



ANKARA  
HACI BAYRAM VELİ ÜNİVERSİTESİ  
LİSANSÜSTÜ EĞİTİM ENSTİTÜSÜ

**MEASURING SERVICE QUALITY IN THE BANKING  
SECTOR: AN EMPIRICAL STUDY OF “DEMİR BANK”  
BRANCH BY USING SERVQUAL ANALYSIS**

**Diana KIM**

**Supervisor  
Assoc. Prof. Dr. Mesiha SAAT**

**MASTER THESIS  
GRADUATE SCHOOL OF SOCIAL SCIENCES  
PRODUCTION MANAGEMENT DEPARTMENT**

**SEPTEMBER - 2019**





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**ANKARA HACI BAYRAM VELİ UNIVERSITY  
GRADUATE SCHOOL FOR ANKARA HACI BAYRAM VELİ UNIVERSITY**

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.....  
Prof. Dr. Figen ZALF

Enstitü Müdürü

## ETHICAL STATEMENT

I prepared this dissertation in accordance with the dissertation rules of the Institute of Social Sciences at the University of Graduate School For Ankara Hacı Bayram Veli University. I received the data, information and documents presented in the thesis in the framework of academic and ethical rules provided all the information, documents, assessments and results in accordance with the rules of scientific ethics and ethics. I declare that the work presented in this thesis is original I declare that I accept all the loss of rights that may arise against me in the case of plagiarism.



Diana KIM

13/09/2019

BANKACILIK SEKTÖRÜNDE HİZMET KALİTESİNİN ÖLÇÜLMESİ:  
SERVQUAL ANALİZİ İLE “DEMİR BANK” ŞUBESİNDE BİR ALAN  
ARAŞTIRMASI.  
(Yüksek Lisans Tezi)

Diana KİM

ANKARA HACI BAYRAM VELİ ÜNİVERSİTESİ  
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**ÖZET**

Bu çalışma, özel bir Türk bankasının bir şubesinin servqual metodunu kullanarak hizmet kalitesini ölçmeyi amaçlamaktadır. Servqual, hizmet kalitesini niceliksel olarak ölçen bir yöntemdir. Amaç bu yöntemin geçerliğini olarak değil, bir uygulamasını yapmaktır. Ayrıca, bu çalışmada Demir Bankasının bir şubesinde hizmet kalitesini arttırmanın yollarını ele almaktadır. Araştırma problemine, kriterlere ve hizmet kalitesine dayanarak servqual yöntemi uygulandı. Bu çalışma Kırgızistan'ın Oş ilçesinde yapıldı. Yukarıda belirtilen bölgedeki 185 kişi basit rastgele örneklemeyle seçilmiştir. Bu katılımcılara yüz yüze görüşmeler yoluyla bir anket verilmektedir.

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MEASURING SERVICE QUALITY IN THE BANKING SECTOR: AN EMPIRICAL  
STUDY OF “DEMIR BANK” BRANCH BY USING SERVQUAL ANALYSIS.

(M.Sc. Thesis)

Diana KIM

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**ABSTRACT**

In the scope of this study; to measure the service quality of the branch of a private Turkish bank using the servqual method. Servqual is a method that quantitatively measures the quality of service. The aim is not to search the relevance of the Servqual method, but to use it in Kyrgyzstan as a part of a case study. Also, in this study, I will consider ways to improve the quality of services at one branch of the Demir Bank. This work is based on the quality problem, criteria, and quality of service. The servqual method was applied. This study was conducted in Osh, Kyrgyzstan. 185 people in the above-mentioned zone were selected through simple random sampling. These participants were given a questionnaire through face-to-face interviews.

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## LIST OF ABBREVIATIONS

<b>Abbreviations</b>	<b>Descriptions</b>
IPA	Importance-performance analysis
AHP	Analytic Hierarchy Process
BS	Banking service
SD	Standard deviation
SSC	Supplier Selection Criteria
VA	Value Analysis
CSR	Customer Service Representative
SPSS	Statistical Package for the Social Sciences
EOQC	European Organization for Quality Control
ASQC	American Commission for Quality Control

## 1. INTRODUCTION

The growing importance of the services sector in the economy has further increased the importance of the production and quality of services in the services sector. It is possible to obtain competitive power in a competitive market with high-quality product service. Methods and methods of quality control in accordance with the structure and characteristics of manufacturing enterprises have shown a tendency towards widespread use in service enterprises. However, it would be wrong to perceive quality management as a new concept or idea in the service industries.

Today, service companies compete with each other in a free market environment. Service banks and other organizations must produce quality services to meet customer expectations in order to provide a competitive advantage.

Banking enterprises are the most important regulator of financial markets. State and private banks offer a huge range of services, such as lending, leasing, custody of funds and the direction of funds in the field of investment. For these reasons, the banking sector is one of the most important service sectors.

All banks should set a goal to increase their share in the world market and to provide quality services in accordance with their growth plans. In services, quality is more concerned with the abstract system of relationships than with the quality of goods. This makes it difficult to measure the quality of service.

This study consists of three parts: the Servqual Model, developed by A. Parasuraman, V. Zeitham, and L. Berry. First chapters provide general information about the importance, definition, classification and banking services. Third and 4th parts explain the concept of quality, quality of service, models. Finally the last part is about case study. The data was collected using a survey method, and the measurement was performed using the Servqual model.

Using this model, the level of quality of services offered by banks was measured using Servqual analysis. The results were analyzed by some statistical methods.

**Thesis :** Quality Management and service quality in the banking sector. A Case Study: Measuring service quality of a “Demir Bank” branch by using the Servqual method.



**Aim of the study:** This study attempts to measure the service quality of the branch of a private Turkish bank using the servqual method. Servqual is a method that quantitatively measures the quality of service. The aim is to make an application of this method.

**Significance of the study:** Providing quality services in the bank is very important, which a person will receive services for a whole year. A well-functioning banking system significantly improves all levels of society and the entire life cycle of society. In this work, servqual, which should be described as a model for measuring the quality of service: reliability and reliability are considered accepted and the most commonly used method throughout the world. The use of these models for banking providers significantly improves the quality of the services they provide. In addition, the knowledge of the servqual method and the application of this methodology can compare with each other. In our country, which is trying to catch up with the level of assistance in the field of services, the introduction of quality measurement methods widely used in this work will promote reforms and improve the provision of services.

**Method:** The servqual method was applied. This study was conducted in Osh, Kyrgyzstan. 185 people in the above-mentioned zone were selected through simple random sampling. These participants were given a questionnaire through face-to-face interviews.

In the study, the specific calculations used in the servqual model were performed in the Excel program, and a number of statistical analyses were performed in the SPSS system.

## **2. SERVICE MANAGEMENT**

### **2.1. The Concept of Service**

Today, the quality of service is a critical factor in business success. According to research, quality service significantly increases the level of consumer spending and their desire to pay, which, in turn, affects the level of sales and profitability of companies. (Valarie A. Zeithaml, 1990:2)

The poor service leads to the loss of customers and market share of companies. The central role of services in the economy is a key behind service quality's rising prominence as an institutional and societal issue. Any services are an integral part of what is produced, consumed and exported in this country. Therefore, as clients, we are worried about the quality of goods and services.

The concept of service as a natural result of the joint life of people at each stage of everyday life is viewed differently. Services are directly or indirectly related to all issues related to people. From this point of view, services are integral to the functioning of everyday life, and almost all organizations are currently expressing their existence as a service to consumers. Therefore, each sector chooses itself as a service organization. It covers a wide range of activities, including a wide range of heterogeneous activities. For example, service, idea, entertainment, information. Also, the changes in customer appearance, social innovation, presence, nutrition, safety, etc. ( Uyguç, 1998: 8).

Concepts of service operation management should be generally applicable to all service organizations. Unfortunately, service organizations are quite heterogeneous, which makes generalization difficult. Organizations that change people are trying to directly change the attributes or behavior of their clients through the use of various modification and processing technologies. On the other hand, organizations engaged in processing people try to change their clients not by changing basic personal qualities, but by giving them public status and moving in new social conditions. They do so through the use of a classification-disposition system which may define the clients, for example, as "acceptable for admission," or "underachiever." Services are based on the principle that satisfied, prepared workers are more likely to satisfy customers, that is why is very important to encourage creative, rigorous recruiting processes to attract employees with the skills and attitudes to perform effectively; compelling corporate a vision that brings meaning to jobs and engages

employees in the work effort; preparing and empowering employees to perform their work well; and measuring results. (Berry L, Parasuraman A, 1992: 3).

Service - the acts of helping or doing work for someone. 'Millions are involved in voluntary service'.

Service - is a complex of services associated with the sale and operation of consumer products. The concept of customer-oriented service states: an enterprise increases the chances of achieving its goals if it "adjusts" its activities to a more efficient, in comparison with competitors, the satisfaction of needs, demands and expectations of a client.

Services - a variety of offers. We don't choose the same standard. Clients are a variety of services, causing vibrations. Consequently, there may be differences in the quality perception of consumers. It may not be satisfactory or unsatisfactory for another client. Service firms can use standard services through quality control services.

Consumer demand in quantitative terms provides the amount of consumption of goods and services, and in qualitative terms - the level of needs, demands, and expectations. Needs are a state of a person's internal environment, caused by disharmony or a lack of resources for life support and stability (homeostasis).

The internal environment of the individual strives for balance, harmonized distribution of life support systems, psychological and physiological comfort, as well as elements of consciousness.

Quality service is an indispensable condition for the market success of a product in a competitive market. Without service, the product loses its consumer value or part of it and is rejected by the client. Properly organized service ensures throughout the entire life cycle of a product, a constant readiness for normal consumption and efficiency.

The importance of service is due to the following reasons:

- Increased competition in increasingly saturated commodity markets;
- Creation and profiling of service centers;
- The increasing desire of clients to have the ability to solve problems that arise in the process of using the purchased product;
- The complication of the process of exploitation of the goods.

The main functions of the service as a marketing tool are:

1. Attracting clients.

2. Support and development of sales of goods.
3. Client information.

Service is a security system that allows the buyer (consumer) to choose for themselves the best way to purchase and consume a technically complex product, as well as to economically operate it for a reasonably determined period dictated by the interests of the consumer.

When we look at the numbers and types of service quality definitions: We would understand how difficult the definition of quality is. Definitions with different views on quality indicate the difficulty of having a single definition in each area. The client can feel and understand the quality from experience, or from the comparison. A low-quality manufactured car will leave the driver on the road. A low-quality pen will write for only a short time, or stop working even before the ink runs out.

As a result of technological and scientific developments, we have the opportunity to perform almost any kind of work in different fields and take part in the lives of other people. We have many tools to facilitate our daily life with the production of goods and services. Currently, services that we have not provided independently or have never existed in the past are provided to us by new enterprises. Until recently, only some places were provided with landlines. Some services in the past, developed by tools, materials, equipment, and machines, can be easily done by service when a situation arises.

However, some services are performed only by experts. Medical services, court services and entertainment services (such as theatre and cinema) are services produced by others. However, when the parts run out, some difficulties arise, and the methods used to manufacture the goods do not correspond to production services or are insufficient.

Service requirements require the adoption of business decisions related to planning, pricing, and marketing services. Using the understanding of service providers in the service has progressively been considered as a plan to gratify and keep customers (Lynn, 2004).

Another aspect is the non-standard services. The man going to a bank for the first time will accept the level of service that he receives because he has no previous knowledge and experience in the field of services offered by the bank. (Eser, 2007: 13).

Services cannot be distributed (their production and consumption are possible at the same time). The production and consumption of services usually occur in the same place. It is

necessary that the consumer is in place at the right time. The process of production and consumption does not begin until the consumer reaches the place. (Eser, 2007: 16).

## **2.2. Definition of Service**

Although the literature contains no definition of the services, the definition of services of some authors and organizations is as follows: Services — Movement, Processes, and Performance (Zeithaml et al, 2000: 2). Service workers not only have to implement good service to customers but also should encourage customers to purchase service. As a result, they should explore some of the public awareness competencies as a part of their sensitive intelligence competencies. (Gowing, 2001: 83–131).

This definition emphasizes the interaction between the services and the client. Specific elements are included in this interaction. It was a spiritual satisfaction (Palmer 2005: 16).

The first economists did not pay attention to service. They believed that services have no economic value. In the 19th century, economic services became clear when Alfred Marshall concluded that no one would ever have specific services without abstract services.

It is clear that service is provided in various forms. These definitions can be divided into four headers (Uyguç, 1998: 8).

1. Definitions describing or listing service.
2. Definitions indicating the characteristics of services.
3. Determination of the service pack or the total service concept.
4. Determination of defined employee.

## **2.3. The Importance of Services**

The importance of services in the economy increases every day. The share of services in the economy is much higher than in other sectors. In addition, the problem of employment is in danger. The growth of the services sector is mainly associated with economic, technological, sociological and demographic changes. The following points show the causes and results of the growth of the service sector.

