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Governance and Management Reforms in Banking Sector: Impacts on Service Quality in Tanzanian Commercial Banks

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Abstract
This paper examines critically the impact of governance and management reforms in Tanzanian banking sector on service quality of commercial banks. The study adopted qualitative method for data collection. Data were collected from bank customers and bank officials from thirty two commercial banks in Tanzania that were already registered by the Bank of Tanzania at the end year 2010. A self-administered questionnaires were distributed to 1600 customers and 184 bank officials. Of these, 893(60%) bank customers and 81(44%) bank officials responded. Data were analysed using SPSS 17.0 to estimate the mean scores, standard deviation and association between reforms in governance and management and service quality. Study findings reveal that despite of the reforms on governance and management banks still do not have customer based policies, private banks having Mean(SD) Scores [(2.71(1.136) vs. 2.59(1.019), p= 0.142) as per customer perception and [(3.30(1.205) vs. 3.12(1.333), p= 0.542)as per bank official perception. This was also confirmed by the results of the hypothesis tests which confirmed that there is negative relationship between reforms on governance and banks having customer focused policies (P=0.240: > 0.05, P=0.323 >0.05).The study also show that banks still offer same products that do not meet variety of needs of their customers, semi quasi banks being ahead of private banks with Mean (SD) scores [(2.68(1.138) vs. 2.65(1.062), p= 0.721)] .These results are confirmed by hypothesis tests that there is negative relationship between reforms in governance and management and banks having different products that meet variety needs of customer (P=0.695: > 0.05). Findings also show that banks do not have specific products that address the needs of SME's. Semi-quasi banks had higher mean (SD) scores than private banks [(2.94(1.074) vs. 2.80(1.101), p= 0.120)] respectively. These results are confirmed by hypothesis tests that there is negative relationship between reforms on governance and management and banks having different products that meet the needs of SME's. (P=0.109: > 0.05).Also the findings show that banks do not have products that address the needs of all genders, semi-quasi banks have higher mean (SD) scores than private banks [(2.62(1.203) vs. 2.56(1.230), p= 0.573)] respectively. This is also confirmed by hypothesis results that there is negative relationship between reforms on governance and management and banks having products that address needs of all genders (P=0.403, P.>0.105). Overall, financial sector reforms in governance and management has less impact on service quality of commercial banks in Tanzania.
Keywords: Financial sector Reforms, Commercial Banks, Governance and Management Reforms. Service Quality

INTRODUCTION

The banking sector in Tanzania started during the era of colonialism, characterized by domination of commercial banks. Kimei (1987) reports that during the of Germany rule there were only two banks commercial banks in Tanzania, one in Dar-es-salaam (Ostrifikanshe Bank) which started in 1905 and Handelsbank of Ostafrica established in 1911. During the British era, after the first world war in the 1950's, three commercial banks were established namely National Bank, Standard Bank and Barclays Bank which later were followed by other foreign banks such as the India bank and Bank of Baroda in 1954 and thereafter in the 1960's more foreign banks such as the National Bank of Pakistan and the Ottman Bank. Bagachwa (1995) argues that the socialist policy that started in 1967 resulted to nationalization policy which led to entire change in ownership of the banks by the state. The banks that existed that time included the central bank and three commercial banks, all of them owned by the state. These banks were monopolistic in nature and therefore inhibited health competition subject and lacked proper governance and adequate supervision. The banking system faced challenges that led to financial repression, geared towards the provision of cheap credit to central government, state enterprises and cooperatives. The bank of Tanzania acted as the lender of first resort. In this period, banks made large losses due to poor management, inadequate supervisions, auditing and legal protection for both debtors and creditors. The underperformances of banks in many areas necessitated to carry on various financial sector reforms to alleviate the problems including the corporate governance of the banks. In the world we are living today the concept of corporate governance has taken a predominance consideration in management of both public and private institutions. Proper corporate governance and management in any organization is considered to be a critical success factor for both operational and financial performance of the organization. Levine (2003) argues that corporate governance assumes a central role and essential element of bank performance. Banks that has embraced corporate governance and proper management are among those companies that are likely to perform well in their conduct of banking services provisions. In majority countries especially the less developed countries, corporate governance in banking sector was not an issue of paramount importance prior to the financial sector reforms and that is why banking sector in those countries lagged behind with a lot challenges on operational and financial performances

Statement of the Problem

In modern business management the success of business performance depends so much on proper governance and management of the organization. Good or bad governance can have tremendous effect on the organization productivity, profitability, market share. While these effects can be measured quantitatively there are also other areas of effects which are not easily quantifiable in monetary terms but they have lasting effect on the business performance, one of those areas being the area of service quality provision. In the banking sector, when services provision is poor or delivered not in accordance to the customers' expectations the level of lending can be highly affected which then can affects the liquidity, profitability and growth of the banks. It is clear evidenced empirically that corporate governance and management can influence the quality of the services that banks can give to their customers and therefore enhance Service quality can be improved if there is board, management which believe in quality delivery of services and company having customer focused policies. Tanzania banking sector is one of those sectors that experienced much problems that led to the country to reforms its policies to boost the performance of the banking sector. Among these reforms are reforms on governance and managements of the commercial banks. We already know that the commercial banks in Tanzania did change their governance and management structure after the implementation of the financial sector reforms in order to revert the non-performing and situations that existed prior to the reforms. The new paradigm of ownership from state owned banks to private banks and semi-quasi banks also necessitated the banks to change their governance and management. As governance and management was reformed banks started having new boards of directors and management teams that started to govern and manage the emerged banks. However, empirical studies that have investigated the impact of governance on service quality of commercial banks are inadequate to provide evidence of the impact of the reforms in governance and management on service quality as most of the studies on governance and management have concentrated on assessing the impact on performance of banks in terms of profitability. The limited number of studies means that this type of study is justified to fill the gap and provide empirical evidences of the impact of governance on service quality. Therefore we believe that the study will provide answers to this research questions: ***To what extent financial sector reforms on bank governance and management affected the banking competitiveness in respect of service quality of Tanzanian commercial banks***

