



ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

The Effect of Service Quality on Customer Satisfaction;
A Case Study of Abay Bank Share Company

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ID No: SGS/0065/2007A

June 22, 2016

Addis Ababa, Ethiopia

**THE EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION;
A CASE STUDY OF ABAY BANK SHARE COMPANY**

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A Thesis Submitted to

The Department of Accounting and Finance

**Presented in Partial Fulfillment of the Requirements for the Degree of Master of
Business Administration (Accounting and Finance)**

JUNE 22, 2016

ADDIS ABABA, ETHIOPIA

**ST. MARY'S UNIVERSITY
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of **Dr. Temesgen Belayneh /PhD/**. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

St. Mary`s University college, Addis Ababa

Signature

June 22, 2016

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ACKNOWLEDGEMENTS

First of all I would like to thank almighty God who gave endurance and strength in all my life.

Next my most sincere and deepest thanks go to Doctor Temesgen Belayneh, my thesis advisor, for his unreserved and timely support in checking and giving constructive suggestion. Also I would like to thank my families who have continuous support in my life. I would like to thank my friends for all the help and encouragement.

List of Acronyms

- **NBE – National Bank of Ethiopia**
- **S.C – Share Company**
- **SERVQUAL – Service Quality**

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Abstract

This research examined the effect of service quality on customer satisfaction in Abay Bank S.C in Addis Ababa city. To achieve the objectives of this study, data was collected through questionnaire from a Sample of 200 customers. These respondents were selected using convenient sampling method. The data collected from the questionnaire were analyzed using Statistical tools such as mean, for descriptive statistics, and Pearson correlation and regression analysis.

The finding shows that all the five service quality dimensions (Empathy, Assurance, Reliability, Responsiveness and Tangibility) are highly correlated with customer satisfaction.

The results of this study indicate that, except reliability the four service quality dimensions (tangibility, assurance, empathy and responsiveness) have positive and significant relationship with customer satisfaction. The finding also indicates that customers were most satisfied with the empathy dimensions of service quality. Even though reliability has positive correlation, there is no significant relationship with customer satisfaction. Based on the findings of the study, the researcher forwards some recommendations to the banks management and suggestions for other researchers.

**Key Words: Customer Satisfaction, Quality service, Service Quality Dimensions
SERVQUAL,**

Chapter One

Introduction

The purpose of drawing this research is to identify the research topic and to formulate research questions. This chapter begins with an introductory background that includes the effects of customer satisfaction at Abay Bank S.C regarding delivery of quality bank services for Customers. The research includes research questions, objectives of the study and the Delimitation of the study.

This section contains nine parts. The first section (1.1) discusses the overview of the background of study. The second section (1.2) presents statement of the problem. The third section (1.3) describes the research questions. The fourth section (1.4) identifies objective of study, the fifth section (1.5) presents hypothesis development. The sixth section (1.6) presents the significance of the study. The seventh section (1.7) discusses the limitation of study. (1.8) explains the scopes of the study. Final part is (1.9), Organizations of the paper.

1.1 Background of the study

Bank plays an important role in the economic development of a country. It is a financial institution that accepts deposits and channels those deposits into lending activities either directly or through capital markets. A bank connects customers which have capital deficits to those customers who have capital surpluses. The banking industry in Ethiopia is facing certain challenges such as challenges of quality service, customer satisfaction, customer retention, Customer loyalty; Quality service plays a major role in achieving customer satisfaction, and creating brand loyalty in banking sector.

1.1.1. Service Quality

Service Quality is a business administration term used to describe achievement in service. It reflects both objective and subjective aspect of service. The accurate measurement of an objective aspect of customer satisfaction requires the use of carefully predefined criteria. The measurement of subjective aspects of customer service depends on the conformity of the expected benefit with the perceived result. This in turn depends upon the customer's imagination of the service they might receive and the service provider's talent to present this imagined Service.

Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage (Ahmossawi, 2001). In addition, service quality has a significant impact on a bank's success and performance (Mouawad and Kleiner 1996). Nowadays, service quality has received much attention because of its obvious relationship with costs, financial performance, customer satisfaction, and customer retention. Different meaning could be attached to the word quality under different circumstances. It has been defined in a different way by various scholars. Some of the prominent definitions include "Quality is predictability" (Deming, 1982), "conformance to specification or requirements" (Crosby, 1984), "fitness for use" (Juran, 1988) and "customer's opinion" (Feigenbaum, 1945). These initial efforts in defining quality originated largely from the manufacturing sector. A solid foundation in defining and measuring service quality was emanated in the mid eighties by Gronroos(1984) and Parasuraman et al.