At the present stage of transition to market relations in Kyrgyzstan, service begins to play an important role in the success of any commercial enterprise or bank. Increased

competition forces enterprises to make ever greater concessions to consumers in marketing their products and services. In addition, an objective factor in the increasing role of the service is that the effectiveness of advertising is reduced due to increasing costs and an advertising cramped media.

In addition, in conditions when banks do not differ much among themselves in terms of offers, prices, and environments providing better service than competitors is an effective way to differentiate retail offers. That is why an increasing number of enterprises resort to raising the level of service as a means that can effectively influence the success of any commercial enterprise.

Thus, the volume and quality of the service attracted for the sale of goods largely determine the success of the commercial enterprise in the market, contributing to an increase in sales.

1.	Vacations	The demand increases when a person has a lot of free time for travel agency services, accommodation, or courses for adults.
2.	Increased population	Increasing the labor force. Take care of the garden, clothes and home cleaning. Service increases in proportion to population growth.
3.	Increased life-standard.	Care services. Increased demand for the products. The complex products such as cars and computers.
4.	Mobility of resources.	Increased interest in leasing, not owning. Increased demand for car rental services.
5.	New products	Using new technologies (services) such as new mobile phones and computers, etc.
6.	Long life expectancy.	Health care. Medical-health services and care services at home.
7.	Increase in domestic services	Women are not only working in their own homes, but providing domestic services for others, such as cooking, house cleaning.

Source: Seyran, Deniz: Hizmet Kalitesi, Istanbul, 2004 s. 15. Cited from Cowell, Donald: The Marketing of Services, Oxford, 1998 , 4.

Table 2.1. Reasons for growth in the service sector.

## 2.4. Classification of Services

Companies usually offer different classes of services:

- 1) Economy class or Standard Usually a significant part of the staff - juniors, assistants, and administrators. Basic comfort is provided. Pricing is available for the prospective part of the population with average incomes.
- 2) VIP class. There are some types of additional services.
- 3) Elite class (exclusive, luxury). It helps with complex services, uses the latest expensive technologies and materials. The most experienced specialists of the company work in the Elite class. The cost of services is high. The provision of high-level services, like practice, in large companies gradually leads to various differences in the work of the company.

Differences between companies of different classes in the aspects of service assistance, while maintaining significant differences in payment for services, cause confusion among customers and also confuse staff.

Business experts rightly believe that the buyer, when making his choice, is always looking for answers to the following questions:

- Is the range of services (brands or goods) wide enough to satisfy existing needs, demands and expectations?
- Does the required service (product) have the desired characteristics?
- Is the price of the service (goods) acceptable?
- Does the seller try to help make a choice by disclosing the useful properties of the goods, the merits of the services?
- Is there a guarantee and is there a well-established system of warranty and post-warranty service?

Consumer-oriented external marketing is designed to promote positive and desirable images of the quality of services (goods) for the consumer.

The satisfaction of needs for real and potential consumers.

Identify, classify and, if possible, measure both actualized (conscious) and irrelevant customer needs.

Specify the characteristics of services (goods).

Predict customer demand for the future.

The quality of service increases demand, affecting the competitiveness of products. Sales services include pre-sale and after-sale services (warranty and maintenance). Pre-sales

service includes troubleshooting that may arise during the process of moving products, bringing them to working condition and testing. After-sales warranty service includes the free execution of work to ensure the uninterrupted use of products, including the buyer's training on how to use them. During the warranty period, service technicians monitor the operation of the product and perform routine maintenance. Post-warranty service includes scheduled preventive, consulting, maintenance and other types of repair.

As a result of scientific studies related to the service, it is possible to find a rich variety in the classification of services in a way similar to the variety of definitions. The following table summarizes the studies of the variety of services for categorizing services in a historical sequence.





JUDD (1964)	<ol style="list-style-type: none"> <li>1. Services related to leased goods.</li> <li>2. Services related to goods</li> <li>3. Services not related to goods.</li> </ol>
SHOSTACK (1977) SASHER (1978) and HILL (1977) THOMAS (1978)	<ol style="list-style-type: none"> <li>1. Services affecting people and individuals.</li> <li>2. Services in accordance with permanent and temporary effects.</li> <li>3. Physical effects - services that create mental effects.</li> <li>4. Personal and collective services.</li> </ol>
THOMAS (1978)	<ol style="list-style-type: none"> <li>a. Automated services (vehicle washing).</li> <li>b. Services followed by unqualified operators (cinema, theatre)</li> <li>a. Services that require unskilled labour (lawn care).</li> <li>b. Services that require skilled work (repair works).</li> <li>c. Services requiring professional labor (advocacy, dental)</li> </ol>
CHASE (1978)	<p>Services according to the need for customer contact in-service distribution</p> <ol style="list-style-type: none"> <li>1. Services requiring high contact (health, hotels, restaurants).</li> <li>2. Services requiring low contact (postal service). Human-based - equipment-based services.</li> <li>3. Services to meet personal-business needs.</li> <li>4. Public-private, non-profit services.</li> </ol>
LOVELOCK (1980)	<p>Basic demand characteristics:</p> <ol style="list-style-type: none"> <li>a) The purpose of service.</li> <li>b) Scope of personal service satisfaction</li> <li>c) Single service-service bundle</li> <li>d) Timing and benefit period Service delivery procedures <ol style="list-style-type: none"> <li>a) defined time-defined task functions</li> <li>b) the scope of the presence of consumers during service distribution.</li> </ol> </li> </ol>
TROXELL (1981)	<ol style="list-style-type: none"> <li>1. Frequency of service use.</li> <li>2. Service duration.</li> </ol> <p>CHASE AND AQUILANO (1981)</p> <ol style="list-style-type: none"> <li>1. Pure services</li> <li>2. Mixed services.</li> <li>3. Manufacturing-like services.</li> </ol>
SCHEMENNER (1990)	<ol style="list-style-type: none"> <li>1. Service factories.</li> <li>2. Service stores.</li> <li>3. Sincere service.</li> <li>4. Professional service.</li> </ol>

Uyguç Nermin (1998). Hizmet Sektöründe Kalite Yönetimi: Stratejik Bir Yaklaşım. İzmir. Dokuz Eylül Yayınları (1) 8.

Table 2.2. Classification of services.

## 2.5. The Differences Between Goods and Services

Product planning includes design, site selection, storage location, new product development and quality improvement. When creating two different product lines, it means maintaining the quality of goods at a high level, according to established standards. One of the main distinguishing features is that services do not require design or luggage storage.

For the same reason, it is impossible to measure product quality or service quality equally. For example, in the restaurant fresh products are brought every day, the quality of them can be determined by the form or tasted. As for the services, they require the time of receiving the order, the preparation or reheating of food, the client observes the process from the beginning to the end.

Goods - this is a material type of goods with physical characteristics, that is, shape, appearance, volume, size, weight, etc. Goods can be purchased for money.

Goods are sold everywhere (markets, bazaars, shops).

Example of goods: notebooks, pencils, drinks, telephones, etc.

Service is not a material type of goods. It cannot be touched but can be seen in the future (online shopping). The service is provided by the working staff to the client.

The following characteristics of services can be distinguished:

1. Intangibility - most services are intangible. They have no physical form, color or taste.
2. The service cannot be transported and stored in a warehouse.
3. It is difficult to have control and quality assurance.

Goods	Services
A physical commodity	A process of activity
Tangible	Intangible
Homogenous	Heterogeneous
Production and giving out are separations from their consumption	Production distribution and utilization are simultaneous processes.
Can be stored	Cannot be stored
Transfer is possible	Transfer is not possible

Source: <https://topdifferences.com/difference-between-goods-and-services/> sep/11, 2017.

Table 2.3. The differences between goods and services.

Meaning	Goods are the physical items that can be seen, touched or sense and are ready for sale to the customers.	Services are comfort, facilities, profit or help provided by other people.
Evaluation	Very easy and simple	Complicated
Return	Products can be returned	Services cannot be returned back once they are provided.
Separable	Goods can be separated from the seller	Services cannot be separated from the service provider.
Variability	Identical	Diversified
Storage	Goods can be stored for use in future or multiply use	Services cannot be stored

Deniz Seyran (2004). Hizmet İşletmelerinde Yeni bir Model Denemesi Bütüncül Kalite Modeli (Bankacılık Sektöründe Örnek Bir uygulama). Gazi Üniversitesi, Ankara, (1) 19.

Table 2.4. The differences between goods and services.

### **3. BANKING SERVICE**

#### **3.1. Banking Concept**

«Banks support the state in the same way as the rope supports the hanged man». Charles Louis Montesquieu.

It is very difficult to define all of the banking activities of the bank. Banking is a complex set of actions in different areas. In addition, we can say that it is a complex structure. The continuous and rapid change of economic and technological elements is one of the most important reasons for this difficulty.

Bank accepts deposits and intends to most effectively use these deposits in various types of credit transactions. The main subject of its activities is a commercial organization that is applying for a short-term or long-term loan.

Another bank definition: An economic unit that performs all activities, including cash, credit and capital issues.

#### **3.2. Banking Services**

The object of banking services is the capital. Actions are always aimed at the circulation of funds in various forms and qualities. The service refers to active and passive operations.

The banking services market is shaped by competitive offers from various organizations of the banking system and customer demand.

The purpose of the existence of the banks is to satisfy the need for services, including turnover, storage of money and lending.

Settlement operations include money transfers, debiting of funds, and maintenance of remote access systems. Cash services - receiving and issuing cash, accepting cash payments, exchanging money, and exchanging, unusable banknotes. Also to the settlement and cash services include the provision of extracts, the issuance of certificates, and the provision of reporting documents (Halil,1985:15)

The Bank of Kyrgyz Republic regulates the market by indirect participation and by issuing regulations. Commercial banks provide services to businesses and individuals. Credit institutions provide an incomplete choice of services. Therefore, they play a smaller role in the formation of the system.

1. Active credit operations, which include the issuance of loans to legal entities and individuals, other banks, a purchase with the purpose of receiving income or investing in securities, placing deposits with other banks, funds in reserve accounts with the Central Bank of the Kyrgyz Republic.

2. Passive credit operations of the bank consist of attracted deposits, deposits from legal entities and individuals, other banks, and loans received from the Central Bank of the Kyrgyz Republic.

Active credit operations are a financial and legal act of a transaction, executed by an agreement between a lender (bank) issuing a loan, and a debtor (legal or ordinary person) who receives it.

The asset and liability balance of a commercial bank are closely related to each other. Entering credit markets, buying and selling securities, providing clients with various services, banks constantly monitor the state of their liabilities, monitor availability of free resources, terms of demand for deposits, and cost of attracted capital. If the inflow of resources slows down, the bank is forced to revise its policy in the field of active operations, refuse from lucrative offers, repay part of loans issued, sell securities, etc.

The provision of banking services through direct distribution channels increases the importance of the selection of establishment location in banks. This necessitates the selection of places where people are busy and easily accessible. At the same time, because the production and consumption are realized in banking services, the attitudes and attitudes of the personnel providing the service can affect customer satisfaction in a positive or negative way.

Bank services; It consists of many activities such as remittance transactions, deposit transactions, loan financial leasing. These crowded activities are combined with the abstraction of banking services, making it a complex structure. This is another aspect of banking services.

The aim of the work was to study the characteristics of market segmentation in the services sector of a bank branch in the conditions of state banking practice. Comprehensive studies have In the conditions of market relations, banking assistance as a kind of activity is filled with economic characteristics been conducted on the activities of the Demir Bank branch (Bishkek) in 2017-2018.

The branch mainly addresses the owners of private entrepreneurship of working age, 71% of them have higher education. Among the services especially in demand - lending and account opening. Among girls and boys, 40% are students under the age of 25, 30% of clients are people over 35 years old. The growth trend of opening a private enterprise or business. The average annual visits to the branch increases, the largest of visits were made on opening an account, which accounts for half of all visits. The second half is evenly distributed between debiting, lending and mortgage profiles. The analysis of the segmentation of the banking services market in one of the branches of Demir made it possible to identify the factors contributing to the increase in the appealability of consumers of services to the bank, as well as its structural features.

There are also concrete elements such as bank wallet, deposit certificate, credit card, and banking services are also represented by these concrete elements.

One of the services provided by two staff in the same bank may satisfy you while the other may not. Even the services you receive from the same staff at different times of the day may differ. The main reason for this difference is that the services are human-oriented and different. As a result of this, banking services cannot be stored and offered to customers through direct distribution channels (branches).

### **3.3. Historical Development of Banking**

The history of banking began in the VII century BC in Babylon. The first banknotes (hudu) were convenient, which made their circulation on a par with gold.