LITERATURE REVIEW

Financial sector Reforms

Financial sector plays major roles in a nation economy by providing financial services which among other include fund mobilization, credit allocation and facilitating payments in both international and local trade. The contribution of the financial sector to gross nation product (GDP) in the economy of Tanzania cannot be ignored.) According to NBS (2011) on average annual contribution of the financial sector to the GDP has been 1.68% over the past five years (2006-2010). Other studies reveal that Tanzania financial sector reported an increase of 30% in banking deposits even during the mid of the financial crisis of 2008 due primarily to Tanzania's lack of integration with the global financial system. This proved to be a stroke of fortune when the global financial crisis hit, as Tanzania was insulated from the initial liquidity shock of the crisis At the same time, assets under management grew 26%, However, non-performing loans increased due to a drop in demand for key exports. Both pieces of information would suggest that Tanzania was very successful in weathering the crisis. (Competitiveness Report, 2009). When the financial sector is not performing well in any country it means that economic performance will suffer and that is why most countries in the world as well in African countries adopted various reforms to enhance the performance of the financial sector of course with different tones of objectives. Following this understanding Barth, Carpio and Levine (2003) argued that most countries have reformed their economic policies with objectives of enhancing competitiveness and efficiency in the financial sector, which could facilitate greater economic development and growth. Sunil & Bisheng (2007) argued that one of the prerequisite for economic development of a country is having a competitive and efficient financial sector. This is true simply because financial sector competitiveness has tremendous impact on quality of financial products, access to financial services and external financing to both small medium enterprises and big companies. Where there are less competitive systems this can lead to lower quality of services, less financing and poor economic growth. Olubayo, Obafemi and Charles (2011) argue about the importance of having financial sector reforms that can bring about significant economic benefits through improved bank operational efficiency and effectiveness.

Tanzania Financial sector reforms were expected to produce results that could help a country to stimulate its economic growth and enhance the competitiveness of the financial sector which includes the banking industry.

Inanga (2001) and other scholars (Sunil;2007,Caskey;1992,Ogujiuba:2011) studies in different countries in Africa revealed that financial sector reforms helped the banking sector to be more innovative, improved the quality of financial products, increased profitability, increased market share and loan portfolios as well as improved banks operational performance. Tanzania implemented variety of financial sector reforms which included the privatization of public banks which initially were nationalized in 1967, allowed new entry of private banks and at the same time of the reforms included the institutional reforms, implemented governance and management reforms that allowed for the removal of administrative constraints .

CONCEPTUAL FRAMEWORK

The conceptual framework of this study is based on the relationship between reforms in bank governance and management and service quality of commercial banks. We believe that the reformed policies on governance of banks in Tanzania have impacts on service quality of the commercial banks .We therefore consider bank governance and management to be independent variable and service quality to be the dependent variable of the study. However we don't adopt quality model (SERVIQUE) in this study as many studies (Yona & Inanga 2014, Parasaraman 1988) has adopted in measuring service quality but we use other variables to measure service quality in relation to corporate governance and Management

Independent Variable

Reforms concerning bank governance and management

Corporate governance in modern literature is defined as a system by which governing institutions and all other organizations relate to their communities and stakeholders to improve quality of life (Ato, 2002). This definition forces us to believe that without proper corporate governance institutions will not be able to achieve their strategic objectives as well as their visions and missions. The benefits of good corporate governance are many supported in the literature by various scholars. Oluyemi (2005) argues that governance is important in ensuring that banks realize their bank strategies while Wolfgang (2003) argue that corporate governance leads to increased valuation, higher profits, higher sales growth and lower capital expenditure. Other scholars argue that good corporate governance ensures transparency, accountability and fairness in reporting (Fatimoh 2012). All these benefits put together it is obvious that corporate governance determines the survival and stability of any financial system .The achievement of corporate governance benefits as discussed here can be achieved if corporate governance is built upon a framework that enhances compliance to corporate governance codes. Fatimah ibid (2012) study found that existence and proper functioning of board of directors and audit committee determines the effectiveness of compliance to proper governance.

