

**St. Mary University  
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School of Graduate Studies**



**Assessing service quality and Customer Satisfaction  
(A case of Commercial Bank of Ethiopia)**

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**Addis Ababa, Ethiopia**

**St. Mary University**  
**Department of General MBA**  
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**December 2015**

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## Declaration

I, the undersigned, declare that this research paper is my original work and that all sources of the materials in the research paper have been duly acknowledged. The matter embodied in this project work has not been submitted earlier for award of any degree or diploma to the best of my knowledge and belief.

Name: Almaz Tsehaye

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## ENDORSEMENT

I, hereby certify that, Ms. Almaz Tsehaye student of Masters of General Business Administration at St. Mary University, Department of General Business Administration, School of Graduate Studies, has completed her research project on **"Assessing service quality and customer satisfaction"**, under my advice, guidance and supervision.

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Advisor

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Signature & Date

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I am grateful to thank my sister selam tsehaye, my staff and friend for their great support through providing the necessary materials that are important inputs for this study and their friendly comments relating to the study.

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Thank you all!



## **ACRONYMS**

**ATM** – Automated Teller Machine

**CBE** – Commercial Bank of Ethiopia

**INTSERVQUAL** - internal service quality model

**POS** – point of sale

**SERVEQUAL** - Service Quality Model, a survey instrument that purports to measure the quality of service rendered by an organization along five dimensions: reliability, assurance, tangibility, empathy and responsiveness.

**SERVPERF** - Service Quality Model, emphasized that service quality can be measured perceptions alone.

**SPSS** - Statistical Package for social Sciences

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## ***Abstract***

*The purpose of this study is to assess service quality and customer satisfaction at commercial bank of Ethiopia using SERVQUAL model that describes various dimensions of service quality. To this purpose the researcher has studied the service quality of the CBE using SERVQUAL model. Convenience sampling technique was used in the study to take a sample from the infinite population. A total sample of 400 respondents who have utilize service on commercial bank of Ethiopian were taken as a respondent. A questionnaire was designed based on the model in order to examine all the five factors of service quality in the model for bank industry. It is inclusively concluded that customers of CBE are not satisfied with the perceived services and it warns the bank to focus on customers' expectations. Tangibles, assurance, responsiveness, reliability and empathy are five features of the model and in empathy is positively and strongly correlated with customer satisfaction reliability, assurance and Tangibility are positively and moderately correlated with customer satisfaction and responsiveness is positively and weakly correlated with customer satisfaction. Managers should train employees, improve visually attractive facilities and coordinate all people, departments and organizations involved with the services. Finally, managers at CBE should measure customers' satisfaction and service quality to keep the services corresponded with customers' opinions.*

*Key Words – service quality, customer satisfaction and SERVQUAL model*

## CHAPTER ONE

### INTRODUCTION

This chapter contains general overview of the entire study. It includes background of the study, background of the organization, statement of the problem, research questions, hypotheses, objective of the study, significance of the study, scope of the study, organization of the study and definition of terms.

#### 1.1. Background of the study

Service quality is an approach that helps to manage business processes in order to ensure full satisfaction of the customers which will help to increase competitiveness and effectiveness of the industry. Quality refers to something done by human beings at a very high level of excellence, oftentimes in the sense of works of perfection as being distinctive from inferior performance (sheetal and harsh 2004). Quality in service is very important especially for the growth and development of service sector business enterprises. Parasuraman, zeithamlet&berry (1985) noted that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers. Companies providing high service quality as perceived by their customers, tend to be the most profitable companies. On the other hand, poor service has been identified as the primary reason why customers switch to competitors. In service giving organizations all staff or employees must be customer orientated and interact with customers to satisfy their needs in order to increase customer satisfaction and there must be service commitment from employees and support from all levels of management. Therefore, it is important for managers and employees who provide goods or services that they must constantly keep

track of information about the company's wellbeing as far as meeting its customers' needs are concerned (dayang and francine 2010).

Organization must work more on customer relation and customer handling process and solve problems that are related to quality of service and customer satisfaction. The quality of services offered will determine customer satisfaction and customer loyalty. Service quality by its very nature is an elusive, indistinct and abstract concept. Consumer do not easily articulate their requirements, also there are difficulties in delimiting and measuring the concept. Experts like kotler, gronroos, cronin, taylor, teas, parasuraman, zeithaml, and berry have contributed to the growth of the subject and many models were developed on its measurement. The team of parasuraman, zeithaml and berry had conducted several research studies to define service quality and identify the criteria that customers use while evaluating the service quality in service organizations.

Theoretically, parasuraman have developed SERVQUAL scale and a conceptual framework called the 'gaps' model which estimates the difference between expectations and perceptions of actual service quality performance on five parameters namely tangibility, reliability, responsiveness, assurance and empathy. SERVQUAL is an effective approach that measures the quality of service and also analyzes the gap between customer's expectations and perceptions of the service in an organization.

Customer satisfaction is a representation of the customer's reaction to the value received from a particular product or service offering and it is tied to the customer's perception and expectation of service performance (jenet 2011). customer satisfaction results with greater profit through higher revenues, reduced costs to acquire customers, lower customer-price sensitivity, and decreased costs to serve customers familiar with a firm's service delivery system. Suzana and velida (2012) indicate that the costs of attracting new

customers are lower for firms that have already achieved a high level of customer satisfaction, and that satisfied customers are willing to buy goods and services more frequently which result positive word of mouth. Customer satisfaction extensively influences company performance and survival. Thus customer orientation is the most important focal point for any business to flourish in the market (rajasekhara and mangnale, 2011).

Currently, service quality has become the most important factor for the success and survival in banking industry and also to differentiate one bank from other competing banks. Service quality is very critical in a highly competitive environment such as that of the commercial bank of Ethiopia operating environment. Furthermore, delivering high quality services can help in meeting several requirements such as customer satisfaction, customer loyalty, market share, soliciting new customers, improved productivity, financial performance and profitability (Ilosa et al., 1998 as cited in mesay 2012).several banks face challenges while delivering quality service to their customers because of the dynamic nature of service. There is big deviation in customers' expectations and perception of service and this gap will result dissatisfaction of customers and negative word of mouth.

The goal of many banks is to develop services which attract and keep customers satisfied, loyal and speak well of the bank which in turn would increase revenue, customer equity, market share and profitability. In banking industry, service quality is being increasingly viewed as a competitive marketing strategy revolving around customer focus, innovation, and creative service and striving towards service excellence. (andotra, neetu and sanjana 2008).

Therefore, the main focus of the study is to assess service quality and customer satisfaction in commercial bank of Ethiopia.

## **1.2. background of the organization**

The history of bank in Ethiopia dates back to the establishment of the bank of Abyssinia in 1905, it was owned and managed by the British owned national bank of Egypt. The bank continued to operate until 1931 later on; it was wholly purchased by the government of Ethiopia and renamed “the bank of Ethiopia” this bank operated until the Italian invasion in 1936. The year from 1936-1942 were marked by the Italian occupation where only a few Italian banks were operating. After the victory over fascist Italy, the state bank of Ethiopia was established by a proclamation issued in August 1942. Accordingly with the issuance of the monetary proclamation in 1963 the national bank of Ethiopia and the CBE were established to handle the national banking and commercial banking activities respectively. In 1963 CBE was legally reestablished as a share company to take over the commercial banking activities of the state bank of Ethiopia and to carry on all types of banking business and operations competing with other banks.

CBE is now rendering many services through its three core process-cats (customer’s account transaction services), TS (trade services) and credit. Since CBE is improving its service quality and increasing the types of services and products through market assessment those are suitable for the economic condition of the country. Since CBE is striving to achieve its vision which is to be world class bank in 2025, taking different action to provide well service quality towards increase its customer satisfaction. One of the objectives to achieve its service quality is service excellence.

Due to the increasing competition in banking, customer service is an important



part and banks must give their due attention to the customers' satisfaction. Commercial banks—assaulted by the pressures of globalization, competition from financial institutions, and volatile market dynamics—are constantly seeking new ways to add value to their services. Because financial services compete in the marketplace with generally undifferentiated products, service quality becomes a primary competitive weapon (Stafford, 1996). Currently technological changes are causing banks to rethink their strategies for services offered to both commercial and individual customers (Hossain and Shirely, 2010). Moreover, banks that excel in quality service can have a distinct marketing edge since improved levels of service quality are related to higher revenues, increased cross-sell ratios, higher customer retention (Bennett and Higgins, 1988), and expanded market share (Bowen and hedges, 1993).

Therefore, banks should focus on service quality as a core competitive strategy (Chaoprasert and Elsey, 2004). Within this background customer satisfaction and service quality are compelling the attention of all banking institutions around the world and in recent years, academicians and practitioners give more attention in this area as it assumed that service quality is a critical measure of firm performance (Lasser et al., 2000; Yavas and Yasin, 2001; Bick et al. 2004; Andreessen and Olsen, 2008).

### **1.3. Statement of the problem.**

Since customer is a base for profitability and grows of the business, a company must keep and improve its service quality. If organizations fail to serve and satisfy their customers they will lose their profit as well as business.

Poor service quality is one of the factors for the failure of many financial institutions i.e. Customers who receive poor service, become more cautious and

particular in their assessment of the service supplier, and are much more aware that their choice may not have been a good one. These customers tend to feel that they miss out on benefits that other customer receive, they become less satisfied, and develop weaker ties to the service supplies(Andreassen, tor w.og olsen, line lervik (2008). Mostly, customer's dissatisfaction is related to poor quality services that can result poor organization image. When CBE providing service it should realize that the bank's vision which being a world class commercial banks at 2025. One of the important strategies to meet this vision is to excel/meet the ever increasing need and wants of customer to enhance their good perception.

CBE is struggling to improve and keep its service quality towards increase customers positive perceptions by providing and implementing like modern banking systems (core banking system, e-banking, mobile banking, and internet banking), technological instruments (ATM, POS) and other many banking services tools. However, there are some problems and difficulties observed on its service quality, handling of customers compliant, reliability, responsiveness and other services to apply effectively and efficiently as expected. (Commercial bank of Ethiopia reviewed 2015/16 first quarter performance). In this regard, a research should be carried out on the service quality of CBE to fill the gap and give possible recommendation to make the customers more satisfied and the service delivery quality better.

In light of the above discussion, it is deemed essential for CBE to be fully aware of its customer satisfaction in relation with the service offered to them. If CBE does not asses the magnitude of its customer actual perceptions of the service and make appropriate measure the result may have a direct impact on customer defection. CBE in the banking industry of the country should pay more attention

for service quality to meet their customer's expectation.

#### **1.4. Basic research questions**

This study is aimed to answering the following research questions:

1. How do customers perceive service quality in commercial bank of Ethiopia?
2. What are the factors that influence the quality of services in commercial bank of Ethiopia?
3. Are the customers satisfied with the service providing Commercial Bank of Ethiopia?

#### **1.5. Hypotheses**

**H1**=there is significance difference between expectation and perceived service by customers.

**H2**=reliability is positively related and has significant impact on customer satisfaction.

**H3**=responsiveness is positively related and has significant impact on customer satisfaction.

**H4**=assurance is positively related and has significant impact on customer satisfaction.

**H5**=empathy is positively related and has significant impact on customer satisfaction.

**H6**=tangibles is positively related and has significant impact on customer satisfaction.

## **1.6. Objective of the study**

### **1.6.1. General objective**

The main purpose of this study is to examine or assess service quality and customer satisfaction in commercial bank of Ethiopia.

