

Rotated Component Matrix						
	1	2	3	4	5	6
Em3	0.97					
Em5	0.81					
Em1	0.77					
Em2	0.74					
Em4	0.62					
T1		0.87				
T2		0.87				
T3		0.85				
T4		0.85				
A1			0.92			
A4			0.91			
A3			0.87			
R2				0.81		
R3				0.81		
R1				0.78		
R5				0.52		
Res3					0.87	
Res2					0.81	
Res4					0.68	
Res1					0.64	
CS2						0.91
CS1						0.91
CS3						0.57

**Assessment of Measurement Model:** The measurement model was checked through AMOS-22 software applying the structural equation modeling where the loading of the items on each individual's variable was checked. The convergent and discriminant validities were found as required (Malhotra, 2008). The confirmatory factor analysis of the measurement model was done using AMOS-22.0. In the measurement model, all the variables were correlated and the loading values of items were checked. The values that do not have a loading value more than 0.7 or less are removed from the table and then the model is reviewed again to check the estimates and the values of the model fit. In the above measurement model, 2 items of reliability (R4 and R5), 1 item of

responsiveness (Res1), 1 item of assurance (A2), 2 items of empathy (Em2 and Em3) and 1 item of the customer satisfaction (CS3) were removed to get the more suited model for the study. CMIN/DF value should be less than 5 for a better-suited model. The above value of the CMIN/DF is 1.383 which falls under the required value for it. The value of the model fit NFI, RFI, IFI, TLI, and CFI are more than 0.9 each. At least the values of the comparative fit index and trucker lewis index should be more than 0.9 to be considered as a good model. For a good model, the value of RMSEA should be less 0.05 (Hair *et al.*, 2010). The RMSEA of the above-presented model is 0.044.

**Assessment of the Structural Model:** The structural model was worked out by calculating the beta weights ( $\beta$ ) between the dependent and independent variables. Structural equation modeling is applied to find the collective impact of one variable on the other. It also helps to dig out the hidden response of the variable. SEM is used to verify the theory and it is based on the covariance technique. SEM was applied through AMOS-22 software. The structural model of the study is shown in the above figure. It can be seen that the independent variable is correlated and then the impact upon the dependent variable is checked. The CMIN value of the structural model is 1.18, which is under 5 thus it is considered satisfactory for a good model fit. The values of all the baseline comparisons are almost 0.9 or above. The value of NFI is 0.897 and RFI is 0.878 which is a little below 0.9 but is acceptable (Hair *et al.*, 2010). Overall, the values are acceptable for analysis. The value of the Root Mean Square error is 0.03, which is less than 0.05. The value below 0.05 for RMSEA is considered good for analysis.

The project accessed the structural model through AMOS software using five constructs i.e. reliability, empathy, tangibility, assurance on customer satisfaction and responsiveness. The results showed that the impact of assurance and tangibility is significant on Customer satisfaction. The hypothesized structural model explains 54% of the variance of customer satisfaction in this study.

The results show that assurance has a positive significant impact on customer satisfaction. The beta value of 0.30 indicates that assurance is the major dimension in describing customer satisfaction concerning

perceived service quality. The results strongly support the previous results regarding the banking service industry (Munusamy *et al.*, 2010). Assurance is the management skill to convey confidence and trust by having complete knowledge regarding the products and services rendered. This means that the skills of the employees of the ZTBL and their knowledge towards the services of the loaning schemes affect positively the farmers.

Tangibility ( $\beta=0.2$ ) has a significant effect on customer satisfaction which supports other studies on service quality (Munusamy *et al.*, 2010). This shows that the right types of equipment used in providing the services related to the loaning schemes affect the satisfaction of agricultural farmers positively.

The reliability dimension of the perceived service quality does not have a significant impact on customer satisfaction. With the beta value of 0.06, reliability does not describe customer satisfaction and the hypothesis (H2) in this regard was rejected. This result is in line with other studies on service quality dimensions and assessments.

Responsiveness is a timely reaction to the customers' needs. It's beta value of 0.08 is not significant on customer satisfaction. This result also supports other studies (Munusamy *et al.*, 2010).

The validated model shows no significant positive relationship among empathy and customer satisfaction. These results are in line with other studies like Munusamy *et al.*, (2010). Empathy is the deliverance of the individualized attention to the customers. In the present case, it can be seen that individual attention does not affect the satisfaction of the farmers however, farmers are looking for assurance more than empathy.

**Table no.4: Results of Hypotheses Testing.**

Hypothesis	Statement	Result
H1	The tangibility of the loaning schemes offered by ZTBL positively affects the satisfaction of the agricultural farmers	Accepted
H2.	Reliability of the loaning schemes offered by ZTBL positively affects little satisfaction of the agricultural farmers	Rejected
H3	Assurance of the loaning schemes offered by ZTBL positively affects the satisfaction of the agricultural farmers	Accepted
H4	Responsiveness of the loaning schemes offered by ZTBL positively affects the satisfaction of the agricultural farmers	Rejected
H5	The empathy of the loaning schemes offered by ZTBL positively affects the satisfaction of the agricultural farmers	Rejected

This study model has empirically accessed the antecedents of customer satisfaction including

responsiveness, tangibility, assurance, empathy and reliability. The hypothesized relationships were found in the theoretical framework except reliability, responsiveness, and empathy. Thus, it is being demonstrated that tangibility and assurance have a significant positive impact on customer satisfaction.

**Contribution and implications:** This research study have multifarious kinds of contribution for managers as well as academics. Previously, the service quality of the service organizations was only being assessed in many service industries but not in the banking sector with particular emphasis on farmers. Thus, this study has filled this gap. Moreover, it was widely discussed in the banking industry but the SERVQUAL model had never been discussed in any Pakistani public sector bank. However, this study empirically studied it, which is the main contribution of this study to the body of literature. Another important aspect of the present study is to link the services provided by the bank with customer satisfaction. Previously most of the researchers have only found out the service quality of the organizations and did not study the link between it and customer satisfaction. However, this study has established this missing link too. Thus, this study has filled the research gap on one side and contributed towards banking literature on the other hand. Moreover, the results of this study also guide banking managers to make prudent changes in their offerings of the loans for achieving maximum satisfaction of their clients.

**Conclusion:** The present study concluded the dimensions of perceived service quality regarding loaning schemes offered by ZTBL as a public sector bank of Pakistan. It is concluded that the major antecedents of service quality significantly affect the customer satisfaction. However, it is different for different kinds of customers. For urban city customers, the perceived service quality results will be different from what is studied in this present study, most of the respondents are the farmers and their definition of the perceived service quality is different. The model indicates a significant impact of two attributes of service quality i.e., Tangibility and Assurance, which should be given more attention while offering services to the farmers. However, it was also concluded that the other three dimensions of service quality have less impact as far as customer satisfaction is concerned. Thus, more emphasis should be given on creating tangibility and assurance of loaning schemes and banking services for the farmers.

**Recommendations:** In the end, it is recommended that the loaning policies should be made by watching the interests of the farmers properly. The points resulted out of this study should be considered in the implementation of the current and newly drafted loaning policies in Pakistan. ZTBL needs to make some drastic

improvements in the deliverance of the services to the farmers, as its sole purpose is to provide assistance and help to the farmers to ensure their economic growth. Farmers oriented loaning schemes should be designed and launched so that maximum relief can be given to the farming community. This all will increase customer satisfaction of farmers who are availing the loaning schemes of ZTBL. This will also increase the agricultural produce of the country and will bring more foreign exchange for the country and increased GDP.

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