The history of banking extends to primitive societies. But banking has reached the level of contemporary modern society as well. Banking services were distributed to farmers through loans. This is the first known example of government intervention and the bank's rules. Lombard Sarraf writes that, especially after the consolidation of 1290, the governments of Britain and France opened large loans. The bank was founded in 1649 when the Bank of England opened. In 1907, the infrastructure of a modern banking system was completed. Since the inception of banking, banking service (hereinafter - BS) have undergone changes, improved and been modified. The Bank interaction with the customer is a key indicator characterizing the state of development of BS. One of the most significant milestones in the development of BS entered into force with the onset of rapid

development information technology that has served the transformation of processes, methods, and forms (Urgancı, 1982 : 47-50).

It is known that in ancient Greece there were money changers - trapezits. They exchanged coins and accepted money for storage. Also, the first non-cash payments were made using initial and payroll funds in customer accounts. These were the first cash settlement services. In addition, ancient Greek temples provided loans from those savings.

Already in the II century BC, megacities such as Thebes, Hermonta, Memphis and Siena already existed in the so-called royal banks, where funds from tax collection and income from state-owned enterprises accumulated. Expenditures on public needs, such as the payment of salaries to soldiers, came from these funds.

In ancient Rome, miniseries (arsenals) were engaged in banking. They specialized in the exchange of coins, raising funds and issuing loans, and in money transfers between cities.

In the Middle Ages, the demand for banking services increased significantly: there were a lot of different coins in circulation that needed to be changed for trading. The word "bank" is in the name of the shop on which moneychangers were sitting. Banco in translation from Italian contains "bench", "shop". Banks are engaged not only in exchange but also in maintaining customer accounts, as well as in non-cash payments.

It is known that the Catholic Church opposed charging interest, so banking in the Middle Ages became the prerogative of mostly Jews. Pope Alexander III in 1179 at the Lateran Council declared that those who take interest should be deprived of the sacrament and Christian burial. Bankers were in France - under Henry III. Sometimes banks can be revenue for governments.

In the beginning, it was decided that in 1147 all the necessary tax functions would be created in Algeria and Tunisia. This existed until 1816 and, among other services, received deposits from private individuals. The first state bank was Vanko Della Piasa de Rialto, created by the decision of the Senate of the Republic of Venice in 1584.

In 1609, the Amsterdam Bank was opened. The bank established that such a concept as "banking florin" is a monetary unit, equal to a certain weight of pure silver, in which all accepted coins were transferred. The Englishman William Peterson, studying the activities of the Amsterdam Bank, made a discovery: the bank definitely needs real one hundred percent precious metal reserves to cover its own obligations. According to the Peterson project in 1694, the first issuing bank in the modern sense created in charge of issuing

paper money was created - the Bank of England. Its capital was placed in government securities (Pinar, 2008:172-173). Since my work is related to the bank of Kyrgyzstan, it is worth mentioning the banking name in this country.

The development of the banking system in Kyrgyzstan is inextricably linked with the development of the banking system, first in Russia, of which the Republic has been a part since 1863, and then the USSR. The banking system of Kyrgyzstan was an integral part of their banking systems.

In 1867, the first district ticket offices were opened: Tokmok, Issyk-Kul, and Osh.

March 24, 1907, In Pishpek, the first and only bank was established that served the mid-capitalist strata of the city - the Pishpek urban mutual credit company.

In the late 19th - early 20th century. savings banks were opened in Kyrgyzstan, often at the request of the local population. General turnover at the savings banks of the Osh county treasury for 1901-1908 increased from 192,000 rubles to 235,000 rubles. This data indicates the accumulation of cash savings among the representatives of the possessing classes of the resettlement and indigenous population of the region. For example, out of 1262 depositors of savings banks Pishpek and Przhevalsky counties with a total amount of deposits of 313,853 rubles, 32,435 rubles accounted for deposits of 74 "Muslims".

In 1911 a branch of the Azov-Don Commercial Bank was opened in Tokmok, which was associated with the introduction of the largest banking monopolies in the Republic's mining industry during this period.

By the end of 1914, there were 3,823 members in the credit associations of the Pishpek and Przhevalsky counties. The specific institutions of small loans in Kyrgyzstan were county loan offices, the so-called "Kyrgyz loan funds". According to their charter, small loans (10-50 rubles at 6% per annum) were issued for the development of farms and industries of the local population.

After the victory of the Soviet government, the internal policy of the government was based on some theoretical ideas about the possibility of directly introducing communism, where all elements of bourgeois exploitation, including tools such as money, should disappear. Despite the decline in the role of money, the government still attempted to regulate money circulation in the country. In July 1918. in the town of Pishpek, the Pishpek branch of the People's Bank was established, which had a double subordination to the Turkestan People's Bank and the regional Commissioner of Finance of the



Semirechensk region. In May 1919, the People's Bank (former State) was granted the right to issue banknotes within circulation, within the real needs of the economy.

### **3.4. Service Quality and Banking**

Banking services are not durable, the production and consumption of banking services are carried out simultaneously.

The status of banks is determined by the quality of services at the bank, they have directly continuous connections.

Banking services demonstrate a complicated installation. From the point of view of the buyer, customers can see the difference between quality services. Consequently, not all banking services can be combined into one group. In fact, banks are responsible for what they offer to their customers, their savings, secure trustee, personal and reliable control, allows estimating their abilities, the process should be accurately tied to the economic and managerial regulations. Customer satisfaction oversights have induced global and local banks rankings to guide the rankings for worst service quality (Genesys, 2013).

We took an example of a bank and credit organization. On the side, credit unions have generally gotten high marks for customer service. Dubroff also proves that banks often argue the non-profit status of credit integrations in an attempt to obscure the actual issues like customer service (Dubroff H, 1998:51).

There are many reasons for low service quality across industries. The reason could also be associated inability to gather or use collected knowledge. For example, in straight opposition to the consumer view, bank executives perceived themselves and their companies to be doing an excellent job. An example, Allred and Addams in 1999 were asking executive officers at the top 100 banks and credits unions about their customer service potency. The researchers found that bank executives gave themselves systematically higher marks than depository financial institution executives altogether surveyed areas of client service. This example clearly shows how companies shouldn't measure the quality of services. This apparent discrepancy of opinion creates questions on banking service information-gathering effectiveness.

### **3.5. Functions of Banks**

Banks engaged in the purchase of precious metals such as gold, silver and diamonds. - Currency exchange and effective foreign exchange transactions: banks make currency exchange or make efficient purchasing on behalf of their clients.

Foreign currencies, which are stored in the form of banknotes, are effective, checks, money orders, foreign currency accounts, and so on. To address these issues banks must become better at attracting and retaining top customers.

Industry publications from 1970 onward provide little evidence of banks having information systems capable of supporting the needs of marketing. At the same time, other companies or industries have had demonstrable success in developing effective marketing information systems (Blattberg et al., 1994), with Sainsburys and Tesco in the UK and companies such as in the USA being outstanding examples within the financial services industry. The apparent failure of most banks to successfully integrate marketing and information services suggests that bank managers are not effectively managing the interface between the two functional areas (Nelson, 1999).

However, it is also a fact that financial service providers are more and more closely associated with the rules than businesses in other areas. From bank capital to partnership conditions; they must strictly abide by the rules in almost all areas, from contractors to advertising content and applications. Identification of the characteristics of potential clients: a loan designated as a distinctive feature of financial institutions. To determine customer confidence, you can conduct technical checks on the projects or areas in which the loan will be used and examine the elements of collateral. Successful credit marketing must identify various potential customers as healthy. Domestic and outdoor changes are making different the basal nature of banking and bank strategies in many industrialized parts of the world (Berger et al.1995). Unfortunately, a lot of banks do not know how to deal with these changes.

#### **3.5.1. Types of the Banks**

Some banks add multiple areas (for example, a bank would possibly supply personal accounts, business accounts, and even facilitate giant enterprises to raise cash within the money markets).

Investment banks help businesses work in financial markets.

If a business needs to travel public or sell the debt to investors, they'll usually use associate investment bank.

Central banks manage the measure for a government.

Credit unions square measure kind of like banks, but they are not-for-profit organizations owned by their customers (most banks are owned by investors).

Credit unions supply merchandise and services a lot of or less just like most retail and industrial banks.

The main distinction is that banking company members share some characteristic in common (where they live, their occupation, or organizations they belong to, for example).

- Online banks operate only online-there are no physical branch locations available to visit with a teller or personal banker.

Many brick-and-mortar banks additionally supply online services, such as the ability to view accounts and pay bills online, but internet-only banks are different: they often offer competitive rates on savings accounts and they're particularly probably to supply free checking.

- Mutual banks are alike to credit unions because they are owned by customers instead of outside investors.

- Savings, loans are less prevalent than they used to be, but they are still important.

This type of bank was necessary for creating home possession thought, using deposits from customers to fund home loans.

The name savings and loan refers to the core activity they perform: take savings from one client and create loans to a different.

Foreign trade operations	Banks carry out foreign trade through trust operations for the provision of letters of credit, acceptances and credits.
Factoring and Forfaiting	Banks carry out financial operations and forfeiting operations and act as intermediaries for leasing operations.
Collection and payment of bills	The electricity, telephone, natural gas, water is supported by banks.
Deposit: banks provide safes boxes for their customers for a fee.	Safes boxes allow customers to protect their jewellery and valuables under a bank guarantee.
All types of payment and collection transactions, including the use of demand accounts.	Customers able to withdraw cash from their accounts on demand at the bank, as well as regular payment orders (rent, instalments, etc.) and automatic payment bills (electricity, gas, telephone, water, etc.).
Purchase and sale of money market instruments	Banks act as intermediaries in the sale of money market instruments.
Purchase and sale of precious metals and stones.	Banks are buying and selling precious metals such as gold, silver and diamonds.
Intermediary in trading in derivative financial instruments	Banks are trading in derivative financial instruments.
Credits	The bank acts as a borrower of money for mortgages, education, etc.
Investments	The bank acts as an Investor.
Phone and Internet	Banks provide telephone and internet to their customers
Foreign Currency Exchange	The bank acts as a changer of money etc.
Assurance	Banks is a collector of insurance payments
Brokerage for the purchase and sale of financial derivative instruments	Banks provide the purchase and sale of financial derivative instruments.
Portfolio management	Banks manage their portfolio by creating a portfolio of money and capital policy instruments for their customers.
ATMs Services	Banks provide round-the-clock services.
Overdraft	the bank provides overdraft facilities to its customers
Remittance of Funds	Banks help their clients in transferring funds from one country to another through cheques, drafts, etc.
Bank Guarantee	Clients are provided the facility of bank guarantee by modern banks.

Source: [www.demirbank.kg/](http://www.demirbank.kg/) 2017.

Table 3.1. Structural features of services



## 4. SERVICE QUALITY MANAGEMENT

### 4.1. The Concept of Quality

It is very difficult to talk about a meaningful unity of the concept of quality, which we often encounter in everyday life. Globalization of the world economy, innovation in technology and differences in judgments on social values have led to different interpretations as consumers and the appearance quality of the definitions in different forms.

In modern market conditions, the question of the quality of products and services offered to consumers is very acute.

The price of the product, recognized as the decisive factor that influences the choice of the consumer of the goods or services.

The term "quality" is not of a narrow profile. It is very significant and the term used in economics. Often we take the words "reliability", "strength", "durability" as synonymous with the term "quality", although they are its mandatory components (Parasuraman et al. , 1988:46-50). In 1986, the world created a terminology of quality in the global economy. Thus, the subsequent standardized definition of quality is the following: "Quality is the ability of an aggregate of its own characteristics of a product, system, or process, taking into account the requirements of consumers and other interested parties."

The most famous researcher, Quality Management Guru, is Edwards Deming.

The name "Exit from the crisis", Deming does not give a clear definition of quality. He said: "Quality is multidimensional, it is practically impossible to define it, can be only one consumer" (Deming, 1982:1-5).

No less well-known expert in the field of quality research is J.Juran, who in his approach made an attempt to combine two aspects of quality. He concluded that:

- Meets the requirements of consumers product;
- Quality is free from defects.( A. Blanton Godfrey, Ron S. Kenett , 2007)

Another recognized expert in the field of quality is F. Crosby. He held his opinions.

Consider the concept of another world-famous author and expert in the field studied by us Armand V. Feigenbaum.

It is based on the concept of integrated quality control.

- Quality is a common set of consumer, technical, technological and operational characteristics;
- Quality is dynamic because the requirements and expectations of consumers are changing.

The researcher in the field of quality is a Japanese scientist K. Ishikawa. He approaches the study of the concept of "quality" in terms of its subjective aspect. Giving a definition of quality, Ishikawa takes a closer look at aspects such as:

- Quality must be comprehensive. One cannot simply say that it possesses "high quality", which is necessary to concretize and pay attention to the quality of each criterion of the enterprise's activity.

The definition of "quality" is also constantly changing.