There are many studies which concur that corporate governance assures accountability and improves performance which is an indicator of competitiveness. Good governance practices enables corporations to build better relationship with external stakeholders and thus attract more long term capital (Sushil & Singh 2006). Sushil & Singh (ibid) in their study on Indian nationalized banks on factors influencing competitiveness concluded that good governance and management practices enable companies to build relationship with external stakeholders which at the end lead to attraction of long term capital efficiently. On indicators of efficient governance and management they argue about three variables namely capability development (adequate investment in training and staff development), strategy development and customer focus as dimension of competitiveness. Ogujiuba & Obijiema (2011) on financial sector reforms in Nigeria argues that argues that weak corporate governance results to high turnover in the board, management and staff, inaccurate reporting and non-compliance with regulatory requirements, falling ethics and late or non-publication of annual accounts that obviates the impact of market discipline in ensuring banking soundness. Management efficiency of banks is likely to be impaired by government ownership and political interference (Demirquic-Kunt, Luc &Ross 2003). However, privatization of state owned banks tend to improve bank efficiency (Gregorian & Manole, 2002) only if government intervention has been taken with caution. Therefore based on above arguments our hypothesis is as follows.

Ho: **1:** There is positive relationship between on financial sector reforms on banking governance and management on service quality

We also formulate the following minor hypothesis

Ho: 1a: There is negative relationship between financial sector reforms on banking governance and management and banks having customer focused policies

Ho: 1b: There is negative relationship between financial sector reforms on banking governance and management and banks having different products that meet customers' needs

Ho: 1c: There is negative relationship between financial sector reforms on banking governance and management and banks having different products that address the needs of SME's

Ho: 1d: There is negative relationship between financial sector reforms on banking governance and management and banks having different products that address the needs of SME's

Ho: 1e: There is negative relationship between reforms on bank governance and management and Change in

policy regarding quality services
Dependent Variables
Service Quality
There is no standard definition of service quality. Various scholars have defined it differently though there are similarities on the desired end results of service quality which is customer satisfaction. Heshelt et al (1994) define it as the measure of how well a delivered service matches customer's expectations. Service quality is defined as the kind of services offered to customer that meets the demands/needs of customers.(Stafford, 1999) Parasaraman et al (1988) defined service quality as the customer judgment of overall excellence about services quality. Service Quality covers various dimensions that are expected to bring customer's satisfaction. The common variable used in different studies on service quality has adopted tangibility, responsiveness reliability and assurance as measure of service quality. (Bateson, 1977, Parasaraman 1988, Yona & Inanga 2014). Service quality in banking sector is very important as it has a role of maximizing customer satisfaction through quality services which is the ultimate weapon in facing competitions in the modern world though customer services can vary with the demography of the customers. Measuring service quality in banking sector can adopt the service quality model (SERVIQUE). However, there are other variables beyond the model that we can use to measure service quality of commercials. In our previous study (Yona & Inanga 2014) we used the SERVIQUE model to measure the service quality impacts as the results of the reforms on bank ownership. In this study we use other variables to measure the impacts of the reforms of bank governance and management on service quality. We measure service quality by looking on whether the banks have customer focused policies, whether bank were offering different products to meet customer's needs banks have products that address the need of small and medium enterprises and banks have products that address the needs of all genders as the results of the reforms on governance and management.

METHODOLOGY

The research adopted quantitative study method to collect and analyse data in order to establish the relationship between reforms in bank governance and management on service quality of commercial banks in Tanzania. Our source of data is from bank customers and bank officials of thirty two Tanzanian commercial banks (Table 1) that were registered by BOT at the end of year 2010. The research questionnaires used in this study was based on 5 Likert scores requiring customers and bank officials to rank their responses as 1= strongly disagree, 2= disagree, 3= Neutral, 4= Agree and 5=Strongly Agree. Customers were picked by using simple random method as well purposefully simple sampling to pick bank officials. We collected information from bank customers and bank officials across four regions in Tanzania, namely Mwanza, Arusha, Kilimanjaro and Dar-es-salaam where majority of customers of these banks are situated.

Data Validity

We adopt crobanch alpha to determine the reliability of service quality and economic efficiency dimensions. The rule of thumb is that the Reliability Score (α) should be >0.5 in order to give confidence of relying on the data. If reliability Score (α) is < 0.5 we conclude that there may be variable indicators which are not reliable for measuring service quality and economic efficiency and therefore a need to conduct a factor reduction analysis. Reliability results are presented in Table 2 below. The coefficient results for service quality constructs designed for bank customers and bank officials are [(0.787 and 0.747)] respectively, economic efficiency variable constructs designed for bank customers and bank officials [(0.797) and (0.901)], growth [(0.890) and Profitability (0.907) only for constructs variable designed for bank officials. We did not compute the reliability scores or growth and profitability variable constructs because there was only one questionnaires designed for each

Table 2.Reliability Scores of Service Quality, Economic Efficiency, Growth and Profitability indicators

	Customer Perception		Bank Officials Perception	
Variable Dimension	**Items**	**Reliability Score (α)**	**Items**	**Reliability Score (α)**
Service Quality Customers [Q44,45,55,56], Bank Officials (q23,q25)	4	0.787	2	0.747

Researcher 2014

RESEARCH FINDINGS

Demographic Characteristics

Figure 1 to Figure 6 provides the demographic characteristics of responses came from customers of both private banks and semi-quasi banks. Of all customers' responses, 25% were customers from private banks and 75% from semi-Quasi banks. In terms of bank locations majority of customers were from Kilimanjaro (56%), Arusha