1.1.2.Customer Satisfaction

Service companies have since recently focused on customers in order to improve competitiveness. Customer satisfaction is one of the important outcomes of marketing activity (Mick and Fournier; 1999). In the competitive banking industry, customer satisfaction is considered as the fundamental of success. Satisfying customers is one of the main objectives of every business. Businesses recognize that keeping current customers is more profitable than having to win new ones to replace those lost. Good customer satisfaction has an effect on the profitability of nearly every business. For example, when customers receive good service, each will typically tell nine to ten people. However, customers who receive poor service will typically relate their dissatisfaction to between fifteen and twenty others (Naik: 2010). Anderson and Zemke; 1998) stated that "Satisfied customers improve business and dissatisfied customers impair business". Therefore, customer satisfaction is an asset that should be monitored and managed just like any physical asset.

1.1.3.The Ethiopian Banking Industry

The economic liberalization of the financial sector started in 1991 laid a foundation for the formation and expansion of private banks in Ethiopia (Hansson, 1995). This coupled with rapid technological advancement and improved communication systems, have contributed to the increasing integration and resemblance amongst banks in the financial sector. As a result, banks are now faced with very high and intense competition (Harvey, 2010).

Banks operating in Ethiopia is consequently put into lot of pressures due towards increase in competition. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level.

For Abay Bank Share Company, customers are major roles for survival and to excel profit though quality service delivery. The customer relationships manager is the one among the many process of the bank being entrusted with the function of enhancing strong business relationship with customer, serving as intermediary between the bank and the customer and responsible for end-to-end delivery of various products of the bank. Particularly, the process deal with the aim of increasing the bank's accessible to the public by providing quality service and thereby to increase the value of stakeholder.

Therefore, a comprehensive study which is intended to measure quality service delivery effect on existing customer satisfaction is critically required for major service improvements. To this end, this study is designed to assess the effect of quality service delivery on customer satisfaction in various products in the case of Abay Bank Share Company.

1.2. Statement of the problem

Whoever the service provider is, the key for Business existence and success lie in its ability to provide effective service and satisfying the customer. It is the quality of service that bring new customer and holds on existing customers: customers who buy more and who influence others to buy. A key challenge for any service business is to provide satisfactory outcomes to its customers in a ways that are cost and time effective for the company. "If customers are dissatisfied with the quality of the service they would not be willing to pay very much for it or even to buy it, at all if competitor offer better"(Lovelock and Wirtz; 2004: 408).

In Ethiopian banking industry, customers perceive very little difference in the banking products offered by banks dealing in services as any new offering is quickly matched by competitors. There are disappointments of customers over the service offered and the available services don't match with the expectation of the customer (Mesay et al 2012).

Currently the Ethiopian financial sector is becoming strong from time to time and competition has increase through branch expansion in main towns and rural areas. Therefore, delivering quality service and creating customer satisfaction is a window for the success as well to win the competition. So, it becomes very important for banks to meet or exceed the target customers' satisfaction with quality of services expected by them. In 1991 there were only 3

banks. The banking sector has undergone radical changes and the number of banks has grown to 19 with 16 private sector and the rest 3 are government Banks (NBE 2015 annual report) resulting in a market place, which is characterized by intense competition, little growth in primary demand and increased deregulation. The government of Ethiopia increased deregulation, in order to encourage the investors to participate in the banking sectors, as a result the number of bank has been increased which further raises the competition and difficulty among the banks. In this competitive environment, each bank wants to attract the customers. This can be achieved through providing quality services to its customers.

As a bank Abay Bank S.C is one of the youngest banks in Ethiopia. The bank have a recorded of profit for the past few years, even if its share of profit is lower when we compare to the industries profit. In addition to this the bank's branch has dramatically increase from time to time, the Bank currently have 105 branches (www.abaybank.com.et branch location report on June 1st 2016) all over Ethiopia. This figure has reached within five years time. Even though the Bank is enjoying such success, its expansion strategy will in one or another may influence service delivery quality which will result in dissatisfaction of the customer. Keeping in view the significance of service quality and customer satisfaction, a study is designed to examine the impact of service quality (independent variable) on dependent variable i.e. customer satisfaction.

1.3. Research Questions

This study investigated the following questions:

1. What is the effect of Tangible on customer satisfaction in Abay Ban Share Company in Addis Ababa branches?
2. What is the effect of Reliability on customer satisfaction in Abay bank Share Company in Addis Ababa branches?
3. What is the Effect of Assurance on Customer Satisfaction in Abay Bank Share Company in Addis Ababa branches?
4. What is the Effect of Empathy on Customer Satisfaction in Abay Bank share company Addis Ababa Branches?
5. What is the Effect of Responsiveness on Customer satisfaction in Abay bank Share Company?
6. Which service quality dimension dominantly affects customer satisfaction?

1.4 Objectives of the study

1.4.1 General Objective

The overall objective of this study is to assess quality service delivery system and its effect on the customer satisfaction in Abay Bank Share Company in Addis Ababa city.

1.4.2 Specific Objectives

These specific study objectives are established to answer research questions in the above section.

These are;

1. To determine the effect of service quality dimensions: Tangibles, Reliability, Responsiveness, Assurance and Empathy on customer satisfaction in Abay Bank S.C Addis Ababa branches.
2. To identify the dominant service quality dimension that has strong relation with customer satisfaction in Abay bank Share Company Addis Ababa branches.
3. To put forward some possible recommendation to improve customer satisfaction in Abay Bank S.C Addis Ababa Branches.