### **1.6.2. Specific objective**

The specific objective of the study:

1. To assess whether customer are satisfied or not with the service that they get from commercial bank of Ethiopia.
2. To examine whether the five dimensions of service quality have impact on customer satisfaction.
3. To find out the means to increase service quality and customer satisfaction in the commercial bank of Ethiopia.
4. To find out the dominant SERVQUAL dimensions in affecting customer satisfaction in commercial bank of Ethiopia.

## **1.7. Significance of study**

This study helps commercial bank of Ethiopia to see its strength and weakness towards its service delivery and levels of its customer satisfaction; besides this, the study is important for the organization to take corrective action, helps to make decision by identifying which dimensions are more significant to focus and to improve service quality of the organization.

## **1.8. Scope of the study**

This research is conducted to assess the service quality and customer satisfaction in commercial bank of Ethiopia. Even though there are different factors that affect service quality and customer satisfaction, in this research

only five service quality dimensions were used i.e. Reliability, responsiveness, assurance, empathy and tangibility. Conducting the study to all customers in commercial bank of Ethiopia is difficult because the population is infinite and it is hard to manage all of these customers so the study was focused only on grade 4 branches. As the method of primary data collection, only questionnaire were used to conduct the study.

### 1.10. Organization of the study

The study is expected to comprise five chapters, which includes the following:-

- chapter one contain introduction of the study, background of the organization, statement of the problem, basic research questions, objectives of the study, significance of the study, scope of the study and limitation of the study.
- Chapter two deals with the literature review which consists of theoretical and empirical frame works.
- Chapter three deals with the research methodology.
- Chapter four deals with data presentation, analysis, interprets and/or discusses the findings.
- Chapter five deals with the summary of findings, conclusions and recommendations & limitation of the study.

### 1.11. Definition of terms

- **Service quality:** - can be defined as the difference between customer's expectation for service performance prior to the service encounter and their perception of the service received. (Asubonteng et al., (1996, p.64)
- **Customer satisfaction:** - is defined as a function of the customer's

expectations and perceptions of performance according to the expectancy - disconfirmation paradigm. (tse & wilton, 1988)

- **Reliability:** - is ability to perform the promised service dependably and accordingly. (Martin, 2007)
- **Responsiveness:** - is willingness to help customers and provide prompt service. (Martin, 2007)
- **Tangibles:** - is appearance of physical facilities, equipment, personal, and communication materials. (Martin, 2007)
- **Assurance:** - is knowledge and courtesy of employees and their ability to convey trust and confidence. (Martin, 2007)
- **Empathy:** - is carrying individualized attention the firm provides its customers. (Martin, 2007)

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2.1. Introduction

This chapter deals with the theoretical, empirical and conceptual framework of the study. This will involve bringing up the theories that I use my study. I discuss issues on service quality and customer satisfaction and define relevant concepts in order to enhance my understanding of the topic and provide answers to my research questions. Summarily, this theoretical framework will enable to build a conceptual model that will be the road map for my empirical observations.

#### 2.2. Concepts and definitions

##### 2.2.1. Service concept

Service is a product in the sense that it represents a bundle of benefits that can satisfy customer wants and needs, yet it does so without physical form. As such, the value a customer realizes from purchasing a service has on him or her in fulfilling needs and wants. (Marshall, Johnston, p265)

A study carried out by Johns, (1998, p.954) points out that the word 'service' has many meanings which lead to some confusion in the way the concept is defined in management literature, service could mean an industry, a performance, an output or offering or a process. He further argues that services are mostly described as 'intangible' and their output viewed as an activity rather than a tangible object which is not clear because some service outputs have some substantial tangible components like physical facilities, equipment and

personnel.

According to a study carried out by Johns, (1998, p.968-970), service is viewed differently by both the provider and the consumer; for the provider, service is seen as a process which contains elements of core delivery, service operation, personal attentiveness and interpersonal performance which are managed differently in various industries. While customer views it as a phenomenon meaning he/she sees it as part of an experience of life which consists of elements of core need, choice, and emotional content which are present in different service outputs and encounters and affect each individual's experience differently. However, factors that are common for both parties include; value (benefit at the expense of cost), service quality and interaction.

### **2.2.2. Understanding quality concept**

Quality has many different definitions and there is no universally acceptable definition of quality.

Some definitions of quality are;

"Quality is product performance which results in customer satisfaction freedom from product deficiencies, which avoids customer dissatisfaction" – (Juran, 1985). "Quality is the extent to which the customers or users believe the product or service surpasses their needs and expectations" – (Gitlow *et al.* 1989). "

Quality: the totality of features and characteristics of a product that bear on its ability to satisfy stated or implied needs"– international standards organization (ISO). "Quality is the total composite product and service characteristics of marketing, engineering, manufacture and maintenance through which the product in use will meet the expectations of the customer" – (Feigenbaum, 1986)

"Quality is anything which can be improved" – (Imai, 1986). "Quality is the loss a product causes to society after being shipped" – (Taguchi, 1986, p.1). "We must



define quality as “conformance to requirement” – (Crosby, 1979, p.17). “Quality is the degree or grade of excellence etc. Possessed by a thing” – (oxford English dictionary). “Quality is defined as the summation of the affective evaluations by each customer of each attitude object that creates customer satisfaction”- (wicks & Roethlein, 2009, p.90). “Quality is the totality of features and characteristics in a product or service that bear upon its ability to satisfy needs” (Haider, 2001, p.8).

### **2.2.3. Service quality concept**

The importance of managing customer expectations – the notion that under promising and over delivering is powerful because it contributes to a high level of customer satisfaction. Exceeding customer expectations is often referred to as customer delight, which has been shown to correlate highly with loyalty and high return on customer investment. Firms practicing great service often build in delightful surprises for their customers as part of their service experience. In many aspects, service quality represents a formalization of the measurement of customer expectations of a service compared to perceptions of actual service performance. The playing field for service quality is the service encounter, which is the period during which a customer interacts in any way with a service provider. This can be in person, by phone or through other electronic means. (Marshall/Johnston, p278)

Service quality is considered an important tool for a firm’s struggle to differentiate itself from its competitors (Ladhari, 2008, p.172). The relevance of service quality to companies is emphasized here especially the fact that it offers a competitive advantage to companies that strive to improve it and hence bring customer satisfaction.

Service quality has received a great deal of attention from both academicians and practitioners (Negi, 2009) and services marketing literature service quality is

defined as the overall assessment of a service by the customer (Eshghi et al., 2008, p.121). By defining service quality, companies will be able to deliver services with higher quality level presumably resulting in increased customer satisfaction. (Ghylin et al., 2008, p.76). Understanding service quality must involve acknowledging the characteristics of service which are intangibility, heterogeneity and inseparability, (Parasuraman et al., 1985, p.42); (Ladhari, 2008, p.172). In that way, service quality would be easily measured.

In this study, service quality can be defined as the difference between customer's expectation for service performance prior to the service encounter and their perception of the service received. Customer's expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectation and quality is low when performance does not meet their expectation (Asubonteng et al., (1996, p.64). Expectation is viewed in service quality literature as desires or wants of consumer i.e., what they feel a service provider should offer rather than would offer (Parasuraman et al., 1988, p.17). Perceived service is the outcome of the consumer's view of the service dimensions, which are both technical and functional in nature (Gronroos, 1984, p.39).

The customer's total perception of a service is based on his/her perception of the outcome and the process; the outcome is either value added or quality and the process is the role undertaken by the customer (Edvardsson, 1998, p.143).

Parasuraman et al, (1988, p.15) define perceived quality as a form of attitude, related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance. Therefore, having a better understanding of consumers attitudes will help know how they perceive service quality.

Customer-perceived service quality has been given increased attention in recent

years, due to its specific contribution to business competitiveness and developing satisfied customers. This makes service quality a very important construct to understand by firms by knowing how to measure it and making necessary improvements in its dimensions where appropriate especially in areas where gaps between expectations and perceptions are wide. (Negi 2009, p. 32-33).

The consumer who has developed heightened perception of quality has become more demanding and less tolerant of assumed shortfalls in service or product quality and identify the intangible elements (inseparability, heterogeneity and perish ability) of a service as the critical determinants of service quality perceived by a customer. It is very vital to note here that, service quality is not only assessed as the end results but also on how it is delivered during service process and its ultimate effect on consumer's perceptions (Douglas & Connor, 2003, p.166).

According to Parasuraman et al. (1991), companies can get their competitive advantage by using the technology for the purpose of enhancing service quality and gathering market demand. Different authors have attempted to define quality in different ways. Some prominent definitions include 'conformance to requirements' (Crosby, 1984), Juran (1988) defined quality as 'fitness for use which results in customer satisfaction freedom from product deficiencies, which avoids customer dissatisfaction. Eiglier and Langeard (1987) defined quality as 'one that satisfies the customer'. Gitlow et al. (1989) defined quality as the extent to which the customers or users believe the product or service surpasses their needs and expectations." Deming (1986) defined quality as a predictable degree of uniformity and dependability, at low cost and suited to the market. The international organization for standardization (ISO) 8402 defined quality as the totality of features and characteristics that bears on the ability of

a product or service to satisfy stated or implied needs.

Johns, (1999) contends that the word 'service' has many meanings which lead to some confusion in the way the concept is defined in management literature, where service could mean an industry, a performance, an output or offering or a process. He further argues that services are mostly described as 'intangible' and their output viewed as an activity rather than a tangible object which is not clear because some service outputs have some substantial tangible components like physical facilities, equipment and personnel Oliver (1997) argues that service quality can be described as the result from customer comparisons between their expectations about the service they will use and their perceptions about the service company. That means that if the perceptions would be higher than the expectations then the service will be considered excellent, if the expectations are equal to the perceptions the service is considered good and if the expectations are not met the service will be considered bad. Service quality is an assessment of how well a delivered service conforms to the client's expectations. Service business operators often assess the service quality provided to their customers in order to improve their service, to quickly identify problems, and to better assess client satisfaction. Gibson (2005) argued that satisfied customers are likely to become loyal customers and that means that they are also likely to spread positive word of mouth which will lead to growth of market share. Understanding which factors that influence customer satisfaction makes it easier to design and deliver services that corresponds to the market demands.

Parasuraman, zeithaml and berry (1990) posit that service quality is an extrinsically perceived attribution based on the customer's experience about the service that the customer perceived through the service encounter.

According to the Japanese production philosophy, quality implies 'zero defects'

in the firm's offerings. This confirms with the work of Philip Crosby who argued that quality is conformance to the requirements where no room is given for any defects. Initial efforts in defining and measuring service quality emanated largely from the goods sector, research work in the area of service quality was laid down in the mid-eighties by Parasuraman, Zeithaml and Berry (1985). The contributions made by Parasuraman, Zeithaml and Berry (1988) in their studies on service quality have continued to shape the direction of research in the services sector. The researchers defined service quality as a global judgment, or attitude, relating to the superiority of the service. Views and research studies done by other scholars include Gronroos (1982) and Smith and Houston (1982), Parasuraman, Zeithaml and Berry (1988) who conceptualized service quality as the difference between consumer perceptions and expectations which is the outcome interaction and experience with the service.