All the quality characteristics studied and listed should also be summarized, which are also the most important for understanding modern views on quality management:

- Quality is determined based on the desires and requirements of consumers. This aspect consists of a subjective character, which is the basis of the concept of integrated quality, which is also the core of the "new quality paradigm".
- Quality is multidimensional. It has several degrees of quality .
- Quality is a complex concept. This aspect shows how important quality is at all stages of the product life cycle and how much the attention of all employees to the quality of products is needed (Elke Löffler, 2013).
- Quality is individual. All consumers are unique in their choice of goods, they pay attention to its various characteristics and priorities.

The "complex" nature of quality, which is the continuous concentration of efforts by all employees of the organization to improve quality, is decisive, essential for understanding the essence of the TQM concept. (Hazım ,1999)

In the international arena, where tough competition prevails, quality is the most important aspect that determines the success of an organization or even a country. It is necessary to rethink the concept of "quality", reorienting the emphasis to a broader approach to this concept, which will be based on quality control within the functional department and on

the awareness of philosophy, which is embedded in the concept of quality. These questions are a kind of challenge for researchers and companies.

#### **4.2. Definition of Quality Concept**

It is very complicated and is difficult to see and can be easily distinguished from each other (Parasuraman, 1985: 41). This means that quality is a multi-dimensional relationship.

Quality - it is the client's needs.

Needs and expectations of customers are the most important factors in the modern production approach.

Quality is constant success.

The quality is not how to find the deficit produced raspberries, to complete it. Quality can be measured. (Pinar, 2002: 22).

Quality - a set of products or services which may be required (ISO 8402).

Quality from a marketing point of view is the difference between consumer expectations and perceptions. The main reason is that quality has a multi-dimensional structure.

Although this corresponds to quality standards in traditional thinking, today quality is becoming more dynamic. It also contributes to the continuous improvement of quality.

Total quality management includes three elements when it can be implemented. They can be defined as creating rational thinking in an enterprise, motivating employees to improve the quality of goods and services, and creating a company's cult of goods and services provided by an enterprise (Şimşek, 1996: 287).

Total Quality Management; Emphasizing the responsibility of top management in quality management, conducting training activities related to quality management at each level and in each area, ensuring continuous participation in quality improvement and ensuring the participation of all employees in quality development activities in quality control circles (Efil, 1996: 38 -39).

In this thesis, we will observe the concept of the quality of the package of services and the quality of service in the bank from the point of view of organizational and managerial aspects will be considered.



### **4.3. Historical Development of Quality**

After World War I, the system became more complex than in the past, and the quality control function was performed by experts in this field. As a result of these developments, quality control processes were replaced by an independent unit as an independent unit, resulting from the use of materials in large quantities and regular quality. The “Statistical Quality Control” stage has been reached, which is actually a more efficient development of the previous stage, which is carried out using methods such as sampling plans and control charts (Tekin, 2004: 2-3).

Dr. Kaoru Ishikawa, one of Japan’s most important names in terms of quality, began conducting joint courses on quality control, then Western scholars were invited to give lectures. Dr. Deming also trained Japanese managers in the quality of these conferences. For the first time, Feigenbaum introduced the concept of total quality control. According to Feigenbaum, total quality control is defined as “an effective system that combines the efforts of an organization to improve quality, quality and quality to implement production and service at the most economical level, taking into account customer satisfaction.” Total quality control; it requires the participation of all departments, including marketing, design, education, control, and delivery (Ishikawa, 1997: 92) .

The development of technology and the complexity of the production process necessitated the creation of a coordination mechanism and feedback between inspectors and decision makers. As a result, the approach and the stage of overall quality management were implemented. Thus, quality control has been developed from the design stage to quality management by monitoring the intermediate input data, the process in progress and the final stages. V. Edward Deming, Joseph Juran and Philip Crosby, known as thinkers of modern quality philosophy, laid the foundations of the concept of "Total Quality Management" and ensured the adoption of total quality management with the participation of Armand V. Feigenbaum and Kaoru Ishikawa (Tekin, 2004: 3). When we look at the development of quality in the historical process, it seems that quality has reached 4 levels at the present level. These are inspection, statistical quality control, quality of assurance control and overall quality management.

#### **4.4. The Concept of Service Quality**

Service quality has become a vital tool in the service industry.

According to Allred and Addams (2000), service quality is a significant issue in the service sector, and more importantly, for financial service providers, who have trouble demonstrating to their clients the differentiation by products alone. Banks are interested in the concept of service quality, which has an advantageous effect on outcome performance for the financial organization. (Caruana, 2002).

The growing importance of the services sector in the economy has further increased the importance of the production and quality of services in the services sector.

Methods of quality control in accordance with the structure and characteristics of enterprises showed a dynamic towards widespread use in banks and in-service enterprises. However, it would be wrong to perceive quality management as a new concept or idea in the service sector.

In 1940, it became known that some quality control methods used by service providers, such as Deming, Ballou, Rosander, Halbert, and Jones, were used in service companies in subsequent years. However, quality management applications in service enterprises have not been widely accepted by managers, as in the manufacturing sector.

The main reason for this is that the methods and methods of quality control were developed in accordance with the characteristics and structures of industrial enterprises and, thus, did not provide the desired efficiency and effectiveness in the service sector enterprises (Gözlü, 1994: 31).

Since the process and results are concrete when it becomes property, it is easier to make qualitative definitions. When we consider services; Quality of service can usually be defined as a result obtained by comparing the expectations of our clients to receive the service and performance of the delivery system (Saat, 1995: 28). Quality of service is the ability of an enterprise to meet or exceed customer expectations, and quality perceived by a customer is important for the quality of service. Thus, it can be said that the quality of service is perceived by the client or the level of satisfaction with the services. Quality of service is the result of comparing customer expectations and service efficiency. This productivity is usually measured in accordance with the standards set by competitors, and the price is balanced for value creation. It depends on verifiable factors, such as

management decisions. In addition, the behavior of other customers in the service delivery system, weather conditions, performance and the influence of competitors, traffic jams and so on. Uncontrolled factors also affect the level of performance of the service delivery system (Saat, 1995: 28).

Lehtinen and Lehtinen in 1982 presented a 3 - dimensional point of view quality of service, which included “interaction”, “physical” and “corporate” different dimensions. At the first level, and, basically, from a client's point of view, quality is perceived as 2 - dimensional, consisting of functional and technical qualities (Caruana, 2002).

The model suggested by Gronroos emphasized the function of process quality and product quality, which occurs before the quality of the result and leads to it. In this model, quality refers to the solution transferred to the client by an expert. Functional quality was associated with the results of the development delivered to the clients. This concerned both behavioral and psychological aspects that encompass convenience for the supplier, how the service staff performs their duties, their communication and how the service was completed. As a result, according to Gronroos, although service of quality could often be assessed independently, the process of quality assessment was exactly a complex process (Caruana, 2002).

#### 4.5. Service Quality Dimensions

AUTHOR / AUTHORS	RECOMMENDED DIMENSIONS
SASSER, OLSEN, WYCKOF (1978)	<ul style="list-style-type: none"> <li>a. The quality of materials used in production.</li> <li>b. equipment technical facilities</li> <li>c. Attitudes and behaviors of staff</li> </ul>
LEHTINEN (1983)	<ul style="list-style-type: none"> <li>1. Three-dimensional approach               <ul style="list-style-type: none"> <li>a) Physical quality</li> <li>b) Interaction quality</li> <li>c) Company quality</li> </ul> </li> <li>2. Two-dimensional approach               <ul style="list-style-type: none"> <li>a) Process quality</li> <li>b) Output quality</li> </ul> </li> </ul>
GRÖNROOS (1983)	<ul style="list-style-type: none"> <li>a. Technical quality</li> <li>b. Functional quality</li> <li>c. Company image</li> </ul>
BERRY, ZEITHAML AND PARASURAMAN	<ul style="list-style-type: none"> <li>a) Output quality</li> <li>b) Process quality</li> </ul> <p>According to another approach: Quality at the level at which the service is provided</p>
PARASURAMAN ZEITHAML and BERRY (1985)	<ul style="list-style-type: none"> <li>a) Trustworthy</li> <li>b) Challenge</li> <li>c) Ability</li> <li>d) Accessibility</li> <li>e) Courtesy</li> <li>f) Communications</li> <li>g) Improvement</li> <li>h) Security</li> <li>i) Getting to know / understanding the customer</li> <li>j) Property values (Service environment)</li> </ul>
NORMANN (1988)	<ul style="list-style-type: none"> <li>a) Features of the Service Pack</li> <li>b) Variable (hard) properties</li> <li>c) Constant properties)</li> </ul>

Source: Seyran, Deniz: **Hizmet Kalitesi**, Istanbul, 2004:2-6. Cited from Cowell, Donald: **The Marketing of Services**, Oxford, 1998:4-21.

Table 4.1. Dimensions of quality of service

#### **4.6. Servqual Model**

Service organizations often use the servqual method to measure service quality.

Parasuraman and his colleagues conducted detailed conversations and discussions with company executives to find answers to these questions, and four categories of services were selected for the study: credit cards, banking, brokerage and repair services, as well as group and detailed interviews with consumers for each of four categories of services.

As a result of these detailed conversations, they obtained important information about determining service quality for customers, factors that influencing to service expectations and measuring service quality, and they defined the quality of service as a slight difference between the expectations of customers' desires (Parasuraman et al., 1985; 43).

One of the data is to identify four major factors that influence customer expectations. Verbal communication: expectations of the quality of customer service directly affect the recommendations of customers who have used this service.

Personal needs: the personal needs of customers are the main factor influencing customer expectations.

Past experience: customer expectations – an another factor affecting past experience is that the person who receives the service may have lower or higher expectations than the one who does not.

Impact directly or indirectly to customers. Advertisements published in print and visual media, brochures, etc., as external communication elements influence customer expectations.

In-depth interviews with managers services were based on a discussion ten of assumptions conducted with consumers as a result of these studies that determine the quality of service (Parasuraman et al, 1985: 47).

These dimensions can be sorted (Uyguç, 1998: 39).

Dimensions of servqual model. Ten components that Parasuraman et al. (1985) established as the requirements for consumer satisfaction follows:

- a. Tangibles. The appearance of physical objects, facilities, personnel, and communications substances.
- b. Reliability. Potential to perform the promised service reliably and accurately.

- c. Responsiveness. Willingness to serve customers and give prompt service.
- d. Competence. Possession of the required skill and information to perform the service.
- e. Courtesy. Politeness, honour, attention, and amiability of the contact personnel.
- f. Credibility. Trustworthiness, believability, and trueness of the service provider.
- g. Security. Liberty from the hazard, risk, or doubt.
- h. Access. Accessibility and ease of contact.
- i. Communication. Keeping customers aware in a clear language they will be able to understand and listen.
- j. Empathy. Making the exertion to know the customers and their expectations (Parasuraman et al., 1985).

The gap between the customers' sensing of the service received and the expectation of service effected (Zalatar, 2012).

The detection elements were left in their original condition (Lee & Lee & You, 2000; 218).

$Q = P - E$ .

Service quality (Q).

Quality of service perceived (P).

Expected service (E).

The Servqual, varying from -6 to +6 for each sentence of a question, with a difference in points assigned to the elements of expectation and elements of perception on a 7-point scale for each element of the question. (Parasuraman et al., 1990: 176).

In studies, 97 pre-determined elements were reduced to 34, and then 22 using various statistical analyzes to the collected data. 10 qualitative measurements were also reduced to 5 due to the similarity. The dimensions of material values, reliability and enthusiasm were preserved, and the measurements of talent, politeness, trust and security were combined and discussed within the framework of the dimension - trust. The dimensions of accessibility, communication and customer understanding are also included in the Empathy dimension. As a result, 5 qualitative measurements were formed. The SERVQUAL includes 22- items, the instrument consisted of five dimensions - tangibles that includes (4 items), reliability has (5items), responsiveness includes (4 items), assurance includes (4 items), and empathy involves (5 items). (Parasuraman et al., 1988 : 17).

In the proper way to determine service quality Q, Parasuraman (1988) proposed that the expectation points of the client E should be subtracted from their perception P points  $Q = P - E$ . The upper the positive point Q the superior the service quality, and the lowest or negative point indicates inferior service quality. The gap that is probably to occur between clients' expectations and perceptions of service is not only a measure of service quality but also an indicator of customer contentment and discontentment. Parasuraman (1988) stated that the servqual as a tool could be put to use in various services without adaptation because the servqual has high security and workability.