1.5 Hypothesis of the study

The research was guided by the following research hypothesis:

Hypothesis 1: Reliability has positive and significant effect on Customer satisfaction in Abay Bank S.C Addis Ababa Branches.

Hypothesis 2: Assurance has positive and significant effect on customer satisfaction in Abay Bank S.C Addis Ababa Branches.

Hypothesis 3: Responsiveness has positive and significant effect on customer satisfaction in Abay bank S.C Addis Ababa Branches.

Hypothesis 4: Empathy has positive and significant effect on customer satisfaction in Abay bank S.C Addis Ababa Branches.

Hypothesis 5: Tangible has positive and significant effect on Customer satisfaction in Abay bank S.C Addis Ababa Branches.

1.6 Significance of the study

Considering the high costs of acquiring new customers and the high competition in banks, it is very important to study the determinants of customer satisfaction. Customer satisfaction is the key factor for the successes of the company; therefore it is very important to measure it. The study has the following importance:-

- The study expected to provide knowledge on the importance of quality service on customer satisfaction.
- The finding enables the banks to understand the relation between service quality delivery and customer satisfaction and helps them to know the most important dimension used to satisfy customers. This enables for the company executive managers to meet customers' expectation.

1.7 Limitations of the Study

The study was conducted only on branch customers in Addis Ababa. This has an influence on assessment of customers outside Addis Ababa. Some variables may influence the generalizability of the research findings.

1.8 Scope of the study

The study is confined only to those customers who have been involved with different service taking customers of Abay Bank Share Company at Addis Ababa city. The bank customer usually uses a full-fledged banking services ranging from domestic banking operations to international banking operation.

1.9 Organization of the Study

This research is organized into five chapters. Chapter one contains background of the study, statement of the problem, research objectives, hypothesis of the study, significance of the study, limitations and scope of the study.

Chapter two provides a literature review informing the reader of what is already known in this area of study. Chapter three discusses the methodology employed in the study, including, research design, sample size and sampling technique, data source and collection method, procedure of data collection and method of data analysis. Chapter four is about data analysis and discussion of results. Finally, chapter five contains summary, conclusions and recommendations.

Chapter Two

Review of Related Literature

Introduction

This chapter gives an overview of theoretical literature, Empirical literature conceptual framework and Gap analysis that is related to the research problem Presented in chapter one. The concept of service, service quality, customer satisfaction, relation between customer satisfaction and service quality, and service quality dimensions were introduced in order to give a clear idea about the research area.

2.1. Theoretical Literature

2.1.1. Definition of Service

Many writers define ‘service’ in different ways: for example kottler; 2003; 128 defined service as “any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”. Any intangible actions that are performed by person or machines or both to create good perception within users called service. Although services are performed by service providers and consumer together its quality results in perception and value assessment by the customer (Rao; 2007).

2.1.2. Definition of Quality

Quality has been defined from diverse perspectives. Quality was primarily seen as a defensive mechanism but it is seen as a competitive weapon for emergence of new markets as well as growing market share (Davis *et al*, 2003). Quality can be defined as satisfying or exceeding customer requirements and expectations, and consequently to some extent it is the customer who eventually judges the quality of a product (Shen *et al.*, 2000).

An extensive range of literature over the last 25 years has examined the concept of service and acknowledged the intangibility of services as one of the problems allied with measurement (Joseph *et al.*, 2005). Furthermore, in the service sector, where production, delivery and consumption can occur simultaneously, the concept of quality refers to the matching between

what customers expect and what they experience. Customers evaluate service quality by comparing what they want or expect to what they actually get or perceive they are getting (Berry *et al.*, 1988). When it comes to the service sector in banks, it turned out to be that they propose comparable kinds of services worldwide (Lim and Tang 2000), rapidly corresponding their competitors' innovations. Nevertheless, customers can perceive differences in the quality of service. Banks have realized the significance of concentrating on quality of services as an approach to increase customer satisfaction and loyalty, and to develop their core competence and business performance (Kunst and Lemmink, 2000)

2.1.3. Service Quality Definition

Service quality is considered an important tool for a firm's struggle to differentiate itself from its competitors (Ladhari, 2008). Service quality has received a great deal of attention from both academicians and practitioners (Negi, 2009) and service marketing literature defined service quality as the overall assessment of a service by the customer (Eshghi *et al.*, 2007). Duff *et al.* (2008) pointed out that, by defining service quality, companies will be able to deliver services with higher quality level presumably resulting in increased customer satisfaction. Akroush (2008) also pointed out that service quality is the result of the comparison made by customers about what they feel service firms should offer, and perceptions of the performance of firms providing the services.