(14%), Dar-es-salaam (19%) and Mwanza (10%). As far as gender is concerned (Figure 6.2) majority of respondents were male (61%) and female were thirty seven percent (37%). The respondent's age group ranged from age of 18 years to sixty years (60) while majority had the age between 18 and 29 years (48%), between 30 years and 40 years 30 (30%), between 41 years and 50 years (13%),between 51 years and 60 Years (6%) and above 60 years (2%). In terms of customer length of relationship with the bank 33.5% of the bank customers had stayed with the bank for a period between 1-3 years, 31% a period between 4-6 years, 7-10 years and 13% a period between 11-20 years. Customers level of deposits (Figure 6.6) ranged from those customers with less than Tanzanian shillings 100,000 (16.8%), Tanzanian shillings 100,000-500,000 (10%), Tanzanian Shillings 501,000-1,000,000 (10%), Tanzanian Shillings 1,000,001-999,000,000 (10%) and Tanzanian Shillings (1,000,000,000 and above (10%). Table 3 provide data on demographic characteristics of the responses from bank officials. The sample include 81 bank officials of the commercial banks in Tanzania. Male constitute 48% and female 52% of the entire sample. Majority of respondents (69%) came from private banks and 31% came from semi-quasi banks. Majority of respondents which are 67% came from Dar-es-salaam followed by Arusha 17%, Mwanza 11% and Kilimanjaro 5%. In terms of age, majority of bank officials 35% were aged between 41 and 50. The next largest group 24% is aged between 31 and 40. The next group 12% is aged between 21 and 30 and the smallest groups are 4% for group aged 18-30 years, 3% (51-60) and 2% for years above 60 years. As far as gender is concerned (Figure 6.2) majority of respondents were female (57%) and male were forty three percent (43%).

Descriptive statistics

We administered structured questionnaires to bank customers of both private and semi-quasi banks designed for purpose of measuring the impact of reforms in governance and management on service quality of Tanzanian commercial banks. Four research questionnaires (q44-45 and Q 55- Q56) were designed and administered to bank customers for measuring service quality of the commercial banks as the results of the reforms on governance and management. These questionnaires were intended to obtain answers whether banks have customer focused policy (Q44), bank were offering different products to meet customer's needs (q45), banks have products that address the need of small and medium enterprises (q55) and banks have products that address the needs of all genders (q56) as the results of the reforms on governance and management. We present the mean scores, standard deviation and P-values of bank customer responses in Table 4.

Table 4 shows that as far as banks having customer focused policies semi-quasi banks had higher mean (SD) scores as compared to private banks [(2.71(1.136) vs. 2.59(1.019), p= 0.142)] respectively. This means that majority of bank customers from semi-quasi banks disagreed that banks have customer focused policies as the results of the reforms on governance and management as compared to private banks customers. This implies that private banks are more focused on customers than semi quasi banks. On whether banks do have products that meet customers' needs semi-quasi banks policies semi-quasi banks had higher mean (SD) scores as compared to private banks [(2.68(1.138) vs. 2.65(1.062), p= 0.721)] respectively. The results shows that as far as banks having products that address the needs of SME's semi-quasi banks had higher mean (SD) scores as compared to private banks [(2.94(1.074) vs. 2.80(1.101), p= 0.120)] respectively. The results shows that as far as banks having products that address the needs of SME's semi-quasi banks had higher mean (SD) scores as compared to private banks [(2.62(1.203) vs. 2.56(1.230), p= 0.573)] respectively

Table 4. Mean Scores and Standard Deviation- Service Quality - Customers Perception on Governance and Management Reforms

Variable	Bank Ownership	N	Mean	Std. Deviation	P-Values
Banks have customer focused policies (Q44)	Private	210	2.59	1.019	0.142
	Semi Quasi	619	2.71	1.136	
Different Product to meet customers' needs (Q45)	Private	210	2.65	1.062	0.721
	Semi Quasi	616	2.68	1.138	
Products that address the needs of SME's (Q55)	Private	208	2.80	1.101	0.120.
	Semi Quasi	614	2.94	1.074	
Products that address needs of all genders (Q56)	Private	208	2.56	1.230	0.573
	Semi Quasi	615	2.62	1.203	

Source: Researcher 2014

We also administer research questioners to bank officials with aim of measuring service quality impacts as the result of reforms on governance. Research questionnaires were designed to obtain answers on change in governance and management has contributed to change of management policy regarding quality of services to bank services (Q23) and whether board policy are customer focused in terms of services provision (Q25) .We present the mean scores, standard deviation and P-values of bank customer responses in Table 5. The table shows that as far as banks having changed policies in regard to quality services private banks had higher mean (SD) scores as compared to semi-quasi banks [(3.30(1.205) vs. 3.12(1.333), p= 0.542)] respectively. This means that majority of bank customers from private banks agreed that banks have customer focused policies as the results of the reforms on governance and management as compared to semi quasi banks customers. The results shows that as far as banks having customer focused policies private banks had higher mean (SD) scores as compared to semi quasi banks [(3.39(1.171) vs. 2.80(1.291), p= 0.056)] respectively.