The psychometric properties of the Servqual have been investigated in different studies. The evidence provided various verifications for the workability and security of this tool (Jabnoun, Hassan, and Tamimi, 2003). The reliabilities and factor structures investigated that the 22-questions of servqual had sound and stable properties when it was at first used in the original study (Parasuraman et al. , 1988)

Dimension/Question Area		
Tangibles	1	Modern equipment
	2	Physical facilities are visually appealing
	3	Staff should be well dressed / neat
	4	The appearance of physical objects in accordance with the type of service sector
Reliability	5	The bank sets deadlines for response
	6	The firm is The bank is responsive and sympathetic, when a client has problems
	7	They are reliable
	8	They provide their services in the promised time
	9	They keep accurate records
Responsiveness	10	They should not be expected to accurately report when the service will be rendered, <i>negative</i>
	11	Do not expect quick service from employees, <i>negative</i>
	12	Employees do not all the time have to be willing to help customers, <i>negative</i>
	13	You can be too busy to quickly respond to customer requests, <i>negative</i>
Assurance	14	Employees should be trustworthy
	15	Customers should sense safe when transacting with employees
	16	Employees should be polite
	17	Employees should get supports from the firm to do their service well
Empathy	18	We should not expect that banks will give each client individual attention , <i>negative</i>
	19	We should not expect employees to give each client individual attention, <i>negative</i>
	20	It is unreal to expect employees to fully understand the expectations of the customers, <i>negative</i>
	21	It is unreasonable to wait employees to have the best interests of the customer at heart, <i>negative</i>
	22	Firms do not have to work in hours that are convenient for all customers, <i>negative</i>

<https://www.marketingstudyguide.com/servquals-22-questions/>

Table 4.2. Servqual dimensions



In the servqual model, the margin estimate, namely the servqual score, is calculated by taking the difference between the expected service and the estimate given for the service detected when evaluating the quality of service. If N clients are included in a Servqual survey, the average servqual score for each measurement is calculated in two stages (Parasuraman et al., 1990; 176).

- 1) Servqual points for measurements are added for each customer and are divided by the number of sentences that make up the measurements.
- 2) For N clients, the points obtained in the first stage are summed up and divided by the number of clients N.

The average servqual scores are obtained by dividing the servqual scores calculated for each dimension by the total number of dimensions. However, the estimates obtained were the unconditional result of servqual. This is due to the fact that the relative importance that each customer attaches to measurements is not taken into account in the calculation. The calculation of the weighted servqual estimate occurs in four steps.

- 1) Calculate the average servqual score for each of the five dimensions for each client,
- 2) Servqual score for each client is multiplied by the weight of importance assigned by this client for each dimension,
- 3) Weighted by the sum of 5 measurements for each client total points are summed up,
- 4) N client points obtained in the third stage are summarized and divided by N number of the clients.

$$SQ = P - E,$$

where SQ - the company's level of service, or the value of Gaps.

Customer satisfaction disregard has caused world bank rankings to lead the rotations for the worst quality of service (Genesys, 2013). Grinam-Nicholson (2012) also determine these problems of the service quality and poor client service management, stating that Kyrgyz banking representatives had a lot of opportunities for customer satisfaction improvement. In 2003, López-Alarcón analyzed the satisfaction of customer dimensions in Florida and found that Florida banks hewed to ten dimensions of service quality. Zalatar (2012) and LópezAlarcón (2003) advanced further studies in different regions of the country. An overall review of the present resources indicated an increased in clients' complaints and lowered client partnership management (Wu, 2013). I found that clients switched service or becoming okay with the decreased level of service Sengupta, Balaji,

and Krishnan (2015), and there is a disparity between clients' proposed and perceived service (Hussain, Nasser, & Hussain, 2015).

This study was conducted in several stages:

1. Conducting a survey.

The each client was asked to fill out questionnaires. If difficulties arise in filling in, misunderstanding a question or other issues, assistance was provided.

2. Collect data in a pivot table and calculate results using Microsoft Office Excel.

3. Analysis of the data obtained and their presentation in an understandable form, in the form of diagrams and tables.

The indicator of service quality is calculated according to the formula:

$$SQ = P - E,$$

where: Q (quality) - quality indicator;

P (perception) - perception;

E (expectation) - waiting.

If the quality indicator Q is zero, then the customer's expectations coincide with the perceived actual quality. With a larger value of expectation E, the quality indicator Q will be negative. With a greater value of perception P - positive. Zero and positive indicators of quality factors Q are considered successful. Indicators close to zero are satisfactory. Negative indicators are unsatisfactory.

According to the servqual method, the quality factor is an absolute value. However, along with the absolute statistical values, in economic-statistical analysis, relative values are of great importance. The main condition for calculating the relative value is the comparability of the compared indicators and the presence of real links between the studied phenomena. The value with which the comparison is made (denominator of a fraction) is usually called the base of comparison or base.

The calculation of the quality factor relative to the ideal:

Denote the quality factor in relation to the ideal as Q2. For the ideal, we take the maximum possible value of expectations, which is five in the servqual model. Then:

$$Q2 = ((5 - P) / 5) \times 100$$

where: Q2 - quality factor relative to the ideal;

5 - ideal, maximum estimate of consumer expectations.

This ratio shows the ratio of perceived by consumers of the quality of banking services to the maximum expectations and gives more opportunities to compare the quality of services provided by different banks. The lower the score, the higher the quality level.

#### **4.7. Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1988)**

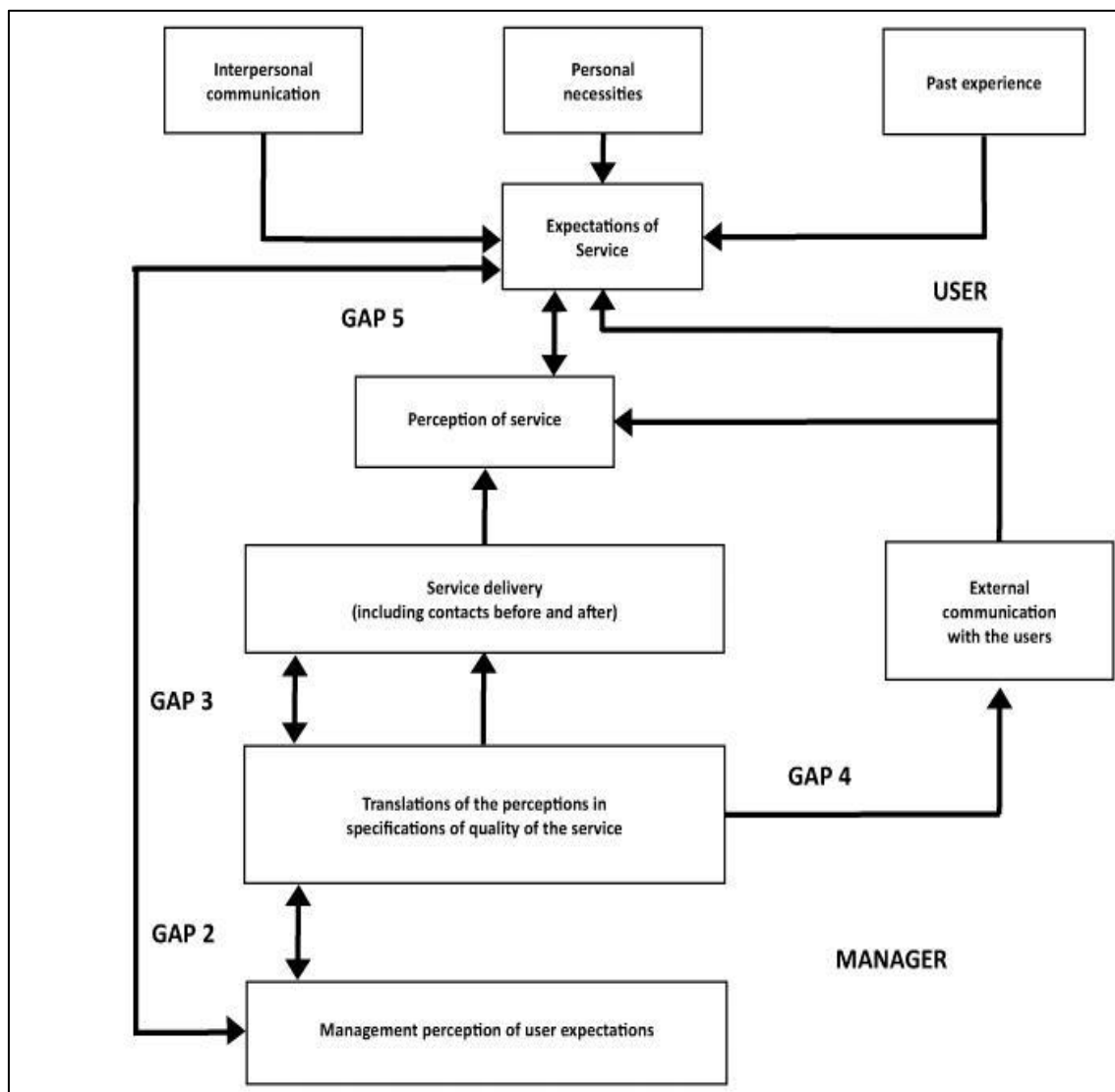
“The model developed to ensure the quality of service is Parasuraman, Zeithaml and Berry. This is a conceptual model, which the authors called first “Quality of Service Model” (1985) and then “Model of Quality of Service (1996, 2001)

It is based on the comparison of the perceived service with the perception of the service by the client. In this model developed by Parasuraman, Zeithaml and Berry, the term “perceived quality of service” is used instead of the quality of service. Expectations are expressed by the wishes or desires of the client regarding the service.

The model has two main sections, two sections :

- 1-Perceived service is formed by consumers after assessing the actual state of the service.
- 2-Customer expectations, their translation into quality specifications, the provision of services and indirect communication. (Parasuraman et al., 1985: 46).

Reducing the gaps refers to reducing customer loyalty to the service. This is a high quality of growth, and satisfaction is a decrease in satisfaction and service from the authors; a bank, a business of credit cards, a business for the repair and maintenance of household goods, and a long-distance telephone company that conducts long-term interviews with managers and focus groups have been identified as a result of interviews (Parasuraman et al, 1985: 43).



Parasuraman, A., Zeithaml, V. Ve Berry, L.L (1985). *A Conceptual Model of Service Quality and Its Implications for Future Research*, Journal of Marketing , pp.41-50.

Figure 4.1. Gaps.

The gaps shown in the model are as follows:

Gap 1:

Gap between the perception of customer expectations from management and the service expected by the customer. This gap arises from the fact that the management knows exactly what the expectations of customers.

Gap 2:

The gap between the perception of managing customer expectations and the conversion of service quality specifications. This gap is due to the inability to choose the right design and service standards.

Gap 3:

The gap between quality specifications and service provision. This is due to the fact that the service does not meet the quality requirements.

Gap 4:

Occurs between the delivery of services and external communication with customers and is the result of the inability to deliver the service.

Gap 5:

The gap between the expected service and the detected service. This gap basically indicates whether the service is quality or not.

The reasons for 5 gaps are:

Gap 1:

Inadequate marketing

Research, not focused on quality of service, Insufficient use of marketing research. The lack of interaction between clients and management, lack of communication between staff and management in contact with the client,

There are too many levels between staff and senior management in contact with the client.

Lack of market segmentation,

Commitment to business transactions, not relationships, targeting new customers, not loyal customers.

Gap 2:

The lack of standards for mobilizing clients

The lack of service standards for customer mobilization,

The Lack of customer-driven process management,

The absence of formal processes for the formation of goals of quality of service.

Inadequate maintenance management;

Inability to realize perception,

Inadequate promises of top management.

The unsystematic nature of the process of developing new services, Uncertain, indefinite design of services,

Inability to implement service design.

Insufficient message thread and differences. (Zeithaml V.A and M.J. Bitner, 1996: 49-58)

Gap 3:

Errors in personnel policy;

Ineffective procurement,

Role ambiguity and role conflicts, Inconsistency of technology to employees,

Inadequate development and compensation systems,

Inability to eliminate fluctuations in demand,

Inappropriate customer mix,

Lack of demand-price flexibility, top management.

Failure of customers to fulfil their duties;

The laundering of information about the role and expectations of customers, nor customers | owner negatively affects other customers.

Gap 4:

Inefficiency standards in managing customer expectations;

Inability to succeed in managing customer expectations through the use of all forms of communication, Extreme Promises in advertising,

Extreme promises of sales staff,

Extreme promises on physical evidence.

Inadequate horizontal communication;

Inadequate communication between sales staff and employees, Inadequate communication between advertisers and employees,

Differences in policies and procedures of branches and divisions.

Gap 5

Results from the combination of Gaps 1 to 4.

Gap 5- is the total accumulation of variation in Gaps 1 through 4 and represents the difference between expectations and perceived service.

Furthermore, consumers evaluate perceived service along five quality dimensions.

What is promised – difference between Expectations and Perceived service- What is delivered (Parasuraman, A.,Zeithaml, V. Ve Berry,1985:41-50).

#### **4.8. Quality in Bank Operations**

One of the most important features of service in banks is customer participation in the production of services. (Takan, 2000: 77).

When assessing the quality of customer service, production process and the results obtained at the end of the process should be taken into account. (Uyguc, 1993: 17, Takan, 2000: 77).