Gronroos (2007) also defined service quality as the outcome of the comparison that consumers make between their expectations and perceptions. 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 (Athanasopoulos *et al.*, 2001). Perceived service is the outcome of the consumer's view of the service dimensions, which are both technical and functional in nature. 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 (Duncan & Elliot, 2004).

Service quality has a strong correlation with customer satisfaction, financial performance, manufacturing costs, customer retention, customer loyalty, and the success of marketing strategy (Cronin *et al.*, 2000; Wong *et al.*, 2008). Organizations operating within the service sector consider service quality to be a strategic component of their marketing plan (Spathis *et al.*, 2004). Through service quality, organizations can reach a higher level of service quality, a higher

level of customer satisfaction, and can maintain a constant competitive advantage (Meuter *et al.*, 2000).

Service quality has been increasingly recognized as a critical factor in the success of any business (Parasuraman *et al.*, 1988), and the banking industry in this case is not exceptional (Hossain & Leo, 2009). Service quality has been widely used to evaluate the performance of banking services (Cowling & Newman, 1995). The banks understand that customers will be loyal if they are provided greater service than their competitors (Dawes & Swailes, 1999), and on the other hand, banks can only earn high profits if they are able to position themselves better than competitors within a specific market (Davies *et al.*, 1995). Consequently, banks need to focus on service quality as a core competitive strategy (Chaoprasert & Elsey, 2004).

Gronroos (2000) defined service as, “A service is a process consisting of a series of more or less intangible activities that normally take place in interactions between the customer and service employees or physical resources or goods and/ or systems of service provider, which are provided as solutions to customer problems”. Fogli (2006) defined the term service quality as “a global judgment or attitude relating to particular service; the customer’s overall impression of the relative inferiority or superiority of the organization and its services”. Parasuraman *et al.* (1985) identified the determinants of service quality. They are: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding, tangibles.

In 1988 Parasuraman *et al.* *et al.* through a quantitative research revealed an instrument for measuring consumer’s perception of service quality, after that it became known as SERVEQUAL. In this research they minimized their dimensions from ten to five. The dimensions were: First is Tangibility- includes the physical facilities, appearance of personnel and equipment, infrastructure. Second is Reliability – The ability to perform the promised service dependably and accurately. Third is Responsiveness means the willingness to help customers and provide prompt service. Fourth is Assurance (combination of items designed originally to assess Competence, Courtesy, Credibility, and Security) is the ability of the organization’s employees to inspire trust and confidence in the organization through their knowledge and courtesy. Fifth and last is Empathy (combination of items designed originally to assess Access, Communication, and Understanding the customer) personalized attention given to customer.

The characteristics of service quality which is intangible, heterogeneity, inseparability and perishability (Parasuraman, 1985), cannot be measured objectively (Patterson and Johnson, 1993). However, many researchers stated that service quality can be measured by making the comparisons between customers' expectations and perceptions (Zeithaml et al, 1990). The authors have distinguished the service quality into four types namely expected service; desired service; adequate service; and predicted service. Expected services referred to the services customers intend to obtain from the service provider. Desired services are the level of service which the customers wish to obtain. Adequate service refers to the minimum level of services expected from the service provider and finally, predicted services are what the customers believe the company will perform.

Nowadays, with the increased competition, service quality has become a popular area of academic research and has been acknowledged as an observant competitive advantage and supporting satisfying relationships with customers (Zeithmal, 2000).

Service quality is concepts that has aroused substantial interest and argue in research. There are difficulties defining and measuring it with no overall consensus emerging on either (Wisniewski, 2001). Service quality has been defined as the overall assessment of a service by the customers (Eshghi *et al.*, 2008), while other studies defined it as the extent to which a service meets customer's needs or expectations. Service is assumed to be quality when it consistently conforms to customer expectations (Asubonteng *et al.*, 1996; Wisniewski and Donnelly, 1996). Parasuraman et al. (1985) argues that service quality is the measure of service delivered as against expected service performance.

Service quality is defined as customer perception of how does a service meets or exceeds their expectations (Czepiel, 1990). Several practitioners define service quality as the difference between customer's expectations for the service encounter and the perceptions of the service received (Munusamy *et al.*, 2010). Customer expectation and perception are the two main ingredients in service quality. Customers judge quality as „low“ if performance (perception) does not meet up their expectation and quality as „high“ when performance exceeds expectations according to Oliver (1980).

Service quality consists of five dimensions: tangibles (appearance of physical facilities, equipment, personnel and written materials), reliability (ability to perform the promised service dependably and accurately), responsiveness (willingness to help customers and provide prompt

service), assurance (knowledge and courtesy of employees and their ability to inspire trust and confidence), and empathy (caring and individual attention the firm provides its customers). Reliability is considered the vital core of service quality. Other dimensions will matter to customers only if a service is reliable, because those dimensions cannot compensate for unreliable service delivery (Berry *et al.*, 1994).

Perceived quality has been defined as a form of attitude, related but not equal to satisfaction, and fallout from a consumption of expectations with perceptions of performance. Consequently, having an improved understanding of consumers' attitudes will facilitate knowing how they perceive service quality in banking operations (Parasuraman *et al.*, 1988).