#### **2.2.4. The importance of service quality**

The importance of service quality has been widely discussed by the researcher. Parasuraman, et al., (1991) argues that delivering high quality in the service industry has been recognized as the most effective means of ensuring that a company's offerings are uniquely positioned in a market field with "look alike" competitive offerings. Therefore, businesses should be concerned with service quality which can make customer loyalty decline or increase depending on how customer perceives it. Perceived service quality is also seen in the customer's global point of view or judgment of the overall excellence or superiority of the service (Ugboma, et al., 2004:488).

Moreover, providing service, understanding customer expectations and the customer's perception of the service encounter is a vital component to delivering superior service. Delivering superior service, especially in the travel industry creates a myriad of opportunities for the service organization to

surpass the competitive and become a recognized leader in the service industry. It only stands to rationalize that the concept of the service encounter directly affects satisfaction, loyalty and future behavioral intentions; which in turn, has a direct effect on the organization's success and financial stability (zeithaml et al., (2008).

#### **2.2.5. Customer satisfaction**

Customer satisfaction is defined as a function of the customer's expectations and perceptions of performance according to the expectancy - disconfirmation paradigm (tse & wilton, 1988) and it is a construct closely related to perceived service quality (magi & julander, 1996).

Customer satisfaction is generally understood as the satisfaction that a customer feels when comparing his/her preliminary expectations with the actual quality of the service or product acquired. Customer satisfaction is conceptualized has been transaction-specific meaning it is based on the customer's experience on a particular service encounter, (cronin & taylor, 1992) and also some think customer satisfaction is cumulative based on the overall evaluation of service experience (jones & suh, 2000). These highlight the fact that customer satisfaction is based on experience with service provider and also the outcome of service.

Customer satisfaction is considered an attitude, yi, (1990).there is some relationship between the customer and the service provider and customer satisfaction will be based on the evaluation of several interactions between both parties.

Therefore the researcher considers satisfaction as a part of overall customer attitudes towards the service provider that makes up a number of measures (levesque et mcdougall, 1996, p.14).

According to wicks & roethlein, (2009, p.89), customer satisfaction can be

formed through an affective evaluation process and this affective evaluation is done following the purchase experience by the consumer. Organizations that consistently satisfy their customers enjoy higher retention levels and greater profitability due to increased customers' loyalty, wicks & roethlein, (2009, p.83). This is why it is vital to keep consumers satisfied and this can be done in different ways and one way is by trying to know their expectations and perceptions of services offered by service providers. In this way, service quality could be assessed and thereby evaluating customer satisfaction. Therefore commercial bank of Ethiopia can work on service quality and customer satisfaction.

#### **2.2.5.1. Factors that affect customer satisfaction**

Matzler et al., (2002), went a step forward to classify factors that affect customers' satisfaction into three factor structures;

1. **Basic factors:** these are the minimum requirements that are required in a product to prevent the customer from being dissatisfied. They do not necessarily cause satisfaction but lead to dissatisfaction if absent. These are those factors that lead to the fulfillment of the basic requirement for which the product is produced. These constitute the basic attributes of the product or service. They thus have a low impact on satisfaction even though they are a prerequisite for satisfaction.

2. **Performance factors:** these are the factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled. These include reliability and friendliness.

3. **Excitement factors:** these are factors that increase customers' satisfaction if fulfilled but does not cause dissatisfaction if not fulfilled which include project management.

## **2.2.6. Customer expectation**

Service expectation derive from many other sources such as personal needs, perceived service alternatives, customer self- perceived service role, service promises, word of mouth communication, past experience and situational factors beyond the control of the service provider (parasurman, zeithaml, & berry 1985). Given the importance of understanding customer expectations in order to deliver service quality it is also clearly important to understand how such expectations might be formed. Customer expectations will be formed or influenced as a result of many factors.

### **2.2.6.1. Factors that affect customer expectation**

#### **Personal needs**

Any customer will have what they regard as a set of key personal needs which they expect the service to address. Clearly these will vary from service to service and importantly from customer to customer. An inadequate understanding by the service of these personal needs will make it difficult to design an appropriate service (wisniewski, 1999).

#### **Previous experience**

Some customers many for some services will be 'repeat' customers in the sense that they have used this service before. Their previous experience as a customer will in part influence their expectations of future service. One customer for example may have low expectations because of previous poor service. Another may have high expectations because the service quality last time was high. However customers may also use their previous experience of other organizations in this context (wisniewski, 1999).

#### **Word of mouth communications**



Customers will have their expectations shaped in part by word-of-mouth communications about the service and the service provider. Effectively this relates to communication from sources other than the service provider itself. Friends, family, colleagues etc. are obvious sources in this context. Equally, the media may be a source of such communication (wisniewski, 1999).

### **Explicit service communications**

Explicit service communications relate to statements about the service made by the service itself. Such statements may come from service staff or from the service in the form of leaflets, publicity and marketing material (wisniewski, 1999).

### **Implicit service communication**

Implicit service communication may lead the customer to make inferences about service quality. From a service management perspective, it is clearly important to understand what the key influences on your customers' expectations are. Equally, it is important to identify how the service might influence customer expectations of service through its formal and informal communications (wisniewski, 1999).

## **2.2.7. Measuring service quality and satisfaction**

Parasuraman et al, (1988) has developed a 22- item instrument representing the five dimensions, called SERVQUAL for assessing customer perception of service quality and service organization. It is based on the premise that customers can evaluate service quality by comparing their perceptions with their expectations of its service. To develop the SERVQUAL scale, data were gathered for five different service categories: appliance, retail, and maintenance, retailing banking, long-distance telephone, securities, brokerage, and credit cards. Since the development of the SERVQUAL scale, a number of studies have been conducted on the service quality using this scale. The SERVQUAL has

been used widely to evaluate service quality in various industries. However, several researchers have noted limitations of the SERVQUAL and presented modified and alternative methods. For example, carman (1990) asserts that it is difficult to use the 22 proposed items and some modifications in items or wording were always required. Cronin and Taylor (1992) argue that the limitations in the SERVQUAL due to the fact that disconfirmation paradigm does not perform well statistically and the author presented a performance based alternative method called the SERVPERF. Since service quality is an important factor for banks, several researchers have applied service quality related theories and methods in the bank industry (Jain & Gupta, 2004; Somwang, 2008; Huang, 2009; Hongxiu et al., 2009; Atalik, 2009; Chiou & Chen, 2009 and Lee et al., 2011). Most of the previous bank service quality studies have used the SERVQUAL method to evaluate service quality. For the purpose of this study, the researcher used SERVQUAL theory mainly in order to measure and identify gaps between what customers expect from commercial bank of Ethiopia products and services and what customers perceive the service to be from their carriers. Gronroos (2001) provides the groundwork for service quality models utilized in research today. The service quality model consists of two main parts, technical and functional quality. Technical is what the customer actually receives from the interactions with the service organization. Functional quality is the way in which the technical quality is delivered to the customer. The two combined create image or the service organization's reputation. In the end, the three elements together create experienced quality. The combination of technical quality, which is tangible in nature, paired with functional quality, which is intangible in nature, leads to the overall satisfaction level. Therefore, the overall level of satisfaction depends on the customer's expectations when entering into the service experience and how the experienced quality measures up in the end.

Service quality model shows that technical quality and functional quality are interrelated and directly affect the image portrayed to the customer. This in turn leads to experienced quality. Within experienced quality there are two areas; experienced service as it relates to technical quality and experienced service as it relates to functional quality.

Most often referred to as SERVQUAL, the model revealed five dimensions of satisfaction leading to the development of the RADER model. The five dimensions outlined in their search represent the dimensions that are important in the eyes of the customer (o'neill, 1992). Martin (2007) described SERVQUAL as one of the most commonly used construct when measuring the relationship between service quality and satisfaction. The five elements of rater include:

1. **Reliability:** the ability to perform the promised service dependably and accurately.
2. **Assurance:** knowledge and courtesy; their ability to inspire trust and confidence.
3. **Tangibles:** the condition of the facility, equipment and appearance of the facility.
4. **Empathy:** caring, individuated attention; appearance of the personnel.
5. **Responsiveness:** willingness to help, provide prompt and attentive service.

The model is believed to be a concise representation of the core criteria that customers employ in evaluating service quality and is a representation of the relationship between the dimensions of the service quality, customer expectations and the customer's overall perception of service quality. In addition, berry et al., (1985) also signified the correlation between a customer's expected service and attributes that directly affect a customer's expectations. The attributes are word of mouth advertising, personal needs, past experiences, and external communications.

There are several ways to measure service quality (yang, 2003:311; douglas & connor, 2003:167). Some consider quality from the customer's point of view while others have settled for management perspective. There are two approaches highlighted by johnson and mathews (1997:291-292) to the assessment of service quality from the customer's perspective, one based on expectancy and the other on performance. The expectancy-based approach has been developed during a quarter of a century of research. One of the outcomes of this approach has been the gap model. The gap model states that service quality is the gap between customer expectations and perceptions of performance, with focus on strategies and processes for companies to use in search of service quality (ueno, 2010:74). The second approach is the performance-based assessment, which seeks to understand service quality as customer's perceptions of service delivery only. The later was developed through testing of the expectancy based approach by cronin and taylor in 1992 (cronin & taylor, 1994:125). After explaining each of these approaches a discussion of their relevance to the bank context will be held.

Even though many researchers have seen the expectations of customers as more important in evaluating service quality, it has been argued that measuring expectations of service quality as an experience would be difficult. This difficulty rises from the lack of physical attributes since people cannot describe their expectations of a service as good as they can with products. According to yang (2003:311) the characteristics of services such as intangibility, heterogeneity, inseparability and perish ability make the evaluation of service quality difficult.

## **2.3. Theoretical frame work**

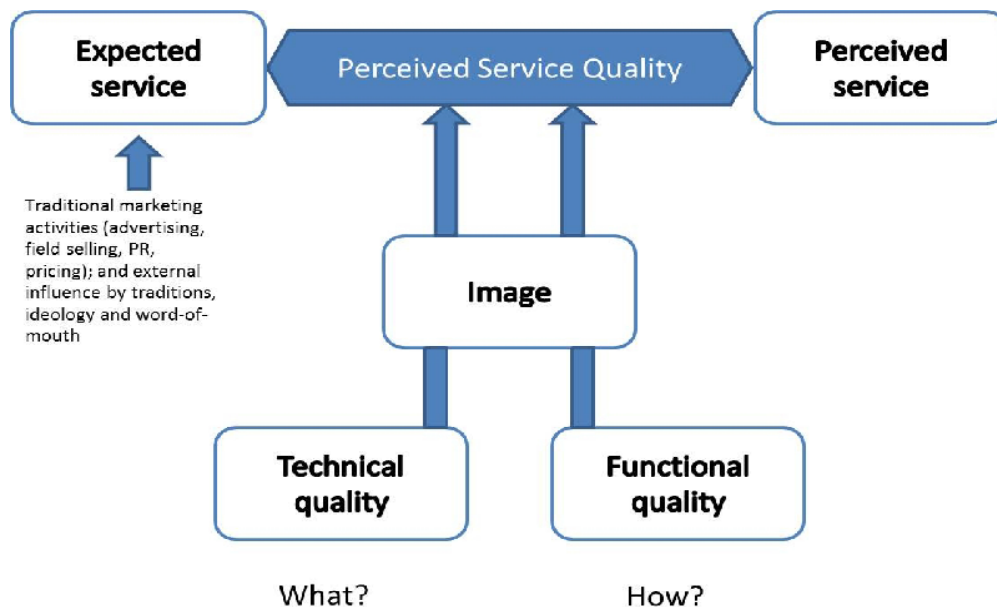
### **2.3.1. Service quality models**

Sasser et al. (1978) defined the factors that raise the level of service quality

such as *security, consistency, attitude, completeness, condition, availability, and training of service providers*. Besides this, *physical quality, interactive quality, and corporate quality* also affected the service quality level (lehtinen and lehtinen, 1982).