Three aspects of the quality of service in banks are as follows:

1. The impact of the technical quality received by the customer for service can be measured by a fairly objective customer.
2. Functional quality is self-realization of how the service will be provided. This is due to the psychological interaction between the client and the staff and can be recognized in many subjective ways.
3. Overall Image: Quality measurement is the result of how customers perceive the bank, and it can be expected that its services will improve technical and functional quality and, ultimately, will affect the understanding of the service. The ten quality of service parameters defined by Parasuraman, Zeithaml and Berry (1985) also include banking services (Lewis, 1989:7, Takan, 2000:77).

The adaptation of ten dimensions to banking services is given below (Şekerkeya, 1997: 35-37).

Reliability: stable work, proper maintenance of the company for the first time, the honour of the promises of the company. Billing accuracy. Accurate storage of records.

Enthusiasm: the willingness of staff to perform the service, the service is done. Payment of time/postage without delay to quickly respond to customer calls, to provide fast service

Ability: Knowledge and ability to provide services. Knowledge and ability of staff to

communicate with the client. Knowledge and skills of the assistant staff in the activities, the research potential of the company.

Accessibility: Ease of access and contacts. Easy access to the service by phone. Duration: Choosing the right time for the activity, Choosing the right place for the service activity, Politeness: Politeness, respect, reputation and friendliness of the contact staff. Pay attention to customer ownership. The appearance of staff in contact with the public. Contact: In a language that the client will listen to and understand. Informing them Simple and planned conversation, taking into account the characteristics of different clients. Explanation of services, explanation of the cost of services, ensuring the solution of the client's problem: honesty, reliability, honour. Name of company/company, personal characteristics of contact personnel.

Safety: means an environment free from danger, risk and doubt.

Physical security (does ATM take money?),

Financial security (does my broker know where my stock is?),

Personal. try to understand the client's needs to recognize/understand the client: show find out about the specific needs of the client. Show individual (personalized) attention, find out regular customers.

Material values: physical elements of service. Physical activity personnel appearance, Tools and equipment used in the production of services Plastic credit cards (for example, chequebook, physical identifiers of service icons), Other customers receiving services or waiting to receive.

#### **4.9. Quality Elements in Banks**

Quality is imperative: one of the elements for reaching the global level is an efficient and productive way of working, which results in processes and procedures being controlled. (Yurtçu, 1996: 534). Permanent participation at all levels. First of all, it is an attempt to activate the energy of employees and fully utilize the human potential with the participation of all the elements of quality. Through teamwork in a quality system, successful results can be obtained, especially in research on quality improvement strategies (Yurtçu, 1996: 534). One of the most important elements of quality is continuous improvement.



Quality elements in banks; customer satisfaction, the need for quality, continued participation at all levels, teamwork, continuous improvement and prevention (Takan, 2001: 36-37). Customer Satisfaction. Efforts to understand customer service understanding and its relationship to integrated quality management (TQM) result in some banks changing and redefining organizations, making them more responsive, and in some cases programs and services provide more options for customer wishes and desires. increases for. Determining what you need means an organization in accordance with customer requests. Banks often try to understand the wishes and desires of customers by conducting surveys for internal and external customers to do this. Quality is imperative: one of the elements to achieve the global level is efficient and productive order of work, as a result, which processes and procedures are under control. (Yurtçu, 1996: 534). Continuous participation at all levels. First of all, it is an attempt to activate the energy of employees and fully use human potential with the participation of all elements of quality. Through teamwork in a quality system, successful results can be obtained, especially in research on quality improvement strategies (Yurtçu, 1996: 534).

The service process in a bank is a stage of service rendering, manifested indirect (or indirectly through technical means) contact of bank staff with a client, the main idea of which is to satisfy consumer needs by providing him with banking services by performing one or a set of sequential operations and using The latest technology. Since the purpose of any commercial organization, including a bank, is to make a profit, the process of customer service is the main business process of any bank, since its functioning and successful development will depend on the results of customer service.

The level of complexity and duration of the servicing processes by time and the composition of the sequential servicing, which relate to a particular type of service, are proportional to the nature of the service object, which can be either cash (securities) of a client or a bank, or information ( in the case of consulting services).

For each bank, the process of customer service has an individual character, taking into account the specifics of its activities and development strategy. Nevertheless, it is possible to distinguish various features inherent to specific and credit service organizations.

1. Time. A client may receive a service at a credit company for a long period of time, however, his relationship with his service organization may consist in personal contacts with staff (for example, when signing a service renewal agreement) and in using bank technical equipment (ATMs, cash points).

2. The constant need to stay in a credit company at the time of banking operations disappears. The consumer must be in the bank at the time of the conclusion of an agreement, but the provision of certain services does not end when the client leaves the credit organization. Bank staff continues to work to meet customer demand without his personal presence at the bank. An example of this is the accrual of interest on a deposit or loan, as well as the maintenance of a personal or current account, payroll projects.

3. In some circumstances, the client, at the bank, is denied the provision of a service (for example, upon receiving a loan). The service process is implemented during the execution of the required documents that the applicant must first bring in for a loan, despite the subsequent denial of service, many of the applicants collect documents several times.

4. Modern technology. In customer service, the latest technology allows reducing the burden on staff working in the bank and at the same time facilitate the receipt of services for the client. The use of such devices that bring the service to the systematization of self-service and systems of remote banking services reduces the frequency and duration of personal contacts of clients with a credit company.

One of the main qualitative characteristics that determine the competitiveness of any commercial bank, as well as its potential for progressive and efficient development, is a set of real and potential products and services that the bank can offer its customers.

Banking services are diverse and heterogeneous and in a competitive environment, globalization, their number only grows. Previously isolated types of services, integrating into any area, within a certain field of activity, form a new range of services (for example, internet banking). By increasing the opportunities for banking services to come into contact with various areas of activity, the bank can increase its competitiveness and mitigate possible risks due to their diversification.

Sometimes high competitiveness determines the position of a bank in the area of Kyrgyzstan. Bank competitiveness allows customers to evaluate the quality of services. It allows you to compare the services of various banks, and the services are considered to be the integral work of bank employees.

It is important to be a good psychologist, client behaviour is influenced by various factors, primary factors of the external environment: laws and traditions, sociocultural environment, economic situation. In addition, the behaviour is largely determined by

personal characteristics, such as character, temperament, lifestyle, hobbies, financial position, etc.

In addition to the selection of qualitatively homogeneous sets classification pursues other goals:

- the study of the structure of the aggregate banking services;
- the study of the relationship between phenomena and many signs.

The classification can be based on such parameters, which are characteristic for the whole class of services, and distinctive properties inherent only banking services. Services can be classified by the following parameters:

the degree of contact with consumers,

degree of regulation by law and normative acts.

At the moment we will consider traditional and non-traditional types of services.

Traditional products include the most common and most consumed bank services: credit, deposit, settlement, investment, issuance and maintenance of plastic cards.

Additional services accompany the process of providing traditional services. Such services include collection, transportation of documents and valuables, currency conversion, calculation and risk management, risk hedging.

And the last group in this classification is non-traditional products. These include factoring, forfeiting and leasing products, consulting and information products, issuing guarantees, depository products, performing trust operations, storing customer values, etc.

The adaptation of ten dimensions to banking services is given below.

## **5. DATA ANALYSIS**

### **5.1 Place and Importance of Demir Bank in Banking Sector**

CJSC “Demir International Bank” (Demir bank brand) could be 1st an international bank in Kirgizstan. For 1st of January, 2019 banks shareholders are:

Dr. Halit Cingillioglu – 92,5% of shares

JSC “C. A.S.” , Turkey Republic– 5,0% of shares

CJSC "HCBG Holding B.V.", Netherlands – 2,5 % of shares

Demir Bank was established in Bishkek town in accordance with the Kyrgyz legislation. And received all the required licenses to conduct banking activities on might two, 1997. The official opening ceremony took place on May 28, 1997, with the participation of the President of the Kyrgyz Republic and the Bank's shareholders. Issued share capital on July 1, 2018 amounts to 600,000,000 soms.

The main object for Demir Bank is providing a large variety of banking services to company purchasers, customers, SMEs and individuals with innovative banking services.

20 years of successful experience in the market of Kyrgyzstan, stable relationships with customers, implementation of international standards and a strong team of professionals gives the bank a competitive advantage in the market and makes it a reliable partner for customers.

Demir Bank can be a full of life member of various business associations and organizations rather just like the International Business Council, the yankee Chamber of Commerce Am Cham, Association of Banks

of Asian nation, the Agency for the Deposit Protection of the Kirghizstan, service club and KITIAD, and furthermore as partner and participant within the national payment system ELCART, International payment system VISA, Master Card. To be the best commercial bank in the Kyrgyz Republic and make a key role in the bank sector of the country.

To satisfy customers and partners wants, to receive recognition for high-quality service, innovative products and services.

To be one of the main financial institutions in the emerging economy of the Kyrgyz Republic and play a key role in the development of the banking market.

To be a main financial institution in the top three largest country`s banks in the volume of assets, loans and profitability.

Demir Bank appreciates customers and partners, and understanding the importance of long-term and reliable partnership, takes responsibility and commitment for provided quality of services. Demir Bank customers' success and the trust provided by the bank – is a mark of the professionalism of the bank's employees.

Demir Bank employees – the most valuable asset of the bank, a strong team of professionals, devoted to the brand and interested in the achievement of excellent results. Bank`s employees work on the achievement of high results, and the bank in his turn is working on the creation and maintain an effective organizational structure that allows employees to perform their duties well and to require initiative, which underlines business lineament of the bank:

high-quality service based on international quality standards;

flexibility in decision-making;

individual approach to the customer;

partnership with mutually beneficial results.

Demir Bank – is a socially responsible bank, which as part of its CSR to make a contribution to society and in a solution of urgent problems.

The concern and support of the society within which the bank operates, customers and partners - one of the priorities of Demir Bank.

One of the successful indexes of the bank is a wide customer base, which is growing every year, and continuously expanding services types.

(<http://demirbank.kg/ru/about>)

Demir Bank believes that the most valuable assets are professional staff, so the bank is always trying to create better conditions and a perfect atmosphere for colleagues. Considerable attention in Demir Bank paid to the event and skilled growth of its staff.

On an ongoing basis, Demir Bank's employees participate in various seminars and training in the country and abroad.

Professional workers Demir Bank is one amongst the foremost necessary success factors. The Bank is working to create and maintain an effective organizational structure that

allows employees to perform their duties well and to take the initiative, thus defining the main business lines of the bank:

High-quality service, based on international quality standards;

Flexibility in decision-making;

Individual treatment to customers;

Partnership with mutually beneficial results.

We believe that the most important success factor – is the professional staff.

(<http://www.demirbank.kg/en/about/about/history>)

## **5.2. Investigation and Importance of The Research Project**

Currently, in the era of business development, there are many firms and various organizations competing with each other. There are many important factors that improve the performance of companies and organizations, and one of these factors is quality. The chain of the provision of certain services offers great competitive advantages in customer orientation. The selection of employees and the improvement of the quality of services provided is the process by which employees and customers evaluate and enter into contracts with people whom they consider appropriate. The quality of services, as well as their diversity, are important for all companies.

One of the most important factors that will determine the future of a company or a bank is the provision of high-quality services to customers. High-quality service is a permanent job. For this purpose, every year Demir bank provides surveys on the quality of the services. Various assessments and methods for measuring service quality are used. One of these methods is the servqual method. The target population (185) was selected to identify if a brunch of the Demir bank' customer service held to the client satisfaction principles established by Parasuraman. (Lydia R, 2016)

Currently, banks put the client in the centre of service activities in parallel with the modern marketing concept. To determine whether the services offered by banks are at the target level, the quality levels of the services offered should be measured. At the end of the measurement, determine the extent to which customers are satisfied with the services provided and with which data based on customer data should be taken into account, which problems should be improved. There are many models for measuring the quality of service

in the literature. The most common among them is the servqual model, developed by Parasuraman. The servqual model allows for qualitative and subjective assessments. The Servqual model measures the quality of service based on measurements and helps business executives begin to improve quality or size. At the same time, the Servqual model provides services for innovation, and the degree of quality of service and the degree to which it affects the overall quality of service can be calculated using the Servqual model. or give priority to measurements and make improvements and make suggestions according to the results. Other objectives of the study are as follows: To determine the demographic characteristics of customers receiving services in the Demir Bank branch. Identify the differences between demographic characteristics and perceived quality of service.

The purpose of this study is to calculate the quality of service estimates at the Demir Bank branch using the Servqual model. We will try to determine to what extent it is necessary to raise the level of quality in accordance with the assessments of importance assigned to these quality indicators. in accordance with the results obtained, give recommendations on the situation on the market of maintenance services. Other research objectives are listed below. Determine the demographic characteristics of customers receiving services in the Demir Bank branch. We Identified the differences between demographic characteristics and the expected quality of service.

### **5.3. Research Method**

Currently, banks have set themselves the task of finding the necessary services offered by banks at a whole level, which should measure the quality levels of the services offered. The most common among them is the servqual model developed by Parasuraman. The servqual model allows for qualitative and subjective assessments. The research model helps in the following: To determine the demographic characteristics of clients receiving services in the Demir Bank branch. A distinct difference between demographic factors and perceived quality of service.