Table 5. Mean Scores and Standard Deviation- Service Quality – Bank officials Perception on Governance and Management Reforms

Variable	Bank Ownership	N	Mean	Std. Deviation	P-Values
Change in policy regarding quality services (Q23)	Private	56	3.30	1.205	0.559
	Semi Quasi	25	3.12	1.333	
Banks having customer focused policies (Q25)	Private	56	3.39	1.171	0.056
	Semi Quasi	25	2.80	1.291	

Researcher 2014

Hypothesis Results

We test the hypothesis by using chi-square to understand the association between change in bank regulations and supervision on economic efficiency and confirm the hypothesis results by comparing the cross tabulation results. We also perform correlation tests to understand the strength of the relationship between variables that affect economic efficiency of the banks. The main hypothesis of the study was stated as

Ho: 1: There is negative relationship between on financial sector reforms on banking governance and management on service quality

We also test the following minor research hypothesis

Ho: 1a: There is negative relationship between financial sector reforms on banking governance and management and banks having customer focused policies

Ho: 1b: There is negative relationship between financial sector reforms on banking governance and management and banks having different products that meet customers' needs

Ho: 1c: There is negative relationship between financial sector reforms on banking governance and management and banks having different products that address the needs of SME's

Ho: 1d: There is negative relationship between financial sector reforms on banking governance and management and banks having different products that address the needs of all genders

Ho: 1e: There is negative relationship between reforms on bank governance and management and Change in policy regarding quality services

Association Analysis

We use chi-square to test the association between the financial sector reforms in governance and management and service quality of the commercial banks. The rule of the thumb adopted is to reject the Null hypothesis if Ho :< 0.05 and accept the Null hypothesis if Ho: :> 0.5. We present the results of the test hereunder (Table 5 [Summary of Table 6.1- 6.5] and discuss the results below. According to Table 6 based on both bank customers and bank officials chi-square test indicates that there is negative relationship between reform on bank governance and banks having customer focused policies as per customers and bank officials [$x^2 df = 5 = 6.744, p = 0.240\ and x^2 df = 5 = 6.744, p = 0.323$] respectively and therefore we accept the Null Hypothesis. This shows that the banks policies has not so much changed to become customer focused. The results also indicates that there is negative relationship between reform on bank governance and management and bank offering different product to meet customers' needs [$[x^2 df = 5 = 3.031, p = 0.695 > 0.05\ and$] and therefore accept the Null hypothesis. Chi-Square results also reveal that there is negative relationship between reforms on bank governance and management banks having products that address SME's needs $x^2 df = 5 = 8.999, p = 0.109 > 0.05$ and accept the Null Hypothesis. This means that means banks have not come up with a lot of products to address SME needs as the results of the reforms. Chi-square results also shows that there is negative relationship between reforms on governance and management and banks having products that address needs of all genders $x^2 df = 4 = 5.110, p = 0.403$. Finally chi-square results show that there is negative relationship between reforms on bank governance and management and change in policy regarding banks offering quality services.

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Table 6- Chi –Square Results- Bank Governance and Management

Hypothesis	P-Value Results	Decision
Ho.1a: - There is negative relationship between reforms on bank governance and management and banks having customer focused policies	P=0.240 , P=0.323	Accept
Ho.1b: - There is negative relationship between reform on bank governance and management and bank offering different product to meet customers' needs	P=0.695	Accept
Ho.1c: - There is negative relationship between reforms on bank governance and management banks having products that address SME's needs	P=0.109	Accept
Ho1:d:There is negative relationship between reforms on governance and management and banks having products that address needs of all genders	P=0.403	Accept
Ho:1e: There is negative relationship between reforms on bank governance and management and Change in policy regarding quality services	P=0.828	Accept

Source: Researcher 2014

Cross Tabulation Results

The cross tabulation results (Table 7) support hypothesis one (Ho: 1a) that there is negative relationship between reform on bank governance and management and banks having customer focused policies as majority of bank customers from private banks (51%) and semi-Quasi banks (45%) disagreed that banks have customer focused policies. The cross tabulation results also confirms minor hypothesis two (Ho: 1b) there is negative relationship between reform on bank governance and management and banks offering different product to meet customers' needs as it shows that high percentage of customers from private banks (51%) and semi-quasi banks (51%) disagreed that banks are offering different types of products to meet customers' needs while other percentage (26% Private banks and 23% Semi-Quasi banks) were not sure. The results also confirm minor hypothesis (Ho:1c) three that there is negative relationship between reform on bank governance and management and banks having different products that address SME needs as majority of both banks [(Private banks (45%) and Semi-Quasi Banks (39%)] disagreed that banks have different products that address SME needs. Finally, the results confirm minor hypothesis four (Ho:1d) that there is negative relationship between reform on bank regulations and proper and Different products that address needs of all gender as majority of customers from both banks[(Private banks (59%) and Semi-Quasi Banks (53%)] while other percentage (16% Private banks and 22% Semi-Quasi banks) were not sure. Overall we conclude that there is negative relationship between reforms on bank governance and management on service quality of commercial banks

Table 7 – Cross Tabulation – Service Quality- Bank Customers

	Private				Semi-Quasi			
	Disagree	Neutral	Agree	Total	Disagree	Neutral	Agree	Total
Dimensions	N (%)	N (%)	N (%)	N (%)	N (%)	N (%)	N (%)	Total
Customer focused Policies	108(51)	61(29)	41(20)	210(100)	281(45)	183(30)	155(25)	619(100)
Different Product to meet customers' needs	107(51)	55(26)	48(23)	210(100)	316(51)	140(23)	160(26)	616(100)
Different products that address SME needs	82(39)	78(38)	48(23)	208(100)	199(32)	229(37)	186(#))	614(100)
Different products that address needs of all gender	123(59)	34(16)	51(25)	208(100)	328(53)	133(22)	155(25)	616(100)