### 2.3.1.1. Gronroos's model

Grönroos (1984) developed the first service quality model (figure 2.1) and measured perceived service quality based on the test of qualitative methods. *Technical quality, functional quality, and corporate image* were used in the model as the dimensions of service quality. Technical quality is about customer evaluations about the service. Functional quality which is more important variable for consumer perceptions and service differentiation than technical quality refers how consumers take the service. Technical quality is interested in what was delivered whereas functional quality is interested in how the service was delivered. Corporate image has a positive impact on customer perceptions.



Source: gronroos, 1984.

## Figure 2.1. Gronroos service quality model

### Problems with Gronroos model

The technical or physical aspect of quality for any service is hard to evaluate by the customer according to asubonteng et al., (1996, p.64) contrary to the Gronroos model depicted above. The measurement of services has to be based on perceived quality rather than objective quality because services are intangible, heterogeneous and their consumption and production occurs simultaneously (Brensing, 1993).

#### 2.3.1.2. Model of service quality gaps

Parasuraman et al. (1985) analyzed the dimensions of service quality and constituted a gap model that provides an important framework for defining and measuring service quality (Saat, 1999). They developed the gap service quality model (figure 2) through the findings from exploratory research that contains in depth and focus group interviews. Gap service quality model showed the key insights gained through the executive interviews and focus group interviews about the service quality concept. The gaps revealed by the executive interviews were shown in the marketer side (gap 1, gap 2, gap 3, gap 4), and the gap 5 which was formed by the focus group interviews was in the consumer side of the model. The gap relations and names were shown below (Parasuraman et al., 1985; Lovelock and Wirtz, 2011):

Gap 1: customer expectation-management perceptions gap, *the knowledge gap*.

Gap 2: management perception-service quality specifications gap, *the policy gap*.

Gap 3: service quality specifications-service delivery gap, *the delivery gap*.

Gap 4: service delivery-external communications gap, *the communications gap*.

Gap 5: expected service-perceived service gap, *the service quality gap*.

Lovelock (1994) added the sixth gap to the model as gap 6: service delivery and perceived service, *the perceptions gap*. According to the responses of focus group participants, the judgments of high and low service quality depended on how consumers perceived the actual service performance in the context of what they expected, and gap 5 showed the expected service-perceived service gap. After the gaps modeling, the determinants of service quality that consumers used when interpreting the quality were described. The ten service quality determinants and their descriptions have been identified below.

**Table 1: determinants of service quality**

1. Reliability: consistency of performance and dependability, accuracy in billing, keeping records correctly, performing the service right at the designated time.
2. Responsiveness: willingness or readiness of employees to provide service, timeliness of service such as mailing a transaction slip immediately, calling the customer back quickly, giving prompt service.
3. Competence: possession of the required skills and knowledge to perform the service, knowledge and skill of the contact and support personnel, research capability of the organization.
4. Access: approachability and ease of contact, the service is easily accessible by telephone, waiting time to receive service is not extensive, convenient hours of operation, convenient location of service_facility.
5. Courtesy: politeness, respect, consideration, friendliness of contact personnel, consideration for the consumer's property, clean and neat appearance of public contact personnel.
6. Communication: keeping customers informed in language they can

understand and listening to them, explaining the service itself and its cost, assuring the consumer that a problem will be handled.
7. Credibility: trustworthiness, believability, honesty, company reputation, having the customer's best interests at heart, personal characteristics of the contact personnel.
8. Security: freedom from danger, risk, or doubt, physical safety, financial security, confidentiality.
9. Understanding/knowing the customer: understanding customer needs, learning the customer's specific requirements, providing individualized attention, recognizing the regular customer.
10. Tangibles: physical evidence and representations of the service, other customers in service_facility.

**Source: parasuraman et al., 1985.**

Haywood-farmer (1988) discussed a service quality model including three basic attributes as *physical facilities, processes and procedures, people behavior and conviviality, and professional judgment*. The service quality attributes of haywood-farmer were associated to service quality determinants of parasuraman et al. (1985).

Parasuraman et al. (1988) developed SERVQUAL which is an advanced model for measuring service quality. In SERVQUAL model (table 3), there are 5 dimensions and 22 items presented in seven-point likert scale. They measured especially functional service quality through empirical studies in banking, credit card, repair and maintenance, and long-distance telephone services.

**Table 3: SERVQUAL**

Dimension	Items
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s	
<p>Tangibles: Physical facilities, Equipment, and appearance of personnel</p>	<p>1.Should have up-to-date equipment 2.Physical facilities should be visually appealing 3.Employees should be well dressed and appear neat 4.Appearance of physical facilities should be in keeping with the type of services</p>
<p>Reliability: To perform The promised Service Dependably and Accurately</p>	<p>5. Should do things by the time they promise 6. When customers have problems, they should be sympathetic and 7. Should be dependable 8. Should provide their services at the time they promise 9. Should keep accurate records</p>
<p>Responsiveness: To help customers And provide Prompt service</p>	<p>10. Should not be expected to tell customers when services will be 11. Not realistic for customers to expect prompt service 12. Employees do not always have to be willing to help customers 13. Is ok if they are too busy to respond to requests promptly</p>

<p>Assurance: Courtesy Knowledge, ability Of employees to Inspire trust and Confidence</p>	<p>14. Customers should be able to trust employees</p> <p>15. Customers should feel safe in their transactions with these stores' employees</p> <p>16. The employees should be polite</p> <p>17. Employees should get adequate support to do their jobs well</p>
<p>Empathy: caring, Individualized Attention the firm Attention the firm Provides its Customers</p>	<p>18. The bank gives you individual attention.</p> <p>19. Employees cannot be expected to give customers personal attention</p> <p>20. Unrealistic to expect employees to know what the needs of their customers are</p> <p>21. Unrealistic for them to have customers' best interests at heart</p> <p>22. Should not be expected to have operating hours convenient to all customers</p>

**Source: compiled from parasuraman et al., 1988; finn and lamb, 1991.**

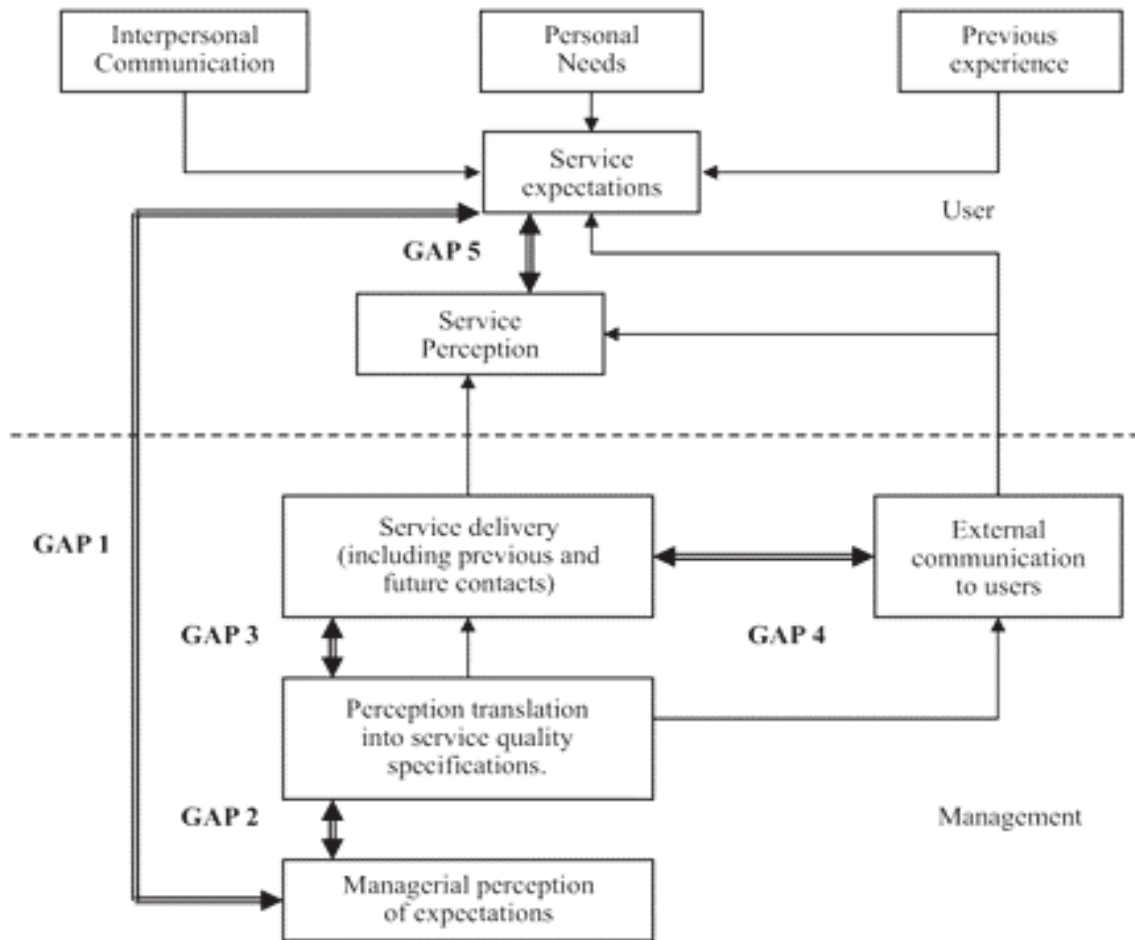
Service quality can be measured by the performance-based SERVPERF scale as well as the gap-based SERVQUAL scale. Cronin and Taylor (1992) developed SERVPERF which is a performance-only model for measuring service quality with empirical studies in banking, pest control, dry cleaning, and fast food sectors.