In the Servqual models, a survey of 22 questions is conducted on five parameters, defined as tangibles, reliability, assurance and empathy. The questionnaire consists of four sections. Demographic information, age, education, and marital status. In the second section, respondents rate 22 questions using the Likert scale. (22 listed question is on a 5 point Likert-type scale, where (1) indicated strongly disagree to (5) absolutely agree) and taking into account the extent to which banks should have these statements. In accordance

with their seriousness, in total, without specifying the names of measurements. In the fourth chapter, survey participants rated 22 expressions on a 5-point scale.

### 5.3.1. Sampling Method in Research

This research utilized a questionnaire survey to collect the primary data for analysis. The questionnaire was distributed to responsible people who were customers of Demir Bank zone in Osh city. The questions of the survey were prepared according to previous studies with regard to knowing the quality service at the branch. The research was carried out at the Osh Branch of Demir Bank. Since it was not possible to reach the full list of the Bank's customers, a random selection was made among the customers of the bank and the results were obtained as a result of face-to-face interviews with the Demir Bank's Osh Branch customers.

Demir Bank - Their customers

Unit: the Branch of Demir Bank

Place: Osh

Time: There are randomly selected time periods for 15 working days during the first week.

The questionnaire was limited to 185 because the questionnaire consisted of four parts, and therefore the answer was long, customers could not give a sufficiently complete answer and were constantly in a hurry to somewhere, many answers were unwritten down and bank management did not want their customers to be disturbed. The number of 185 was because when you perform a survey, the intention is to urge a representative image a few variety of variables or statements at intervals a particular target cluster or population. Due to sensible reasons (too massive, too expensive , too long,...) it's usually tough to interrogate the overall population. In that case, a sample is used. This is a selection of respondents chosen in such a way that they represent the total population as well as possible. It can be easily calculate.

$$N = (g^2 * z^2) / d^2$$

N - is the desired sample size

g- is the variance of the sign, the expected average deviation of the obtained results from the expected average value;

z - coefficient of confidence level (2 - for 0.95, 3 - for 0.99);



d- is the level of accuracy.

But in my case the number of population at that place was 19867

$$19867 \times 2 / 200 = 198$$

In total i got only 185 because some people didn't fill up the forms until the end.

### **5.3.2. Methods Used in the Analysis of the Data**

The Statistical Program for Social Science package program was 87% reliable. In the study, the specific calculations used in the servqual model were performed in the Excel program, and a number of statistical analyses were performed in the SPSS system.



## 6. RESEARCH FINDINGS

### 6.1. Demographic Characteristics

Valid	Frequency	Valid Percent
18-25	31	16.8
26-35	100	54.1
36-45	50	27.0
55and above	4	2.2
Total	185	100.0

Table 6.1. Distribution of customers according to their age group.

In the Table 6.1 of distribution by customers ,the respondents were users one of the branch of Demir Bank in Osh. The percentage column shows the percentage distribution of frequencies. According to this, 18-25 years old were 16.8% (31) , 26-35 years old were 54.1% (100) , 36-45 y.o 27% (50) y.o and from 55 and above 2.2% (4).

Valid	Frequency	Valid Percent
Male	103	55.7
Female	82	44.3
Total	185	100.0

Table 6.2 Distribution of customers according to gender group.

In the Table 6.2 according to the gender, the participants, were Demir Bank users in Osh. The percentage column shows the percentage distribution of frequencies. According to this, 55.7%(103) of respondents were men, and 44.3% (82) - women.

Valid	Frequency	Valid Percent
school	129	69.7
secondary	26	14.1
bachelor	20	10.8
magistracy-phd	10	5.4
Total	185	100.0

Table 6.3. Distribution of customers according to their education group.

In the Table 6.3 according to the education, the respondents were users of Demir Bank in Osh. The percentage column shows the percentage distribution of frequencies. According to this, 69.7% (129) of respondents have school education, 14.1% (26) – secondary, 10.8%(20) – bachelor, and magistracy n phd 5.4% (10).

Valid	Frequency	Valid Percent
low	75	40.5
high	63	34.1
medium	47	25.4
Total	185	100.0

Table 6.4. Distribution of customers according to their income group.

In the Table 6.4 according to the income, the respondents are users of Demir Bank in Osh. The percentage column shows the percentage distribution of frequencies. According to this, 40.5% (75) of respondents have a low salary, 34.1% (63) – high and 25.4% (47) – medium level of salary.

### 6.1.1. Review Of The Alpha Of Cronbach

In this paper, a robust analysis was performed to verify the reliability of the Servqual Model. Cronbach's alpha is used to determine the reliability of the Servqual (Scale) model used (Likert scale) that measures internal correlation; in other words, when calculating the scores of each variable, the reliability of the group variable by analyzing the share of the variable in question in the total value of the scale of all variables.

The reliability of the scale is interpreted as follows

0.00 ≤ 0.40 if the scale is unreliable.

if from 0.40 ≤ 0.60. scale reliability low

if from 0.60 ≤ 0.80, the scale is reliable,

if from 0.80 ≤ 1.00, the scale is very reliable.

An assessment of the reliability of the work performed to examine the overall level of the research and the sub-dimensions for the Cronbach coefficient is included and reflected in the following table.

### 6.1.2. Review Of The Alpha Of Cronbach

As can be seen from the Table 6.5, the high level of reliable detection and reliability perception is quite reliable.

Dimension	Expectation	Perception
Tangibles	0.886	0.857
Reliability	0.831	0.829
Responsiveness	0.765	0.762
Assurance	0.999	0.889
Empathy	0.948	0.904

Table 6.5. Reliability analysis results.

In the Table 6.6 according to the profession, the respondents (185 people) were users of Demir Bank in Osh. The percentage column shows the percentage distribution of frequencies. According to this, 33,5%(62) of respondents were workers, 16,2% (30) – bankers, 18,9%(35) entrepreneurs, 5,9%(11)-housewife, 14,6%(27)-students, and 10,8%(20) – others.

Valid	Frequency	Valid Percent
worker	62	33.5
banker	30	16.2
entrepreneur	35	18.9
housewife	11	5.9
student	27	14.6
other	20	10.8
Total	185	100.0

Table 6.6. Distribution of customers according to their profession group.

In the Table 6.7 according to the marital status, the respondents were users of Demir Bank in Osh. The percentage column shows the percentage distribution of frequencies.

According to this, 39.5% (73) of respondents were single, 28.6% (53) –married, 27% (50) – divorced, and 4.9% (9) - widow/ers.

Valid	Frequency	Valid Percent
single	73	39.5
married	53	28.6
divorced	50	27.0
widow-er	9	4.9
Total	185	100.0

Table 6.7. Distribution of customers according to their marital status group.

The distribution of the services, which customers received one of the branch of Demir Bank in Osh is reflected in the table above. As can be seen from the table, the most used service of the surveyed clients is a transfer demand for 72 people. That includes a deposit account (39 people), a credit (35 people), a term deposit account (23 people), a currency transaction (5), a commercial loan (6 people), an individual loan (5 people) other Internet banking and telephone, etc.

Services	Use	Don't use
(1) Temporary deposit account	23 (12.1)	162 (87.9)
(2) Perpetual deposit account	39 (21.1)	146 (78.9)
(3) transfer	72 (38.9)	113 (61.1)
(4) credit card	35 (18.9)	150 (81.1)
(5) business card	6 (3.2)	179 (96.8)
(6)currency transaction	5 (2.7)	180 (97.3)
(7) other	5 (2.7)	180 (97.3)

Table 6.8. Distribution of customers participating in services according to the services in the bank.

### 6.1.3. Servqual Analysis

Servqual has a calculation method for determining the quality of service. Servqual score (score) was calculated as water; Servqual Skor (P-Score) (P- (Expected rating) (E)

Servqual weighted rating is obtained by multiplying customer ratings according to their quality of service indicators by Servqual rating.

The Servqual weighted score is obtained by multiplying the scores given by customers according to the level of importance of quality of service by the unweighted Servqual score. In the table below, the mean values, standard deviations, maximum and minimum scores set by clients for measurements can be seen in aggregate.

Components	Tangibles	Reliability	Responsiveness	Assurance	Empathy
N	185	185	185	185	185
The average score	-0.65	-0.71	-0.78	-0.96	-0.47

Table 6.9. The results of unweighted servqual in the branch of Demir bank.

		Perceived	Expected	Servqual scores
1	Demir Bank has upgrades	3.79	4.17	-0.38
2.	Demir Bank is a branch in Osh with a good location, and its jobs places look good.	3.46	4.23	-0.77
3	Employees of the Demir Bank branch look neat and presentable.	3.88	4.46	-0.58
4	Services offered look very attractive.	3.53	4.39	-0.86
5	Branch Demir Bank always executes orders on time.	4.01	4.96	-0.95
6	Branch Demir Bank shows sincere interest in solving the problem when the client has it.	3.51	4.34	-0.83
7	Branch Demir Bank provides services correctly from the first time.	3.22	4.16	-0.94
8	Branch Demir Bank in Osh provides its services at a specified time	3.24	4.05	-0.81
9	Branch Demir bank very carefully keeps records.	4.17	4.20	-0.03
10	Employees of the Demir Bank branch inform customers exactly when the services will be rendered.	3.61	4.45	-0.84
11	Employees of the Branch of Demir Bank provide services as soon as possible.	4.06	4.73	-0.67
12	Employees of the Demir Bank branch are always ready to help customers.	3.71	4.35	-0.64
13	Employees of the Demir Bank branch are never too busy to respond to customer requests.	3.09	4.06	-0.97
14	The behavior of the staff of the Osh branch of the Bank Demir increases customer confidence.	3.36	4.31	-0.95
15	Customers who apply to the Demir Bank branch feel confident in their relations with the bank.	3.27	4.23	-0.96
16	Employees of the Demir Bank branch always respectfully treat customers.	3.88	4.82	-0.94
17	Branch Demir Bank always gives accurate information to its customers.	3.71	4.69	-0.98
18	Branch Demir Bank works with each client individually.	3.65	4.38	-0.73
19	The branch is open to all at a convenient time for customers.	4.26	4.55	-0.29
20	The branch of Demir Bank always employs employees who will take care of each client personally.	3.72	4.27	-0.55
21	Branch Demir Bank primarily protects the interests of customers.	4.02	4.35	-0.33
22	Employees of the Demir Bank branch understand the special wishes of the client.	3.65	4.11	-0.46

Table 6.10. The questions, which has been used for the servqual method

	average
Unweighted Servqual	- 0.71

Table 6.11. The results of unweighted servqual

Servqual scores vary between -4 and +4. A positive outlook on the Servqual scale means that customer expectations are exceeded, and a negative outlook means that customer expectations cannot be met. In the case that the Servqual estimate is zero, it is concluded that the customers' expectations are satisfied, and the service satisfies the customers.

The following scales can be used to score Servqual points (Mohammed, 2007: 105).

- Score from -4 to -3. very bad score
- from -2.99 to -2 bad
- from -1.99 to -1 rating good
- from -0.99 to -0 very Good

As can be seen from the table 6.10 and 6.11, customers are most satisfied with the size indicator - Servqual. Clients are satisfied with the appearance of the staff and the appearance of the bank building, tools, and materials used in the bank. However, the fact that empathy is the least important dimension for clients shows that clients do not have very high expectations for this dimension.

Empathy is defined as the ability of a bank to show and display personal relationships with customers. The size of sympathy takes the 5th place in a rating of the importance of clients. (-0.47) The rating is very close to zero for this size of services.

Wealth tangibles 4th place ( -0.65) is a little more important than measuring by the customer, but it also shows that customers do not have very high expectations for this measurement. The dimension of reliability is about 3rd to rank customers. (-0.71) This situation shows that the bank is ready to help customers and provide fast service.

The responsiveness is the 2nd dimension (-0.78) that customers consider the most important. In this case, it can be argued that it is necessary to awaken bank employees to be more responsive for customers to come close to meeting customer expectations. Customers view reliability measurement as the most important aspect. The score seems to be close to meeting customer expectations because of its close proximity: but the lowest indicator, compared to other dimensions, received a measure of trust. Assurance (-0.96) in



this context, the measurement of reliability is a measurement of quality that least satisfies the customers of a bank branch. For this reason, you should first start research on improvements in this area.

As can be seen from the table, the Bank's total score on the Servqual scale was - 0.71. As is the case with size indicators, this result indicates that customer perception is a little bit lower than expected.

	Form 2
Tangibles	3.4
Reliability	3.9
Responsiveness	3.9
Assurance	4.3
Empathy	2.5
Weighted servqual	3.6

Table 6.12. The results of weighted servqual.

	Table 6.9	Table 6.11	Average score
Tangibles	0.65(4)	3.4	1.2
Reliability	0.71 (3)	3.9	1.3
Responsiveness	0.78 (2)	3.9	1.4
Assurance	0.96 (1)	4.3	1.6
Empathy	0.47 (5)	2.5	1.0
	0.71	3.6	6.5

Table 6.13. The results of servqual.