Source: Researcher 2014

The cross tabulation results do not confirms minor hypothesis two (Ho: 1a) that there is negative relationship between reform on bank governance and management and banks having customer focused policies as it shows that high percentage of customers from private banks (50%) and semi-quasi banks (44%) agreed that banks have customer focused policies. The cross tabulation results (Table 8) do not support minor hypothesis one (Ho: 1e) that there is negative relationship between reform on bank governance and management and banks having changed policies regarding quality as majority of bank officials from private banks (50%) and semi-Quasi banks (45%) agreed that reforms have brought changes in policy regarding quality services.

Table 8 – Cross Tabulation – Service Quality- Bank Officials

	Private				Semi-Quasi			
	Disagree	Neutral	Agree	Total	Disagree	Neutral	Agree	Total
Dimensions	N (%)	N (%)	N (%)	N (%)	N (%)	N (%)	N (%)	Total
Change in policy regarding quality services (Q23)	18 (32)	10(18)	28(50)	**56(100)**	11(44)	3 (10)	13(46)	**25(100)**
Banks having customer focused policy (Q25)	13 (23)	14(25)	28 (50)	**55 (100)**	9(36)	5 (20)	11(44)	**25(100)**

Source: Researcher 2014

DISCUSSION AND CONCLUSION

This study examined the impact of financial sector reforms in bank governance and management on the service quality of the commercial banks in Tanzania. Even though service quality was not measured using the SERVIQE model rather other used other indicators, there indicators are variables which have indirect effect on service quality of any commercial bank that offers financial services. We used mean scores, hypotheses test and cross tabulation to deduce conclusions from the study. The study provides evidence that the qualitative variable instruments for measuring service quality were valid as the Reliability Score (α) >0.5 for both bank customers instruments and bank official instruments [(0,787) and (0.747)] respectively in order to give confidence of relying on the research instruments. Study findings reveal that despite of the reforms on governance and management banks still do not have customer based policies, though private banks seem to be above the semi-qiuasi banks. Private Banks had higher mean (SD) scores of disagreement as compared to semi-quasi banks [(2.71(1.136) vs. 2.59(1.019), p= 0.142) Customer perception] and [(3.30(1.205) vs. 3.12(1.333), p= 0.542) Bank official perception)] respectively. This was also confirmed by the results of the hypothesis tests which confirmed that there is negative relationship between reforms on governance and service quality (P=0.240: > 0.05, P=0.323 >0.05).The study also show that despite of the reforms in bank governance and management, banks still offer same products that do not meet variety of needs of their customers, semi quasi banks being ahead with high scores of disagreement as compared to private banks meaning that at private banks at least they trying to offer different products as compared to semi-quasi banks [Customer perception (2.68(1.138) vs. 2.65(1.062), p= 0.721)] These results are confirmed by hypothesis tests that there is negative relationship between reforms on governance and management and banks having different products that meet variety needs of customer. (P=0.695: > 0.05).The results shows that as far as banks do not have specific products that address the needs of SME's. Semi-quasi banks had higher mean (SD) scores of disagreement as compared to private banks [(2.94(1.074) vs. 2.80(1.101), p= 0.120)] respectively. These results are confirmed by hypothesis tests that there is negative relationship between reforms on governance and management and banks having different products that meet the needs of SME's. (P=0.109: > 0.05).As far as the relationship of governance and management reforms and banks having products that address the needs of all genders semi-quasi banks had higher mean (SD) scores of disagreement responses from bank customers as compared to private banks [(2.62(1.203) vs. 2.56(1.230), p= 0.573)] respectively. This is also confirmed by hypothesis results that there is negative relationship between reforms on governance and management and banks having products that address needs of all genders (P=0.403, P.>0.105). Finally , as far as banks having changed policies in regard to quality services private banks had higher mean (SD) scores as compared to the results have shown that there is negative relationship between reforms on bank governance and management and change in bank policies in regarding quality services,

Conclusions and Policy Implication

The study aimed at assessing the impact of the reforms on governance and management on service quality of the commercial banks. This study gives some insights to commercial banks board of directors as well as management on the perception by customers and bank officials on governance and management impacts on service quality. Even though SERVIQUE model of measuring service quality have not been adopted by the study, the construct variable of the study revealed that the reforms on banking governance and management had no significant influence on the construct variable adopted in this study to measure service quality. The finding of the study show less significant impact of the reforms on service quality.

Commercial banks in Tanzania has not so much changed their policies as far as customer service quality is concerned. This does not mean that there are completely no policies but the intense concentration of these policies on customer services is perceived to be low by both customers. Bank official's perception on these issue is that the banks are doing much better contrary to customer perceptions. It is more important for boards and management to take into consideration of customer needs. Banks boards and management need to innovate policies that are more customer focused so as to ensure that banks are delivering quality services to meet customers' expectations. Boards needs to review their policies on customer delivery services. The study findings reaches also to conclude that the commercial banks are governance and management are lagging behind in designing and encouraging innovation of new products that can address the various needs of customers, designing products that can address the needs of SME's and address the needs of all genders. From these findings banks governance and management have to put in place policies and procedure that can help to encourage more innovations to address the inefficiencies in identified areas. When these issues are addressed it is likely that service quality provisions to customers will be enhanced.