They have developed a service quality scale in respect to the dimensions of

expectation (22 items-same as SERVQUAL), performance (22 items-same as SERVQUAL), importance (22 items-same as SERVQUAL), future purchase behavior (1 item), overall quality (1 item), and satisfaction (1 item) which were measured by seven-point semantic differential scale. This study showed that service quality was measured as an attitude, the marketing literature supported the performance-based measures, and the SERVPERF explained more of the variation in service quality than SERVQUAL. SERVQUAL had a good fit in banking and fast food sectors whereas SERVPERF had an excellent fit in all four industries-banking, pest control, dry cleaning, and fast food. Brady et al. (2002) mentioned that SERVPERF was the most superior model among all service quality models and they performed a replication and an extension of SERVPERF and supported the results of cronin and taylor (1992) in different sectors such as spectator sports, entertainment, health care, long-distance carriers, and fast food. Stafford et al. (2011) assessed the fit and stability of service quality models, and emphasized that service quality can be measured using both expectations and perceptions (SERVQUAL) or perceptions alone (SERVPERF). Rust and oliver (1994) proposed a three dimensional non-tested model that included service product, service delivery, and service environment. The service quality ring showed ten lessons that improve the service quality (berry et al., 1994). These lessons are listening, reliability, basic service, service design, recovery, surprising customers, fair play, teamwork, employee research, and servant leadership. These factors should be developed by service organizations to improve the service quality. Philip and hazlett (1997) proposed a hierarchical structure model called P-CP for measuring service quality in service organizations. They adopted the scale of webster and hung (1994) one-to-five point scale from -2 to 2 and associated P-C-P model with SERVQUAL. The model was based on pivotal, core, and peripheral attributes. Pivotal attributes which

were the most important attributes that affect service quality were seen as end product or output, whereas; core and peripheral attributes were seen as inputs and processes. These attributes were shown in a triangle. Pivotal attributes were at the top, core attributes were at the second stage, and peripheral attributes were at the bottom side of the triangle. The degree of importance decreased from top to bottom of triangle.

Frost and kumar (2000) developed an internal service quality model called INTSERVQUAL (figure 3) based on the adaptation of the gap model (parasuraman et al., 1985) and the SERVQUAL (parasuraman et al., 1988). The model measures the service quality of internal customers such as front-line staff and support staff in airline industry. As a result of the study, it was found that internal service quality was affected by responsiveness mostly, however; reliability was found as the most important influence in SERVQUAL.



**Figure 1 - Services Quality GAP Model**  
 Source: Zeithaml V, Parasuraman A, Berry LL, 1990

Figure 2.2- service Quality Gap model

### 2.3.1.3. advantages of the SERVQUAL model over the SERVPERF model

Sanjay (2004) in his research regarding SERVPERF and SERVQUAL measurements, concluded that when one is interested in identifying the areas of a firm's service quality shortfalls for managerial interventions, one should prefer the SERVQUAL scale because of its superior diagnostic power.

He also adds that, no doubt, the use of the weighted SERVQUAL scale is the most appropriate alternative from the point of view of the diagnostic ability of various scales'. While the SERVPERF scale is a more convergent and

discriminant valid explanation of the service construct, possesses greater power to explain variations in the overall service quality scores, and is also a more parsimonious data collection instrument, it is the SERVQUAL scale which entails superior diagnostic power to pinpoint areas for managerial intervention.

An ideal service quality scale is one that is not only psychometrically sound but is also diagnostically robust enough to provide insights to the managers for corrective actions in the event of quality shortfalls. Sanjay (2004)

#### **2.4. relationship between service quality and customer satisfaction**

According to sureshchandar et al., (2002, p. 363), customer satisfaction should be seen as a multi-dimensional construct just as service quality meaning it can occur at multi levels in an organization and that it should be operationalized along the same factors on which service quality is operationalized.

Parasuraman et al., (1985) suggested that when perceived service quality is high, then it will lead to increase in customer satisfaction. He supports that fact that service quality leads to customer satisfaction and this is in line with saravana & rao, (2007, p.436) and lee et al., (2000, p.226) who acknowledge that customer satisfaction is based upon the level of service quality provided by the service provider.

According to negi, (2009, p.33), the idea of linking service quality and customer satisfaction has existed for a long time. He carried a study to investigate the relevance of customer-perceived service quality in determining customer overall satisfaction in the context of mobile services (telecommunication) and he found out that reliability and network quality (an additional factor) are the key factors in evaluating overall service quality but also highlighted that tangibles, empathy and assurance should not be neglected when evaluating perceived service quality and customer satisfaction. This study was based only on a specific

service industry (mobile service) and we think it is very important to identify and evaluate those factors which contribute significantly to determination of customer-perceived service quality and overall satisfaction.

Fen & Lian, (2005, p.59-60) found that both service quality and customer satisfaction have a positive effect on customer's re-patronage intentions showing that both service quality and customer satisfaction have a crucial role to play in the success and survival of any business in the competitive market. This study proved a close link between service quality and customer satisfaction.

Su et al., (2002, p.372) carried a study to find out the link between service quality and customer satisfaction, from their study, they came up with the conclusion that, there exist a great dependency between both constructs and that an increase in one is likely to lead to an increase in another. Also, they pointed out that service quality is more abstract than customer satisfaction because, customer satisfaction reflects the customer's feelings about many encounters and experiences with service firm while service quality may be affected by perceptions of value (benefit relative to cost) or by the experiences of others that may not be as good.

## **2.5. Review of previous empirical studies**

According to Moala (1998) study aimed at measuring the quality of banking services rendered by commercial banks of Jordan, from the point of view of the bank's customers, where the study found that the actual performance of banking services quality is low compared with the level of quality customer's expectation in their banking services. The study recommended that the departments of commercial banks should develop programs to enhance the quality of their services.

According to Zarour (2003), cited in Sulieman (2013), study aimed at measuring

the impact of the quality and price of services provided by banks to build brand image of the industrial sector in Jordan, the study found a relationship between industrial company's brand equity, and of some dimensions of quality banking service and the prices of these services. The study recommended banking departments to improve the quality of services and prices.

According to abu muammar (2005), study entitled "banking service quality measurement in banks operating in the gaza strip, palestine", this study aimed to assess the link between service quality and customer based brand equity for customer satisfaction, the study found that need to understand customer expectations in order to provide the best banking services, and achieve brand equity and satisfaction. Furthermore, customer loyalty and perceived quality is primarily depends on the investigation of the quality of banking services. The study recommended that the need to boost up assurance between customer and bank and take more curiosity in speed and accuracy and in the provision of banking services.

Moreover, according to al-saidi (2007) cited in sulieman (2013), study on "assessing the effectiveness of the quality of health services in the state of kuwait's jahra hospital. The study found that the level of response of the sample study about the effectiveness of quality services was high and statistical differences depending on the educational level variable. This study recommended the establishment of a specialized quality management center in the hospital in order to get customer based brand equity to the center.

Research conducted by abu zaid (2009), study entitled "impact of the service quality to customer loyalty and satisfaction in commercial bank ". The aim of this study was to assess the extent of customer based brand equity with the reality of quality service in commercial banks operating in the west bank, the study found that the level of customer satisfaction, customer loyalty and



perceived quality was improved .the study recommended that, the banks continuation of holding training sessions for staff and the need to poll customers about services provided and to access to Arabic and international banking experience.

According to blomer (1998), study handled the concept of loyalty to the bank, this research verify how the mental image, perceived service quality, and customer satisfaction affect their loyalty in the individual banks at the international level, it was found that mental image indirectly linked with the loyalty to the bank via quality, which is associated through customer satisfaction and found that reliability dimensions is the most important dimensions of service quality.

Addams, (2000) study entitled "service at banks and credit unions," the study found that credit institutions are better than banks on providing quality banking service as the bank does not identify customer needs, the study recommended the need to pay attention to the quality of banking services, and to identify the needs of customers.

Jabnoun & al-tamimi, (2002) study entitled "measuring perceived service quality at UAE commercial banks" this study aimed to measure the responsible quality through banking service quality dimensions, represented by human skills, concrete skills, empathy and response, the study found that customers give dimensions in financial value, but gave higher value for human skills.

Suresh et al., (2003) study entitled "customer perceptions of service quality in the banking sector of developing economy," the study found that banks varied significantly in providing quality service through customer perception of the quality of service provided.

The study found an association between customers and knowing customers, to lead the competition in this area. The study found a link between quality of

service and customer satisfaction, and that it has a significant impact in improving the level of customer satisfaction. This study also recommended to make a focus on reliability and customer knowledge in order to improve the competitive position of the sector, in order to ensure customer loyalty, and continued success in the future.

Hunjra et al., (2011) study entitled "the relationship between customer satisfaction, and quality of service in islamic banking in pakistan". This study aimed to highlight the relationship between customer satisfaction and quality of service for islamic banks. The study found a relationship between customer satisfaction and building the quality of bank service, the study also ensures that the effect of the response to the needs of the customers and satisfaction are of the most influential variables in Pakistan.

## **2.6. Conceptual framework**

The conceptual framework of service quality and customer satisfaction is developed based on the literature review. The five Service quality dimension variables which are tangibles, assurance, reliability, empathy and responsiveness are the independent variables and the customer satisfaction is a dependent variable of the framework .The following figure shows the relationship between the independent and dependent variables.

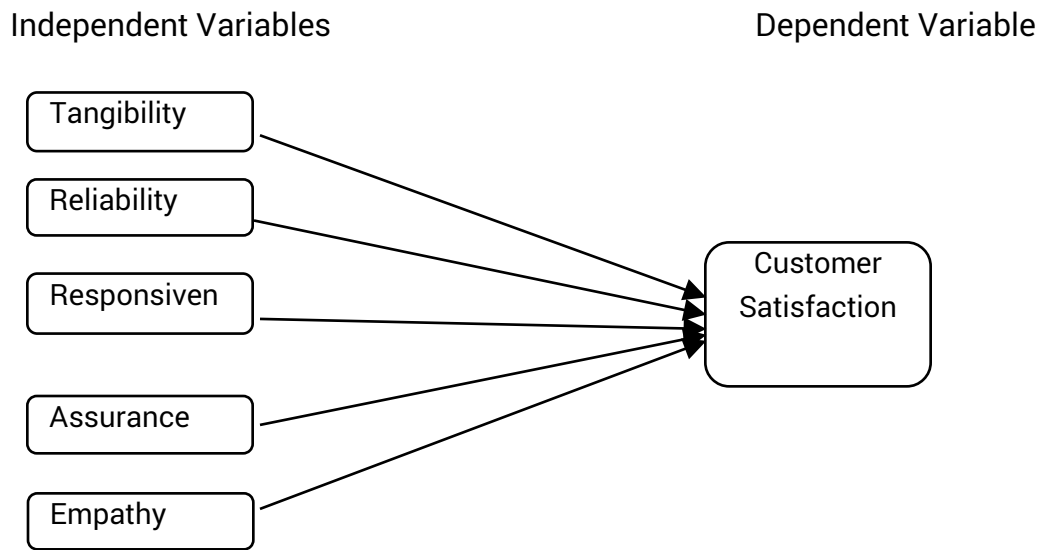


Figure 2.3: Conceptual Framework

Source: developed based on the study of objective and literature review, Dec 2015.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

The aim of this section is to highlight the overall methodological content of the thesis. The methodology part is divided into five sub-sections. The first section discuss the general research approach which the paper relies on and the second section covers a discussion of sampling techniques used and the justification for it and the sample size determined for the research. The third section presents validity and reliability test. The fourth section presents the method of data collection and data source. Finally, the fifth section presents the description of the data analysis method.

#### **3.2. Research approach**

This study is quantitative research that assesses service quality and customer satisfaction. In order to answer the problem statement the nature of the study is descriptive type. The reason of using this method is to study the relationship between dependent and independent variables, and is useful to identifying variables & hypothetical constructs, can be used as an indirect test of a theory or model.