In the changing banking scenario of 21st century, the banks had to have a vital identity to provide excellent services. Banks nowadays have to be of world-class standard, committed to excellence in customers' satisfaction, and to play a major role in the growing and diversifying financial sector (Balachandran, 2005). There has been a remarkable change in the way of banking in the last few years. Customers have also accurately demanded globally quality services from banks. With various choices available, customers are not willing to put up with anything less than the best. Banks have recognized the need to meet customers' aspirations. Consequently service quality is a critical motivating force to drive the bank up in the high technology ladder.

The soundness of banking sector is of a dominant importance because it is a main component of the Egyptian financial sector, and as efficiency in the utilization of the savings of the depositors and the banking sector resources is essential to improve the growth rate of the existent sectors of the economy (Central Bank, 2003). The purpose of banking operations is supposed to be to progress the quality of life for the overall society not just the maximization of shareholders' wealth.

2.1.4. Service quality Model

Among the models for measuring service quality, the most acknowledged and applied model in diversity of industries is the SERVQUAL (service quality) model developed by Parasuraman *et al.* The SERVQUAL model of Parasuraman *et al.* (1988) proposed a five dimensional construct of perceived service quality tangibles, reliability, responsiveness, assurance and empathy as the instruments for measuring service quality (Parasuraman *et al.*, 1988; Zeithaml *et al.*, 1990).

Reliability

Reliability depends on handling customers' services problems; performing services right the first time; provide services at the promised time and maintaining error-free record. Furthermore, they stated reliability as the most important factor in conventional service (Parasuraman et al., 1988). Reliability also consists of accurate order fulfillment; accurate record; accurate quote; accurate in billing; accurate calculation of commissions; keep services promise. He also mentioned that reliability is the most important factor in banking services (Yang *et al.*, 2004).

Responsiveness

Responsiveness defined as the willingness or readiness of employees to provide service. It involves timeliness of services (Parasuraman *et al.*, 1985). It is also involves understanding needs and wants of the customers, convenient operating hours, individual attention given by the staff, attention to problems and customers' safety in their transaction (Kumar *et al.*, 2009).

Empathy

Parasuraman et al. (1985) defined empathy as the caring and individual attention the firm provides its customers. It involves giving customers individual attention and employees who understand the needs of their customers and convenience business hours. Ananth et al. (2011) referred to empathy in their study on private sector banks as giving individual attention; convenient operating hours; giving personal attention; best interest in heart and understand customer's specific needs.

Assurance

Parasuraman et al. (1985) defined assurance as knowledge and courtesy of employees and their ability to inspire trust and confidence. According to Sadek et al. (2010), in British banks assurance means the polite and friendly staff, provision of financial advice, interior comfort, eases of access to account information and knowledgeable and experienced management team.

Tangibility

Parasuraman et al. (1985) defined tangibility as the appearance of physical facilities, equipment, personnel, and written materials. Ananth et al. (2011) referred to tangibility in their study of private sector banks as modern looking equipment, physical facility, employees are well dressed and materials are visually appealing.

2.1.5. Customer Satisfaction in Banking Sector

In line with Tsoukatos and Rand (2006), customer satisfaction is a key to long-term business success. To protect or gain market shares, organizations need to outperform competitors by

offering high quality product or service to ensure satisfaction of customers. In proportion to Mageesh (2010), satisfaction means a feeling of pleasure because one has something or has achieved something. It is an action of fulfilling a need, desire, demand or expectation. Customers compare their expectations about a specific product or services and its actual benefits. As stated by Kotler & Armstrong, (2010), satisfaction as a person's feelings of pleasure or disappointment resulting from the comparison of product's perceived performance in reference to expectations. Customer's feelings and beliefs also affect their satisfaction level. Along with Zeithaml (2009),

Satisfaction or dissatisfaction is a measure or evaluation of a product or service's ability to meet a customer's need or expectations. Razak *et al.* (2007) also reported that overall satisfaction is the outcome of customer's evaluation of a set of experiences that are linked with the specific service provider. It is observed that organization's concentration on customer expectations resulted into greater satisfaction. If the customers of an organization are satisfied by their services the result is that, they will be loyal to them and consequently be retained by the organization, which is positive for the organization because it could also mean higher profits, higher market share, and increasing customer base (Karatepe *et al.*, 2005).

Customer satisfaction has become important due to increased competition as it is considered very important factor in the determination of bank's competitiveness (Berry *et al.*, 2002). Continuous measurement of satisfaction level is necessary in a systematic manner (Chakravarty *et al.*, 1996). Because satisfied customer is the real asset for an organization that ensures long-term profitability even in the era of great competition. Cronin *et al.*, (2000) mentioned in their study that satisfied customer repeat his/her experience to buy the products and also create new customers by communication of positive message about it to others. On the other hand, dissatisfied customer may switch to alternative products/services and communicate negative message to others. Customer satisfaction is a set of feeling or outcome attached with customer's experience towards any product/ service (Solomon, 1998). Hence, organizations must ensure the customer satisfaction regarding their goods/services.