This research had limitations number of limitations. The inadequate literature on financial sector reforms on bank governance and its impact to service quality in Tanzania pose a limitation to this study. At the same this study is not a carried in all regions of the republic of Tanzania but only in four regions of country hence that the sample representation of bank customers is small .The total estimated population of bank customers in Tanzania is about forty million people who are scattered in twenty nine regions. Further study in more regions with larger sample might give different results.

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Figure 1.1- Bank Ownership

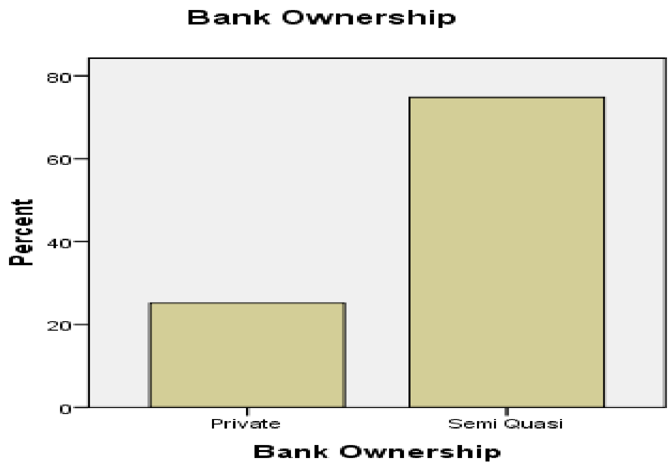

Figure 1.2- Customers Location

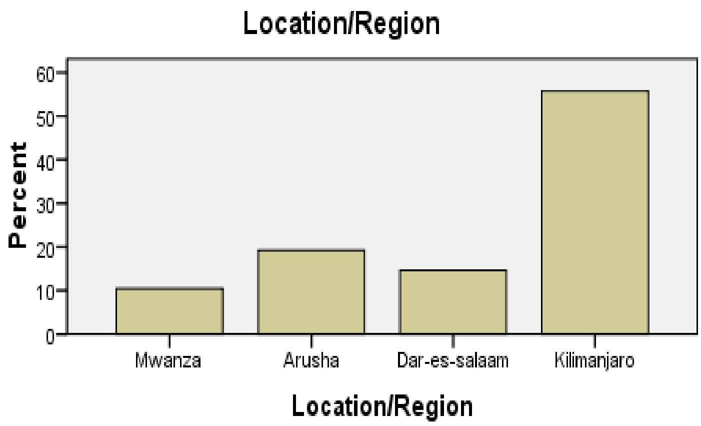

Figure 1.3- Gender of Customers

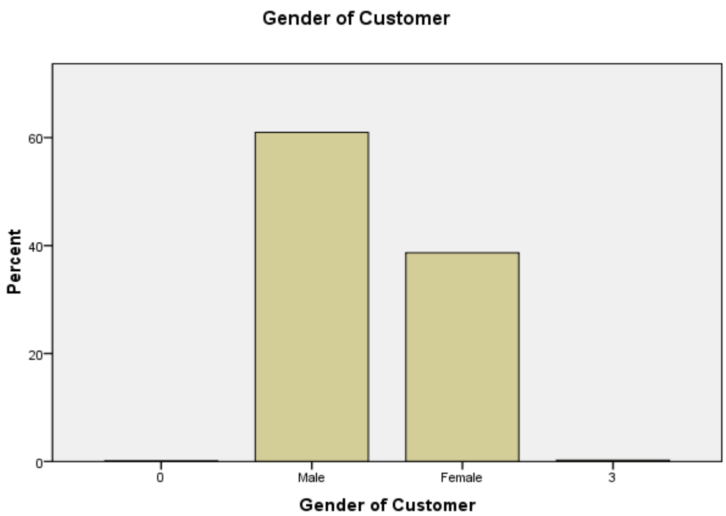

Figure 1.4- Age of Customers

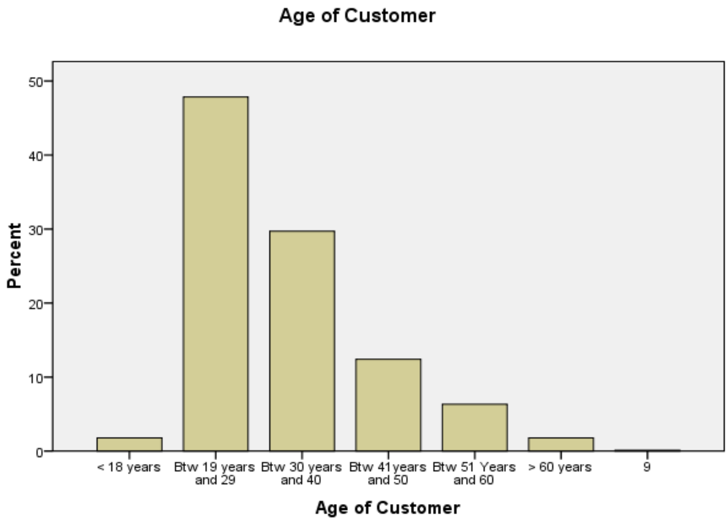

Figure 1.5- Banking Period

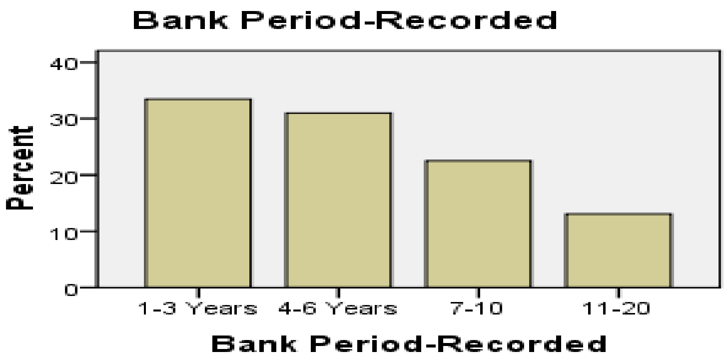

Figure 1.6- Level of Deposits

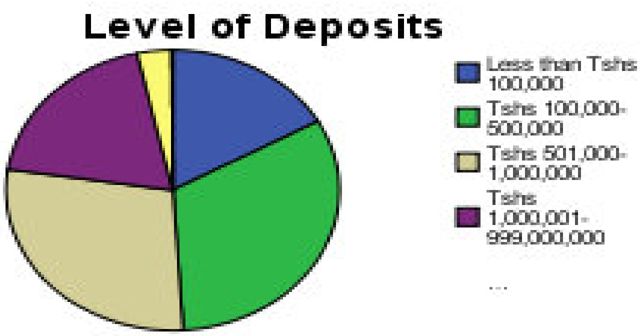

Table 1- List of Tanzania Commercial Banks in Year 2010

Access Bank	Bank of India	DCB- Bank	International Commercial Bank
Akiba Commercial Bank	Barclays Bank	Diamond Trust Bank	Kenya Commercial Bank
Azania Bank	CF Union Bank	Exim Bank	National Bank of Commerce
Bank ABC	Citibank	ECO Bank	National Microfinance Bank
Bank M	Continental Bank	FBME Bank	Mkombozi Commercial Bank
Bank of Africa	Commercial Bank of Africa	Habib African Bank	Savings and Finance Bank
Bank of Baroda	CRDB Bank	United Bank of Africa	
Savings and Finance	Commercial Bank	Mwanga Commercial Bank	

Source: Researcher 2013

Table 3- Descriptive statistics-Bank official Survey

Variable	Bank Officials Frequency	Percent
Ownership		
Private	56	69%
Semi-Quasi	25	31%
	81	**100%**
Location		
Mwanza	9	11%
Arusha	14	17%
Dar-es-salaam	54	67%
Kilimanjaro	4	5%
Total	**81**	**100%**
Position		
Chief Finance Officer	1	1%
Human Resources Manager	1	1%
Information System Manager	5	6%
Customer Relationship Manager	10	12%
Marketing Manager	5	6%
Branch Manager	5	6%
Finance Officer	14	17%
Bank Officers	40	49%
Total	**81**	**100%**
Sex		
Male	38	47%