#### **3.3. Sampling techniques and sample size determination**

The total population of the study was customers of commercial bank of Ethiopia. The total customers that are served by grade 4 branches of commercial bank of Ethiopia are more than 1,040,000. From the given population 400 sample respondents were taken from the total population. Yamane (1967:886) provides a simplified formula to calculate sample sizes. This formula was used to calculate the sample sizes of commercial bank of Ethiopia users. A sample size

of 400 customers of commercial bank of Ethiopia was considered adequate as this provides a 95% confidence level.

The researcher was use Yamane (1967:886)'s formula to figure out what sample size will need to take, which is written as

$N = n / (1 + ne^2)$ , Where N = number of samples, n = total population and e = error tolerance

$$N=1,040,000/ (1+1,040,000*0.05^2)$$

$$N=400$$

The sampling method used on this study is convenience sampling. Convenience sampling is technique in which a sample is drawn from that part of the population that is close to hand, readily available, or convenient (anol 2012). The reason for using convenience sampling is because the population is too large and it is impossible to include every individual and the respondents are included based on their convenient accessibility and proximity to the researcher.

### **3.4. Method of data collection and data source**

This study used both primary and secondary data collection method. Primary data were collected through questionnaires that were distributed directly to selected customers. Questionnaires were adopted from SERVQUAL model dimensions which are reliability, responsiveness, assurance, empathy and tangible (Parasuraman et.al). 5 likert scales were used as a measurement in which respondents indicate their extent of agreement or disagreement in order to measure the variables. For the purpose, a standardized SERVQUAL questionnaire was prepared in English and translated in to Amharic language to ensure the respondents proper understanding of the content of the items in the questionnaire. In the secondary data collection process, data were collected

from books, journals, articles & prior research works that help the researcher to enlarge the knowledge in the topic under study.

To make the data reliable the data collectors who are working in commercial bank of Ethiopia was use. During the data collection sufficient time was given to the respondents to answer the questions adequately and freely.

### **3.5. Validity and reliability**

#### **Reliability**

Reliability is conducted to assess data quality. A reliability test is used to assess consistency in measurement items (cerri, 2012). Cronbach's alpha was used to measure the internal consistency of the measurement items.

#### **Validity**

Validity is concerned with whether the findings are really about what they appear to be about (sounders et. Al., 2003). Validity defined as the extent to which data collection methods accurately measure what they were intended to measure (sounders et. Al., 2003). In order to achieve this objective the researcher were taken different steps to ensure the validity of the study from this was:

- data was collected from those target population respondents who have good understanding and experiences in using the service of commercial bank of Ethiopia.
- Survey questions were prepared based on previous empirical research review and literature review to ensure result validity.

### **3.6. Method of data analysis**

The data that is gained from the questionnaires were analyzed and interpreted using statistical package for social science (SPSS) version 20. As result, descriptive and inferential analyses were conducted by employing different methods. In descriptive statistics mean values, frequencies and standard

deviations of the respondent's answers were calculated. In inferential cronbach's alpha test takes place to assure reliability of the items. Correlation analysis was also used to analyze the dependent and independent variables.

### **3.7. Ethical consideration**

The study was taking ethical issues into consideration. When collecting questionnaires from customers of commercial bank of Ethiopia their permission and mutual consent was asked and the purpose was thoroughly explained. Name of the respondents' and details was not be asked to write in order to increase the confidentiality of the information they give. And also the questionnaire was explain that the purpose of research was for academic purpose. Finally the respondents was included based on their willingness.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### 4.1. Introduction

In this chapter, the results obtained in the study are analyzed, presented and interpreted in detail. This chapter begins by presenting respondents' profile followed by a descriptive statistics, correlation analysis respectively. A total of 400 questionnaires were distributed to commercial bank of Ethiopia customers. Among 400 questionnaires a total 360 (90%) questionnaires were returned and analyzed, while the remaining 40(10%) questionnaires were not included due to incompleteness of the questionnaire.

#### **Personal profile of respondents**

**Table 4.1. Respondent's personal profile**

The result of personal profile of the respondents' which is divided in to four parts is summarized in the table below

<b>Item</b>	<b>Frequency</b>	<b>Percent</b>
<b>Gender of the respondents</b>		
Male	207	57.5
Female	153	42.5
<b>Total</b>	<b>360</b>	<b>100</b>
<b>Educational background</b>		
Doctorate degree	17	4.72
2 <sup>nd</sup> degree	45	12.5
1 <sup>st</sup> degree	121	33.61



Diploma	94	26.11
Certificate	83	23.06
Other	0	0
<b>Total</b>	<b>360</b>	<b>100</b>
<b>Type of service used by the customers</b>		
Check account	155	43.06
Saving account	155	43.06
Loan account	9	2.5
Other	41	11.38
<b>Total</b>	<b>360</b>	<b>100</b>
<b>How customers utilize the service CBE provides</b>		
By going to the branch	102	28.33
ATM	122	33.89
Mobile banking	94	26.11
Internet banking	42	11.67
Other	0	0
<b>Total</b>	<b>360</b>	<b>100</b>

Source: survey result (2015)

The first item of table 4.1 shows gender of the respondents, among the total population 57.5% of the respondents are male and 42.5% of the respondents are female. Item two in the above table shows educational background of the customers, 4.72% of respondents are doctorate degree holders, 12.5% of respondents are 2<sup>nd</sup> degree holders, 33.61% of the respondents are 1<sup>st</sup> degree holders, 26.11% of the respondents are diploma holders and 23.06% of the respondents are certificate holders. The third item in the above table presents the type of service used by the customers, 43.06% of the respondents use check account, 43.06% of the respondents use saving account, 2.5% of the respondents use loan account and 11.38% of the respondents use other services. The last item in the above table presents how the customers utilize the service that CBE provide, 28.33% of the respondents use by going to the branches, 33.89% of the respondents use by ATM, 26.11% of the respondents use mobile banking and 11.67% of the respondents' use internet banking.

#### 4.2. Reliability test

Reliability analysis was computed to test whether the scale used in the study is internally consistent and consistently measures the criterion variable using the reliability procedure in SPSS (version 20.0). From data analysis the cronbach's alpha for this study is 0.809 which is excellent according to the standard set by George and Mallery (2003) and it is over the acceptable limit of >0.70. For all individual dimensions, cronbach's alpha is greater than 0.70, which is shown below, that signifies greater internal consistency between the items and measures the intended dimension of the variables.

**Table 4.2: cronbach's alpha test for independent variables**

Dimensions	Cronbach's alpha	No of items
Tangibility	0.716	4

Reliability	0.703	5
Responsiveness	0.731	4
Assurance	0.707	4
Empathy	0.714	5
<b>Over all scale reliability</b>	0.809	<b>22</b>

Source: survey result (2015)

#### 4.3. Service quality dimensions analysis

In order to assess the customer-perceived quality of commercial bank of Ethiopia service, descriptive statistics were computed per dimension. Mean score was calculated to show the average responses of respondents for each question that was included under each dimensions and to reach the grand mean of each dimension. Mean scores 4.51-5.00 excellent or very good, 3.51-4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair and 1.00-1.50 is poor (poonlar btawee:1987).

**Table 4.3. Service reliability**

Item	Mean	Grand Mean of the Dimension
When the bank promises to do something by a certain time, it does so.	2.0222	<b>1.98</b>
When you have a problem, the bank shows a sincere interest in solving it.	1.9250	
The bank performs the service right the first time.	1.9222	

The bank provides its service at the time it promises to do so.	1.9389	
The bank insists on error free records.	2.0722	

**Source: survey result (2015)**

Reliability refers the ability to perform the promised service dependably and accurately. According to the table 4.3, the average mean perception on reliability items ranges from 1.9389 to 2.0722 on a 5-point scale and the highest mean is scored from item five i.e. Error free records with a mean score of 2.0722 followed by item one which is promising to do something by a certain time with a mean score of 2.0222.the organization perform least on item three which is reliability in performing the service right the first time with a mean score of 1.9222 this shows that its service is not like the first time. In general the grand mean score for service reliability dimension is 1.98. Therefore the researcher concludes that, regarding to reliability commercial bank of Ethiopia customers perceive that quality of service being offered by the organization is fair.

**Table 4.4. Responsiveness dimension**

Item	Mean	Grand mean of the dimension
Employees in the bank tell you exactly when the services will be performed.	1.8556	2.09
Employees in the bank give you prompt service.	2.0722	
Employees in the bank are always willing to help you.	2.2083	
Employees in the bank are never too busy to respond to	2.2250	

your request.		
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**Source: survey result (2015)**

The responsiveness dimension involves willingness to help customers and provide prompt services. As shown in the above table the grand mean for responsiveness dimension is 2.09. the highest mean perception of responsiveness attribute of service quality is employees in the bank are never too busy to respond to your request with a mean score of 2.2250. The second highest mean scored is item three which refers to employees in the bank are always willing to help customers with a mean score of 2.2083. the least mean score is from item one which is employees in the bank tell customers exactly when the services will be performed with a mean score 1.8556. To conclude the grand mean of responsiveness dimension shows that it is fair.

**Table 4.5. Service assurance**

Item	Mean	Grand mean of the dimension
The behavior of employees in the bank instils confidence in you.	2.1278	<b>2.19</b>
You feel safe in your transactions with the bank.	2.2222	
Employees in the bank are consistently courteous with you.	2.0917	
Employees in the bank have the knowledge to answer your questions.	2.0306	

**Source: survey result (2015)**

Assurance dimension refers to the knowledge and courtesy of employees and

their ability to inspire trust and confidence including competence, credibility and security.

The above table portrays items that measures assurance. The highest perception mean score was 2.22 which is assigned to item two that describes customers feel safe in their transactions with the bank. Whereas, the least perception mean was scored 2.0306 which is assigned to the last item which explain employees in the bank have knowledge to answer the customer’s questions. As shown in above table 4.5 the grand mean for assurance is 2.19 which indicate regarding to assurance commercial bank of Ethiopia customers perceive that the quality of service being offered by the organization is fair.

**Table 4.6. Service empathy**

Item	Mean	Grand mean of the dimension
The bank gives you individual attention.	.9972	<b>1.93</b>
The bank has operating hours convenient to all its customers.	1.9192	
The bank has employees who give you personal attention.	1.9389	
The bank has your best interests at heart.	1.9472	
The employees of the bank understand your specific needs.	1.8639	

**Source: survey result (2015)**

The empathy dimension represents the provision of caring and individualized attention to customers including access or approachability and ease of contact,

effective communication, and understanding the customers. As clearly seen from the table above, the highest mean for this dimension come from the first indicator that signifies the bank gives individual attention to the customers with a mean score of 1.9972 followed by the bank has best interests at heart to customers with a mean score of 1.9472. However the least mean comes from the last item which is the employees of the bank understand customer's specific needs with a mean score of 1.8639. As a conclusion, the grand mean score of this construct based on customers view is 1.93 this shows regarding to empathy which indicate commercial bank of Ethiopia customers perceive that quality of service being offered by the organization is fair.