2.1.6. Services Quality in Banking Sector

In the changing banking scenario of 21st century, the banks had to have a vital identity to provide excellent services. Banks nowadays have to be of world-class standard, committed to excellence in customer's satisfaction and to play a major role in the growing and diversifying financial sector (Guo *et al.*, 2008). There has been a remarkable change in the way of banking in

the last few years. Customers have also accurately demanded globally quality services from banks. With various choices available, customers are not willing to put up with anything less than the best. Banks have recognized the need to meet customer's aspirations. Consequently service quality is a critical motivating force to drive the bank up in the high technology ladder. Banking industry is a demand driven industry, which constitute an important part of the service industry (Newman & Cowling, 1996). Banks have to redefine their corporate image to that emphasizes service quality since it provides many advantages to a company such as allowing the company to differentiate itself from its competitors by increasing sales and market shares, providing opportunities for cross selling, improving customer relations thus enhancing the corporate image, reliability, responsiveness, credibility and communication results in the satisfaction and retention of customers and employee, thus reducing turnover rate (Newman, 2001).

2.1.7. Relationship between Service Quality and Customer Satisfaction

Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market. Regarding the relationship between customer satisfaction and service quality, Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson *et al.*, 2008). Although it is stated that other factors such as price and product quality can affect customer satisfaction, perceived service quality is a component of customer satisfaction (Zeithaml & Bitner, 2003). As said by Wilson *et al.* (2008), service quality is a focused evaluation that reflects the customer's perception of reliability, assurance, responsiveness, empathy and tangibility while satisfaction is more inclusive and it is influenced by perceptions of service quality, product price and quality, also situational factors and personal factors. The relationship between service quality and customer satisfaction is becoming crucial with the increased level of awareness among bank customers Demographic characteristics should be considered by the bank managers to understand their customers (Sureshchander *et al.* 2002).

2.2. Empirical Literature

Companies rendering service into day's stiff competition developing new marketing strategy that is quality service delivery in connection to this, Research on quality of service currently has received special attention from marketing researchers. Below is a summary of results of previous studies regarding the service quality and its influence on satisfaction, published in various scientific journals.

Table 2.1; Empirical research with results

| No. | Author | Antecedents | Result |
|-----|--|---|--|
| 1. | Tizazu Kassa(et al 2012) | 5.dimensions of SERVQUAL(tangibility, reliability, responsiveness, assurance and empathy) | Except Responsiveness, The four service quality dimensions including Tangibility, reliability, assurance and empathy have positive and significant effect on customer satisfaction. |
| 2. | Rashed Al Karim(British 2014) | 5 dimensions of SERVQUAL(tangibility, reliability, responsiveness, assurance and empathy) | The study also established that the combination of tangibility, reliability, responsiveness, assurance and empathy together have significant effect on customer satisfaction. Tangible is having a high Mean score and the bank should concentrate on Responsiveness as it has the least mean score. |
| 3. | Niveen El Saghier, Demyana Nathan (Dubai, 2013) | 5 dimensions of SERVQUAL(tangibility, reliability, responsiveness, assurance and empathy) | The three dimensions of service quality (Empathy, Reliability, Responsiveness and assurance) have a significant and positive effect on customer satisfaction. However, the rest service quality dimensions (tangibility) have positive relation and no significance impact on customer satisfaction |

Source: compiled by the researcher 2016

2.3. Gaps on service quality

According to the formulation of Parasuraman et al (1985) there are five gaps that cause unsuccessful service delivery.

1. Gap between Customer Expectation and Management Perception (KnowledgeGap):-

management does not always perceive correctly what customers' want. Electricity company manager might think that consumer's judge the company service by the quality of employees' performance in the technique department, whereas customers may be more concerned with the courtesy and responsiveness.

2. Gap between Management Perception and Service Quality Specification (The Standard Gap):-

management might correctly perceive the customers' wants but not set a specified

performance standard. For example hospital administrators may tell the nurses to give “fast” service without specifying it quantitatively.

3. Gap between Service Quality Specification and Service Delivery (The Delivery Gap):-

The personnel might be poorly trained or incapable or unwilling to meet the standard or they may be held to conflicting standards such as taking time to listen to customers and serving them fast. For example a bank officer who is told by the operations department to work fast and by the marketing department to be courteous and friendly to each customer.

4. Gap between Service Delivery and External Communication: - Consumer expectations are affected by standards made by company representatives and advertising. If a hospital brochure shows a beautiful room, but the patient arrives and finds the room to be cheap and tack looking, external communications have distorted the customers’ expectations.

5. Gap between Perceived Service and Expected Service: - This gap occurs when the consumer misperceives the service quality. The physician may keep visiting the patients to show case, but the patient may interpret this as an indication that something really is wrong.