According to the data in the table, the following analytical conclusion can be made: the most important criteria are the assurance of the bank and responsiveness. Empathy and tangibles are of the least importance.

## 6.2. Limitations Of Investigations

This article argues that the evaluation studies of the quality of services in the branch of Demir Bank, which should correspond to the modern conceptual foundations of quality.

An approach to improving the quality of services at a standard level, based on the principle that intervention should be viewed as a problem-solving process, is described.

In order to reach the desired goals in the research, a number of mandatory limitations have been made. Considering the fact that the branch network of Demir Bank is very widespread, due to the fact that the Osh Branch is one of the branches with the highest transaction volume within the Osh district, it is limited to the Osh Branch of the Osh District Demir Bank.





## 7. CONCLUSION AND RECOMMENDATIONS

Recommendations:

- Provide training in specialized knowledge about banking procedures and processes. As an example, create a reference method for each procedure that will produce the best result.
- Establish requirements for the execution time of all process procedures, as well as other requirements and indicators (quality, efficiency, effectiveness).
- Simplify paperwork; registration.
- Service standards are a description of what an employee should know and do in a specific situation at the different stages of customer service in a bank office.
- Ensuring recognition of the corporate identity of the Bank's communication with customers;

Customer satisfaction is an important point in the strategies of enterprises. All these developments increase the importance of the phenomenon of quality in services, and the increasing importance of the quality of services makes the measurement of quality in services mandatory. With the rapid development of the service sector, service consumers are becoming more knowledgeable. The main features of services create this force (abstraction, storage, simultaneous consumption, etc.). Data derived from the quality of service models that are not clearly defined and not related to numerical objectives will not be very useful. The Servqual model used in this helps to understand the nature of the problem and its solution. This model measures the quality of services provided by a bank or company, based on customer expectations and comparing the current situation. This study was conducted to assess the perceived quality of customer service in relation to services provided by the Demir Bank branch. The study, conducted to measure the perceived quality of banking services, identified the clients of the Osh branch of Demir Bank in Osh district and also applied a questionnaire for 185 randomly selected clients. The data obtained from the questionnaire were then used for special calculations of the model and for the SPSS 16.0 program, which examines the results of the differences between perception and expectation in variables. The analysis was continued in connection with the reliable origin of the literature. Using the servqual model, the Bank's overall quality indicators can be calculated both on the basis of measurements and with equal weight, approaching the quality of service in terms of quality indicators, ensuring that the

bank determines how to improve quality. Servqual scores were negative. Negative results indicate that the services offered by the bank do not fully meet customer expectations. Due to the fact that the results are close to zero, it can be said that the overall quality of bank services is close to customer satisfaction. This result, although not surprisingly, explains how bankers get an idea of the bank's activities with the consequences of the crisis we experienced in the banking sector.

The real aspects of the Bank are not very important for customers, and the lowest score among Servqual weighted points was in Reliability), which is close to customer expectations. This is another point that should be considered as the most important aspect of "reliability". The research shows that the entry into very high expectations with respect to the material used at the highest level of perception to serve the bank's clients was "Assurance". This result testifies to the sensitivity and efforts of the Bank staff in this direction. (The staff of Demir Bank Branch is never too busy to respond to a client request). This suggests that bank employees are perceived by customers as busy. This may be the case for a state bank. The bank must have a level that will relieve the load. The load of the Bank to receive new employees is proportional to the increase in the number of branches of the bank. Minimal point of view servqual score based on "trust" of up to 17 are examples, servqual also identified these service quality problems and poor customer service management, stating that kyrgyz banking representatives had an enormous opportunity for customer satisfaction improvement and my recommendation is to prepare pre-service and maintenance training programs for bank employees and implementation, banks ensuring the active participation of staff and program staff. (team-bilding).

However, groups aged 55 years and older work in accordance with other age groups. There is no significant difference between Servqual points in terms of marital status variable. There are no significant differences between the Servqual indicators in terms of income status variable, therefore the recommendations to be adopted to improve the quality of service in Osh Branch of Demir Bank are summarized as follows: customer expectations and service perception should be measured periodically. Training programs should be prepared and implemented. Personnel training should also include communication with customers, as well as banking operations. The market share and bank profitability will increase in proportion to customer satisfaction. It can be said that not only banking enterprises, but also enterprises in other service sectors will succeed with policies that should be followed in this way. Other researchers should further this study in other

geographical setting and other third world countries to increase service quality knowledge. This study scope did not conduct an in-depth analysis of the demographic criteria, such as age, gender, banks, or levels of educations are also other areas for probing and investigations to further study in an observation setting, or through a mixed method design. The limitations of the study included the sample size and access to participants, factors that influenced the number of responses. However, the participants were eager to voice their complaints about the banks. At the end of my research i realize that technology was an asset for others, and the use of email made it fast and easy for participants to respond to the survey study and protected those who did not want to respond.





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**APPENDICES**

## APPENDIX - 1.

Dear participants,

My name is Diana Kim. I am a student at Gazi University. This application form for my thesis. The name of the thesis is "Quality Management and Service Quality in the Banking sector. A Case Study: Measuring Service Quality of a “Demir Bank” branch by using the SERVQUAL Method. This application form is intended for scientific research and all information collected will be kept confidential.

General information

Master's Student

Diana Kim

Doctor of Science

Supervisor

Mesiha Ersoy

(1) Please indicate your gender:

(1) Male (2) Female

(2) Please indicate your age:

(1) 18-25 years (2) 26-35 years (3) 36-45 years (4) from 55 years

(3) Education

(1) school education (2) secondary special (3) bachelor (4) magistracy / PhD

(4) Marital status

(1) single (2) married (3) divorced (4) widower / widow

(5) Profession

(1) worker (2) banker (3) entrepreneurship (4) housewife (5) Student (6) other

(6) Income

(1) low (2) high (3) medium

(7) What services do you usually use “DEMİR BANK”? (You can specify more than one option)

(1) Temporary deposit account (2) Perpetual deposit account (3) transfer (4) credit card (5) business card (6) Cash withdrawals (7) other ..

(8) What do you think this bank should work on? You can arrange everything in order of priority (1,2,3 ...)

Location of branches of this bank by proximity ( )

Increase banking services ( )

High-quality service ( )

Work on the reliability and trust of customers ( )



**APPENDIX - 2. (Form2)**

The functions listed in the following articles are related to the services provided by banks and the services they provide. Please give a point to these five functions by priority (the total points should not exceed 100 points)

1) The appearance of the bank building, its serviced halls, equipment and communication devices

.....

2) The ability of the bank to perform the promised services reliably and flawlessly.

.....

3) Willingness and readiness of the Bank to help customers and provide quick service.

.....

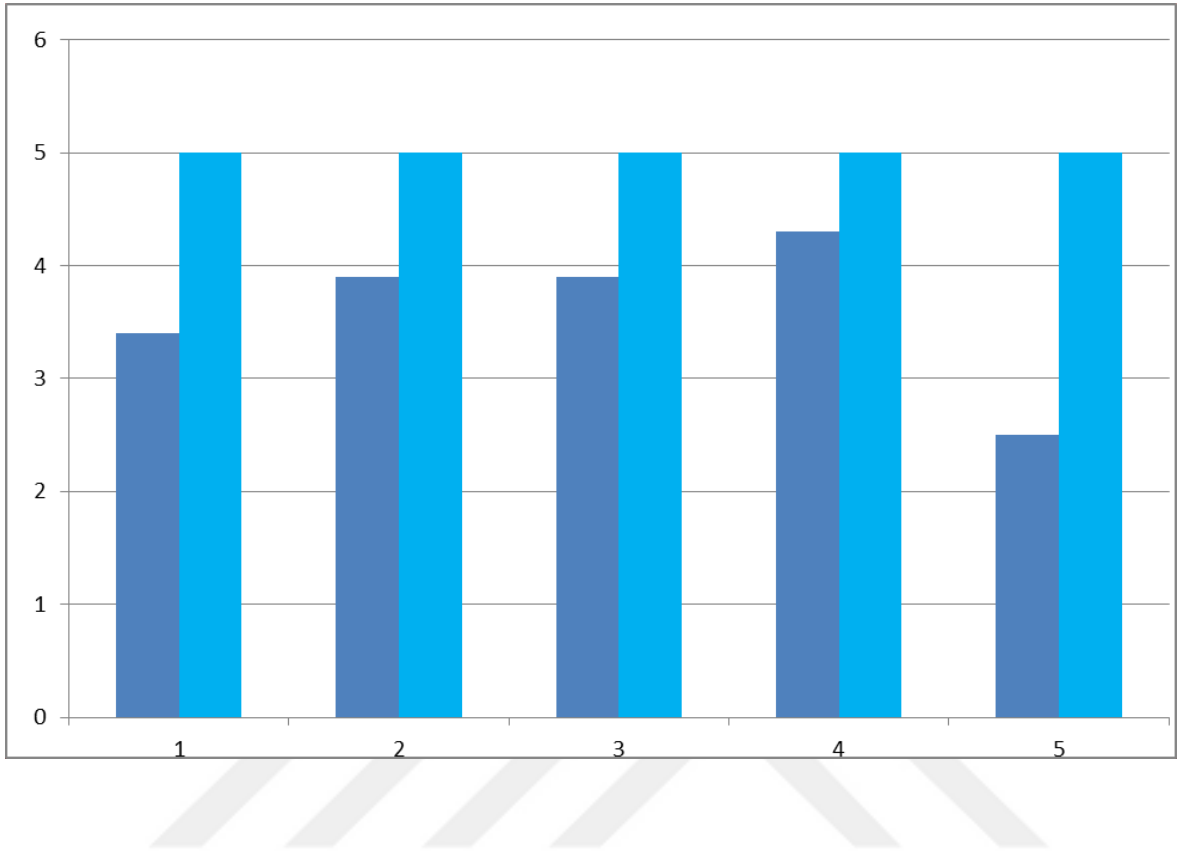
4) Skills of Bank employees, their knowledge and sense of trust towards customers.

.....

5) Personal interest and empathy for customers.

.....

**APPENDIX - 2. (Answers)**





**APPENDIX - 2. (Answers)**

	<b>Form 2</b>
<b>Tangibles</b>	3.4
<b>Reliability</b>	3.9
<b>Responsiveness</b>	3.9
<b>Assurance</b>	4.3
<b>Empathy</b>	2.5



**APPENDIX - 3. (form1)**

		Absolutely disagree	Disagree	Partially agree	Agree	Absolutely agree
1	Demir Bank has upgrades.	1	2	3	4	5
2.	Demir Bank is a branch in Osh with a good location, and its jobs places look good.	1	2	3	4	5
3	Employees of the Demir Bank branch look neat and presentable.	1	2	3	4	5
4	Services offered look very attractive.	1	2	3	4	5
5	Branch Demir Bank always executes orders on time.	1	2	3	4	5
6	Branch Demir Bank shows sincere interest in solving the problem when the client has it.	1	2	3	4	5
7	Branch Demir Bank provides services correctly from the first time.	1	2	3	4	5
8	Branch Demir Bank in Osh provides its services at a specified time	1	2	3	4	5
9	Demir bank very carefully keeps records.	1	2	3	4	5
10	Employees of the Demir Bank branch inform customers exactly when the services will be rendered.	1	2	3	4	5
11	Employees of the Branch of Demir Bank provide services as soon as possible.	1	2	3	4	5
12	Employees of the Demir Bank branch are always ready to help customers	1	2	3	4	5
13	Employees of the Demir Bank branch are never too busy to respond to customer requests.	1	2	3	4	5
14	The behavior of the staff of the Osh branch of the Bank Demir increases customer confidence.	1	2	3	4	5
15	Customers who apply to the Demir Bank branch feel confident in their relations with the bank.	1	2	3	4	5
16	Employees of the Demir Bank branch always respectfully treat customers.	1	2	3	4	5
17	Branch Demir Bank always gives accurate information to its customers.	1	2	3	4	5
18	Branch Demir Bank works with each client individually.	1	2	3	4	5
19	The branch is open to all at a convenient time for customers.	1	2	3	4	5
20	The branch of Demir Bank always employs employees who will take care of each client personally.	1	2	3	4	5
21	Branch Demir Bank primarily protects the interests of customers.	1	2	3	4	5
22	Employees of the Demir Bank branch understand the special wishes of the client.	1	2	3	4	5



## CURRICULUM VITAE

### Personal Information

**Name** : Diana Kim  
**Nationality** : Kyrgyz  
**Passaport** : AC3407875 (07.09.2018-07.09.2028)  
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### Education

Degree	University	Graduation date
Master	Gazi University	2016 - Continue
Bachelor	IUK	2014
High School	School 2	2010

### Languages

Russian, Turkish, English

### Hobbies

Swimming, procrastinating ,basketball





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