**Table 4.7. Tangibles**

Item	Mean	Grand mean of the dimension
The bank has modern looking equipment.	2.2917	2.41
The bank's physical features are visually appealing.	2.5111	
The bank's reception desk employees are neat appearing.	2.5056	
Materials associated with the service (such as pamphlets or statements) are visually appealing at the bank.	2.3306	

**Source: survey result (2015)**

Tangibility refers to appearance of physical facilities, equipment, personnel and communication materials. According to the above table the highest mean was 2.5111 for the second item which is the bank's physical features are visually appealing the least mean was score from the first item which is the bank has

moderate looking equipment with a mean of 2.2917.

As shown in the above table the grand mean for tangibility dimension is 2.41 which is the highest mean as compared to other independent variables. From the above table 4.7 the researcher concludes that customers are highly satisfied with the banks physical features of visually appealing and least satisfied regarding to the moderate looking equipment.

**Table 4.8. Overall satisfaction**

Item	Mean	Std deviation
Perceived service is greater than the expected service	1.2861	.47067
Perceived service is less than the expected service	4.5667	.51279
Perceived service is equal to the expected service	1.2472	.51441

**Source: survey result (2015)**

Customer satisfaction occurs by confirmation or positive disconfirmation of consumer expectations, and dissatisfaction occurs by negative disconfirmation of consumer expectations oliver (1980). If the customer can accept the outcome compared with his or her expectations, confirmation will occur. On the other hand, if the customer cannot accept the outcome, disconfirmation will occur. There are two kinds of disconfirmation, which are positive disconfirmation and negative disconfirmation. When the outcome of the product or service is less than the customer expects, negative disconfirmation will occur. On the other hand, when the customer feels better about the outcome than the expectation,



positive disconfirmation will occur. As shown in the above table the mean score for item one which is customer's perceived service is greater than the expected service (confirmation), is 1.2861 this shows us that customers did not accept the perceived service so they are not satisfied with the service. The second item which is customer's perceived service is less than the expected services (negative disconfirmation) with a mean score of 4.5667. this mean score indicate that most customers agree that they cannot get the service as they expect so they are less satisfied with commercial bank of Ethiopia service. Finally the last item is "perceived service is equal with the expected service" (positive disconfirmation), the mean score is 1.2472. As stated in the above paragraph customer's satisfaction occurs by confirmation or positive disconfirmation. As shown in the above table, the mean score of overall satisfaction both results are less so the researcher can generalize that commercial bank of Ethiopia customers are not satisfied with the overall service.

**Table 4.9. Perception & expectation gap**

Item	Mean	Grand mean
There is a difference between perceived and expected service	-2.57	-2.57

**Source: survey result (2015)**

As table 4.9 shows the mean score is -2.57 which indicates that there is a high gap between customer's perceived service and expectation.

#### **4.4. Correlation analysis**

Correlation analysis was conducted to investigate the relationship between SERVQUAL dimensions, which are reliability, responsiveness, assurance, empathy and tangibles with overall customer satisfaction. A correlation analysis with Pearson's correlation coefficient (r) was conducted on all variables in the study to explore the relationships between customers perceived service quality

dimensions and customer satisfaction. To interpret the strengths of relationships between variables, the guidelines suggested by field (2005) were followed, mainly for their simplicity. His classification of the correlation coefficient (r) is as follows: 0.1 – 0.29 is weak; 0.3 – 0.49 is moderate; and  $\geq 0.5$  is strong. The relationship between the five service quality dimension and overall customer satisfaction is presented in table 4.9. Each variable correlates perfectly with itself, as evidenced by the coefficients of +1.00 at the intersection of a particular variables' row and column.

**Table 4.10: Pearson's correlation matrix between service quality dimensions and customer satisfaction**

### Correlation

	Tangibility	Reliability	Responsiveness	Assurance	Empathy	Overall satisfaction
Tangibility	1					
Reliability	.520**	1				
Responsiveness	.374**	.493**	1			
Assurance	.485**	.473**	.449**	1		
Empathy	.473**	.485**	.406**	.492**	1	
Overall satisfaction	0.322**	0.319**	0.274**	0.318**	0.648**	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

Source: survey report (2015)

The correlations of the variables are shown in table 4.10, however, each variable correlates perfectly with itself, as evidenced by the coefficients of +1.00 at the intersection of a particular variables' row and column.

According to table 4.10, Pearson correlation matrix shows reliability has moderate associations with overall customer satisfaction with a value of 0.319. As per the Pearson's correlation, the r value range from 0.3 – 0.49 shows variables are moderately correlated.

Based on the above table correlation analysis, responsiveness with r-value has weak associations with overall customer satisfaction with a value of 0.274. According to field (2005), Pearson correlation coefficient value from 0.1 - 0.29 shows that variables are weakly correlated.

According to table 4.10, Pearson correlation matrix shows assurance has moderate association with overall customer satisfaction with r-value of 0.318. Therefore, assurance has positive relationship with customer satisfaction. In the same way tangibility have positive associations with overall customer satisfaction with r-value of 0.322 respectively.

According to table 4.10, Pearson correlation matrix shows empathy has strong association with overall customer satisfaction with r-value of 0.648. According to field (2005), Pearson correlation coefficient value from  $\geq 0.05$  shows that variables are strongly correlated.

Generally, reliability, responsiveness, assurance and empathy have positive associations with overall customer satisfaction towards commercial bank of Ethiopia and the highest positive correlation is with empathy and overall customer satisfactions according to the above Pearson correlation matrix.

#### **4.5. Hypothesis testing**

From the above analysis, the proposed hypothesis are tested as following

**H1**=there is significance difference between expectation and perceived service

by customers.

As stated in the above table 4.9 the mean score for the question that deals with the difference between customers expected and perceived service is **-2.57** this indicates us that there is a big difference between customer expectation and perception of service. As a result the hypothesis “there is significance difference between expectation and perceived service by customers” is accepted.

**H2=**reliability is positively related and has significant impact on customer satisfaction.

Reliability deals with accuracy and appropriateness in the service provide. The correlation in table 4.10 shows that reliability is positively related with customer satisfaction with a value of  $r=0.319$ ,  $P < 0.01$ . Therefore, the hypothesis “reliability is positively related and has significant impact on customer satisfaction.” Is accepted.

**H3=**responsiveness is positively related and has significant impact on customer satisfaction.

Responsiveness deals with willingness to help customers and to provide prompt service. In table 4.10 the relationship between responsiveness and customer satisfaction is positive with a value of  $r=0.274$ . The impact between responsiveness and customer satisfaction is significant because the  $P < 0.01$  so the hypotheses “responsiveness is positively related and has significant impact on customer satisfaction” is accepted.

**H4=**assurance is positively related and has significant impact on customer satisfaction.

Assurance is knowledge and courtesy of employees and their ability to convey trust and confidence. As shown in table 4.10 assurance is positively related with customer satisfaction with a value of 0.318. The impact between assurance and

customer satisfaction is significant because  $P < 0.01$ . Therefore the hypothesis "assurance is positively related and has a significant impact on customer satisfaction" is accepted.

**H5**=empathy is positively related and has significant impact on customer satisfaction.

Empathy is carrying individualized attention the firm provides its customers. Table 4.10 shows that empathy is positively related with customer satisfaction with a value of 0.648. The  $P < 0.01$  therefore the impact is significant. As a result the hypothesis "empathy is positively related and has a significant impact on customer satisfaction" is accepted.

**H6**=tangibles is positively related and has significant impact on customer satisfaction.

Tangible is appearance of physical facilities, equipment, personal, and communication materials. The correlation in table 4.10 shows that tangibility is positively related with a value of 0.322. the impact is significant because  $P < 0.01$ . So the hypothesis "tangibles is positively related and has an impact on customer satisfaction" is accepted.

#### **4.6. Discussion of the Results**

The study was planned at assessing service quality and customer satisfaction in CBE Grade four branches. The data were obtained through questionnaire from customers of the bank.

The results of background information of respondents indicated that among the total population 57.5% of the respondents are male and 42.5% of the respondents are female. 43.06% of respondents use check account service, 43.6% of respondents use saving account service, 2.5% of the total respondents uses loan account service and 11.38% of the respondents use other services

provide by the bank. 4.72% of respondents are PhD holders, 12.5% of the respondents are 2<sup>nd</sup> degree holders, 33.61% of respondents are 1<sup>st</sup> degree holders, 26.11% of the respondents are diploma holders, and 23.06% of the respondents are certificate holders. 28.33% of respondents utilize service by going to the branch, 33.89% of the respondents utilize service by using ATM, 26.11% of the respondents utilize service by using mobile banking and 11.67% of the respondents utilize service by using internet banking.

The result of this study indicates that reliability has a positive and significant effect on customer satisfaction. This finding is supported by Tizazu et al., (2012). He found that reliability has a positive and significant effect on customer satisfaction. This finding is also supported by Mohamed and Alhamadani (2011). They reported that reliability has a positive and significant effect on customer satisfaction. Al-Hawary et al., (2011) also supported this study. According to him reliability has positive and significant relationship with customer satisfaction. It also supports by merhawit (2014) she found that reliability has a positive and significant effect on customer satisfaction.

The finding of this study also indicates that assurance has a positive and significant effect on customer satisfaction. This finding is supported by Malik et al., (2011) reported that assurance has a positive and significant effect on customer satisfaction. This result also supported by Munusamy et al., (2010), found that assurance has a significant and positive effect on customer satisfaction. This result also supports by hailu (2013) According to his finding assurances has positive relationship with customer satisfaction.

However, the finding of this study indicates that responsiveness has a positive and significant effect on customer satisfaction.

This result supports by Endalkachew (2013) according to his finding Responsiveness has a positive and significant effect on customer satisfaction.

The finding of this study indicates that tangibility has a positive and significant effect on customer satisfaction. This finding is supported by Al- Hawary et al., (2011) reported that tangibles has a positive and significant effect on customer satisfaction. Munusamy et al., (2010) also supported the finding. According to him tangibles has positive and significant effect on customer satisfaction. This result is supported by Mohammad and Alhamadani (2011), found that tangibles has a positive and insignificant effect on customer satisfaction.

The finding of this study further indicates that empathy has a positive and significant effect on customer satisfaction. This finding is supported by Mohammad and Alhamadani (2011), reported that empathy has a positive and significant effect on customer satisfaction. On the contrary Munusamy et al., (2010) found that empathy has a negative effect on customer satisfaction.

The result of this study also indicates that service quality has a positive and significant effect on customer satisfaction. This finding is supported by Hailu (2013) he found that service quality has a positive and significant effect on customer satisfaction. This finding is also supported by merhawit (2014). She reported that service quality has a positive and significant effect on customer satisfaction.

## CHAPTER 5

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1. Introduction

The objective of this paper was to assess service quality and customer satisfaction in commercial bank of Ethiopia service. To accomplish this objective the researcher uses the SERVQUAL models that are tangibility, reliability, responsiveness, assurance and empathy.