2.4. Conceptual Framework

Service Quality is a vital antecedent of customer's satisfaction (Cronin and Taylor, 1992). In turn customer satisfaction is believed to affect post-purchase and perception and future decisions. Following from the literature review done above, the relationship between service quality variables and customer satisfaction can be shown as following. In this conceptual model the five Service quality dimensions have been selected from the study conducted by Parasuraman et al., (1988).

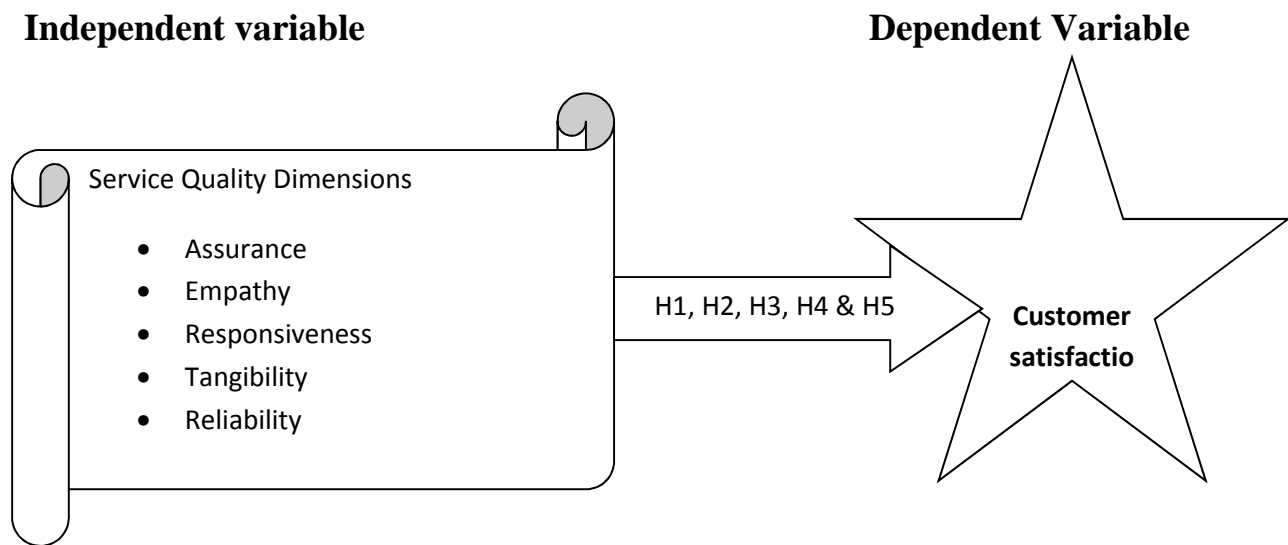
Customer satisfaction has a central position in marketing as it is a major outcome of marketing activity and it links the processes of purchase and consumption or use of the product or service to attitude change, repeat purchase and ultimately brand loyalty. Origin of the concept is related to the marketing concept that profit is generated through satisfaction of customer needs and wants. Business Dictionary defines Customer Satisfaction as: The degree of satisfaction provided by the goods or services of a company as measured by the number of repeat customers. Concept of customer satisfaction is new to many companies, who have been focused on price and availability of products. So, it is important to be clear the exact meaning of on exactly the term. Customer satisfaction is a state of mind that customers have about a product or services after using that product and service offered by a company in return of customer expectations about the products. Customer satisfaction leads to product repurchase that ultimately leads to brand

loyalty. In early 1970's customer satisfaction emerged as a legitimate field of study. U.S department of agriculture's Index of Consumer satisfaction was the first study to report direct information on consumer satisfaction (Pfaff 1972).Customer Satisfaction Brand Loyalty and Profitability are linked to one another (Roger Hallowell 1996).

On the direction of research questions develop on Abay Bank SC dimensions of service quality. Those are the following conceptual model has been used in this study.

- Delivery of the service (how problems were handled, reliability, outcome)
- Timeliness (waiting times, mummer of times contacted)
- Information (accuracy , enough information , kept informed)
- Professionalism (capable staff, fair treatment)
- Staff attitude (friendly, polite, sympathetic)

Figure 2.1. Conceptual framework figure



Source: Parasuraman et al., (1988)

Chapter Three

Research Design and Methodology

This chapter discusses and validates the choice of methodology used in the paper, which has guided the researcher in how the researcher approach the subject, as well as how the researcher collect and process the required information. It includes the theoretical framework, research approach, measurement design, data collection, & sampling method.

3.1. Research Design

The researcher has designed both Descriptive and explanatory research design to describe the relationship between service quality dimensions and customer satisfaction and to describe effect of service quality dimensions and customer satisfaction. The researcher has chosen to use a quantitative research method to assess the effect of service quality on customer satisfaction in Abay Bank Share Company Addis Ababa city. The reason for choosing a quantitative method for this research is that the researcher wanted to gather a lot of data. The researcher used questionnaires that were given for customers serving services in Abay Bank Share Company. Through quantitative method, data was analyzed and interpreted. Specifically, after all data was available, data was consolidated and arranged in meaningful way by using descriptive statistics regression and correlation.