Female	43	53%
Total	**81**	**100**
Age		
18-30	4	4%
21-30	12	12%
31-40	24	24%
41-50	35	35%
51 -60	3	3%
60 and ABOVE	2	2%

Source: Researcher 2013

Table 6.1- Chi-Square results-Regulation and customer Focused Policies- Customer Perception

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.744[a]	5	.240
Likelihood Ratio	7.226	5	.204
Linear-by-Linear Association	1.947	1	.163
N of Valid Cases	829		

a. 1 cells (8.3%) have expected count less than 5. The minimum expected count is 2.53.

Table 6.2 - Chi-Square results-Regulation and customer Focused Policies- Bank Official Perception

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.665[a]	4	.323
Likelihood Ratio	4.558	4	.336
Linear-by-Linear Association	4.002	1	.045
N of Valid Cases	81		

a. 3 cells (30.0%) have expected count less than 5. The minimum expected count is 2.78.

Table 6.3 - Chi-square results – Governance and Banks offering different Products

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.031[a]	5	.695
Likelihood Ratio	3.319	5	.651
Linear-by-Linear Association	.120	1	.729
N of Valid Cases	826		

a. 1 cells (8.3%) have expected count less than 5. The minimum expected count is 2.54.

Table 6.4- Chi-square results – Governance and Banks offering products that address SME needs

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.997[a]	5	.109
Likelihood Ratio	9.382	5	.095
Linear-by-Linear Association	2.487	1	.115
N of Valid Cases	822		

a. 1 cells (8.3%) have expected count less than 5. The minimum expected count is 3.04.

Table 6.5 Chi-square results – Governance and Banks offering Products that address needs of all genders

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.110[a]	5	.403
Likelihood Ratio	5.297	5	.381
Linear-by-Linear Association	.326	1	.568
N of Valid Cases	823		

a. 1 cells (8.3%) have expected count less than 5. The minimum expected count is 2.02.

Table 6.6 Chi-square results – Governance and Banks and Change in policy regarding quality services

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.490[a]	4	.828
Likelihood Ratio	1.500	4	.827
Linear-by-Linear Association	.379	1	.538
N of Valid Cases	81		

a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is 1.54.