#### 5.2. Summary of The finding

Based on the data analysis the major findings are summarized as follows

- From the total population 43.06% of respondents use check account service, 43.6% of respondents use saving account service, 2.5% of the total respondents' uses loan account service and 11.38% of the respondents use other services provide by the bank. 4.72% of respondents are PhD holders, 12.5% of the respondents are 2<sup>nd</sup> degree holders, 33.61% of respondents are 1<sup>st</sup> degree holders, 26.11% of the respondents are diploma holders, and 23.06% of the respondents are certificate holders. 28.33% of respondents utilize service by going to the branch, 33.89% of the respondents utilize service by using ATM, 26.11% of the respondents utilize service by using mobile banking and 11.67% of the respondents utilize service by using internet banking.
- The computed mean scores of SERVQUAL dimensions helps to measure the perceived service quality of the organization and the result shows that service quality of the organization is low in which customers are not satisfied with the service. As a general, the result of the study shows that the customers did not



have good attitudes towards the service quality of the organization.

- The correlation result shows that empathy is positively and strongly correlated with customer satisfaction reliability, assurance and tangibility are positively and moderately correlated with customer satisfaction and responsiveness is positively and weakly correlated with customer satisfaction.
- Based on the data analysis the hypotheses made were tested empathy is positively related and have a significant impact on customer satisfaction so the hypotheses is accepted. Reliability, responsiveness, assurance and tangibility are positively correlated with customer satisfaction and the relationship has significant impact on customer satisfaction so the hypothesis is accepted. In general all the assumptions made were accepted.

### **5.3. Conclusion of the study**

The major objective of this study was to assess service quality and customer satisfaction in commercial bank of Ethiopia. In order to accomplish this objective the researcher distributed 400 questionnaires to sample respondents in the specified service encounter and collected 360 completely filled questionnaires for data analysis. In addition, the researcher attempted to identify which of the SERVQUAL dimension(s) achieved higher perceived performance in the side of customers and identified which dimensions have higher and lower impact on customer satisfaction at CBE service.

As many industry sectors mature, competitive advantage through high quality service is an increasingly important weapon in business survival. Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market. Increasing competition is forcing businesses to pay much more attention to satisfying customer's needs. The major objective of this study was to assess service quality and customer

satisfaction in commercial bank of Ethiopia.

The findings indicate that customers' perceptions vary according to the nature of service. The computed mean scores of SERVQUAL dimensions are helps to measure the perceived service quality of the organization. The result of the data analysis shows reliability with mean score of 1.98, responsiveness 2.09, assurance 2.12, empathy 1.93 and tangibles 2.41.

The data analysis also shows that there is a huge gap between perceived and expected service with a mean of -2.57 and the overall satisfaction of the organizations customer is low. From the selected sample, the finding indicates that service quality of the organization is poor. Based on correlation result shows that empathy is positively and strongly correlated with customer satisfaction reliability, assurance and tangibility are positively and moderately correlated with customer satisfaction and responsiveness is positively and weakly correlated with customer satisfaction. From the study it is concluded that the selected respondents are not satisfied with the perceived service. Based on hypothesis testing there is difference between perceived service and expected service by selected customers is accepted, Reliability, Responsiveness, Assurance, Tangibility and empathy are positively related and have a significant impact on customer satisfaction so the hypotheses are accepted.

Based on the research Questions and the respondents' response the researcher conclude that the mean score indicates that most customers agree that they cannot get the service as they expect so they are less satisfied with CBE's services. CBE has to work on the factors that influence customer satisfaction which is the factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled that include reliability and friendliness and interested in how the service was delivered..

As stated in the above paragraph customer's satisfaction occurs by

confirmation or positive disconfirmation. As shown in table 4.8 the mean score of overall satisfaction both results are less so the researcher can generalize that CBE customers are not satisfied with the overall service.

#### **5.4. Recommendation**

Based on the results of the analysis and conclusion made the following recommendations are forwarded which helps to commercial bank of Ethiopia in assessing its service delivery process or in order to improve the service delivery of the organization and to boost customer satisfaction.

- Regarding to reliability the organization did not perform the service at the promised time. Commercial bank of Ethiopia should tell customers the right time in which the service will be performed by managing customer's data properly. The bank has to show sincere interest in solving when the customers have a problem and has to insist on error free records.
- Even if tangibility gets the highest satisfaction from the other dimension, the organization should make the warehouse and other physical facilities conducive for customers to interact with employees. The organization must add more physical equipment like tables, additional chairs to customer as a waiting. And also the ware house must be neat and clean in order to be attractive to customers.
- Regarding to responsiveness, Commercial Bank of Ethiopia Employees must have willingness and readiness to help customers. The organization must give trainings to its employees on how to handle customers inquire, problem and overall customer service. The organization must first satisfy its employees in order to increase their willingness and readiness to deliver the quality service in which satisfied employees will satisfy external customers.

- The organization must contact complaining customers as quick as possible in order to solve their problems and also the organization must notice damaged goods timely.
- Commercial bank of Ethiopia have to be interested in how the service was delivered.
- The major suggestion that customers forward in order to increase service quality is that the employees must willing to help and give attention in solving it when the customers have problem, organization must carefully manage customer's data, the organization must also work on employee's capacity building.

#### 5.5. Limitation of the study

As stated earlier this study is limited in scope. The outcome of the study is solely dependent on individual responses of the respondents that participate in the study thus the findings of this study may not give a general picture of the service quality in commercial bank of Ethiopia. Moreover, as the sample is small the results might not be generalizable beyond the specific population considering the total population is large.

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# APPENDIX

# Appendix A: *English Version Questionnaire*

## Appendix A – the SERVQUAL Questionnaire

St. Mary university school of graduate studies

### General MBA

This questionnaire is designed to gather information on “assessing service quality and customer satisfaction in the case of commercial bank of Ethiopia”. The purpose of the study is to fulfil a thesis requirement for masters of general business administration at St. Mary University.

Your highly esteemed responses for the questions are extremely important for successful completion of my thesis. The information that you provide will be used only for the purpose of the study and will be kept strictly confidential. You do not need to write your name.

Finally, I would like to thank you very much for your cooperation and for spending your valuable time.

#### **1. General profile**

Please circle the option that best describes you

1. Gender
  - a. Male
  - b. Female
2. Educational qualification
  - a. Doctorate degree
  - b. Second degree
  - c. First degree

- d. Diploma
- e. Certificate
- f. Other
3. Which service can you utilize?  
 Check account  saving account  loan account  oth
4. How can you utilize the service that commercial bank of Ethiopia provide?  
 By going to the branch  ATM  Mobile Banking   
 Internet Banking  Other

## 2. The Survey

The questionnaire below is in two sections. The first section asks you to rank according to your expectations i.e. what you expect commercial bank of Ethiopia to provide. The second section asks you to rank the bank you chose for the survey according to your experiences and perceptions.

### Expectations & perceptions

**Expectation** deals with your opinions of commercial bank of Ethiopia. Please show the extent to which you think commercial bank of Ethiopia should possess the following features. **Perceptions** relate to your feelings about the commercial bank of Ethiopia. Please show the extent to which you believe this bank has the feature described in the statement. Here, we are interested in a number from 1 to 5 that shows your Expectations & perception about the bank.

You should rank each statement as follows:

Strongly		neither agree		strongly
Disagree	Disagree	nor disagree	Agree	Agree
1	2	3	4	5

Items	Statements	Expectation					Perceptions				
		1	2	3	4	5	1	2	3	4	5
1.	The bank has modern looking equipment.										
2.	The bank's physical features are visually appealing.										
3.	The bank's reception desk employees are neat appearing.										
4.	Materials associated with the service (such as pamphlets or statements) are visually appealing at the bank.										
5.	When the bank promises to do something by a certain time, it does so.										
6.	When you have a problem, the bank shows a sincere interest in solving it.										
7.	The bank performs the service right the first time.										
8.	The bank provides its service at the time it promises to do so.										
9.	The bank insists on error free records.										
10.	Employees in the bank tell you exactly when the services will be performed.										
11.	Employees in the bank give you prompt										

	service.											
12.	Employees in the bank are always willing to help you.											
13.	Employees in the bank are never too busy to respond to your request.											
14.	The behavior of employees in the bank instils confidence in you.											
15.	You feel safe in your transactions with the bank.											
16.	Employees in the bank are consistently courteous with you.											
17.	Employees in the bank have the knowledge to answer your questions.											
18.	The bank gives you individual attention.											
19.	The bank has operating hours convenient to all its customers.											
20.	The bank has employees who give you personal attention.											
21.	The bank has your best interests at heart.											
22.	The employees of the bank understand your specific needs.											
<b>Overall Satisfaction</b>												
<b>Items</b>	<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>						

23	Perceived service is greater than the expected service					
24	Perceived service is less than the expected service					
25	Perceived service is Equal to the expected service					

# Appendix B: Amharic Version Questionnaire

## መጠይቅ

በኢትዮጵያ ንግድ ባንክ ደንበኞች የሚሞላ መጠይቅ

ይህ መጠይቅ የተዘጋጀው በ ቅድስት ማርያም ዩኒቨርሲቲ የጀነራል ኤም ቢ ኤ የድህረ ምረቃ ተማሪ ሲሆን አላማው የኢትዮጵያ ንግድ ባንክ አገልግሎት አሰጣጥ እና የደንበኛ እርካታ በሚል ርእሰ ለሚደረግ ጥናት መጀመርያ ደረጃ መረጃ ለመሰብሰብ ነው። የሚሰጡት መልስ የሚወለው ለዚህ ጥናት አላማ ብቻ ነው። ስለሆነም ከዚህ በታች ለቀረቡት ጥያቄዎች ትክክል ነው የሚሉትን መልስ ይሰጡ ዘንድ በትህትና እጠይቃለሁ።

ስለትብብርዎ በቅድሚያ አመሰግናለሁ

### መመርያ

- ስምዎን መጥቀስ አያስፈልግም
- ትክክል ነው የሚሉትን መልስ በተዘጋጀው ሳጥን ወስኖ (✓) ምልክት ያስቀምጡ።

### ክፍል አንድ

1. ፆታ

ወንድ  ሴት

2. የትምህርት ደረጃ

ሀ. ዶክትሬት ዲግሪ

ለ. ሁለተኛ ዲግሪ

ሐ. የመጀመርያ ዲግሪ

መ. ዲፕሎማ









19	የኢትዮጵያ ንግድ ባንክ ለደንበኞቹ ምቹ በሆነ ሰዓት አገልግሎቱን ይሰጣል?										
20	የኢትዮጵያ ንግድ ባንክ ለደንበኞቹ የግል አገልግሎት የሚሰጡ ሰራተኞች አሉት?										
21	የኢትዮጵያ ንግድ ባንክ የደንበኞቹን ፍላጎት በተገቢ ሁኔታ ያደምጣል?										
22	የኢትዮጵያ ንግድ ባንክ ሰራተኞች የደንበኞችን ልዩ ፍላጎት ይገነዘባሉ?										

አጠቃላይ እርካታ						
ተ.ቁ	መግለጫ	በጭራሽ አልስማም	አልስማም	ሃሳብ የለኝም	እስማማለሁ	በጣም እስማማለሁ
23	የኢትዮጵያ ንግድ ባንክ ከሚጠበቀው በላይ ለደንበኞቹ አገልግሎት ይሰጣል?					
24	የኢትዮጵያ ንግድ ባንክ ከተገመተው በታች ለደንበኞቹ አገልግሎት ይሰጣል?					
25	የኢትዮጵያ ንግድ ባንክ ደንበኞቹ በሚጠብቁት መልኩ አገልግሎት ይሰጣል?					