3.2. Study area and Period

The study is conducted in all branches which are found in Addis Ababa city .This study is conducted for June 2016.

3.3. Population of the study

The target population for the study was 400 customers from Abay Bank branches located in Addis Ababa city was the researcher target population. The researcher used mid time customers (from 5:00 up to 8:00 local time customers) of Abay Bank Share company Addis Ababa Branches. The database of Abay Bank S.C per day on average shows 400.

3.4. Target Population

In this study the sampling units are all customer come to Abay bank Share Company to get service in Addis Ababa Branches.

3.5. Sample size of the study

The population size of 400 has been determined by using convenience sampling method, due to limit in budget, time and human resources, this population is identified after receiving list of customers from the Bank by considering the secrecy of the customer from Addis Ababa branches. After the population is identified, the samples size is determined by using the following formula.

The formula was developed by Taro Yamane (1967). It is calculated as follows:

$$n = \frac{N}{1+N(e)^2}$$

Where 'n' is the sample size,

N is the population size, and

e is the level of precision or sampling error = (0.05)

Given

$$N = 400$$

$$e = 0.05$$

$$n = \frac{400}{1 + 400(0.05)^2}$$

$$n = 200$$

3.6. Sampling Techniques

The populations of this study were all customers who received services from Abay Bank Share Company in all Addis Ababa branches. The study used convenience sampling methods to select the sample from the available population. The researcher decided to employ convenience sampling method because it is actually impossible to carry on a probability sampling because there is no point in time during which all customers are available due to different reasons and it is not possible to contact everyone who may be sampled.

3.7. The Study source of Data

The research is conducted through primary data sources using questioners from respondents. Questioners are collected from all branches which are found in Addis Ababa city.

3.8. Data collection tools

The researcher instrument is consisted of structured questioners. Thus, a written 34 questioners of which 27 service quality questioners and the rest seven are for customer satisfaction questioners. Four of those service quality questioners are Empathy, four for Assurance, six questioners or responsiveness, six reliability questioners and seven are tangibility questions representing SERVQUAL dimensions which were employed. Each of response composed of five Likert – type scale ranging from “strongly disagree” marked as 1, “disagree” marked as 2, “neutral” as 3, “agree” marked as 4, and “strongly agree” marked as 5. The questioners are developed in English and translated to Amharic for data collection purpose. The questionnaire had two major classes

- 1 Demographic data about the customers
- 2 Customer satisfaction measurement part
 - 2.1. Customer level of satisfaction with Abay Bank Share company products provided by Addis Ababa branches.
 - 2.2. Customer level of satisfaction with Abay Bank SC services.
 - 2.3. Customer level of satisfaction with service quality dimensions in Abay Bank SC which include (Tangibility, Reliability, Responsiveness, Assurance and Empathy)

In the first demographic part of the questioner, participants were expected to answer basic questions of demographic records of age, gender, Educational background and Work Experience with Abay Bank Share Company from the respondent made.

In the second part the questioner were asked to reflect their level of satisfaction with the respective quality service provided by Abay Bank Share Company that had five scales (Likert Scale) strongly dissatisfied, dissatisfied, Neutral, satisfied and strongly satisfied. This Likert's scale was selected because of its systematical nature that can avoid biasness and continuity of response of questions was maintained.

3.9. Reliability analysis

In this research cronbach's Alpha of reliability test was used for to assess the reliability of the five independent variables of service quality and dependent variable customer satisfaction.

The reliability analysis is used to test consistency of respondents' answers to all the items of independent and dependent variables in the questionnaire, whether the items are hanged together as a set which they are highly correlated with one another. Consistency of this research is examined through Cronbach's coefficient Alpha, which is used for multipoint – scaled items (Cronbach, 1946).

According to Cavana et al. (2001), "Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. Cronbach's alpha is computed in terms of average inter correlations among the items measuring the concepts". The value of this coefficient can vary from 0 to 1. The value of 0.8 or higher of an alpha coefficient was proposed to be accepted by Bryman and Cramer (1990). However, according to Nunnally (1978), the value of 0.6 and above is acceptable, especially for initial investigations. To meet Consistency reliability of the instrument, 34 questions was distributed to customers of Abay Bank Share Company Addis Ababa branches and Cronbach's alpha for service quality and customer satisfaction was found greater than 0.8 as shown in table 3.1, and questioners were tested and fulfill the consistency reliability of the instrument. These results reveal that there was no need to remove items.

Table 3.1; Reliability analysis of Variables

| Variables | Cronbach's Alpha | No of Items |
|-----------------------|-------------------------|--------------------|
| Tangibility | .834 | 7 |
| Reliability | .913 | 6 |
| Responsiveness | .863 | 6 |
| Assurance | .893 | 4 |
| Empathy | .835 | 4 |
| Customer satisfaction | .933 | 7 |

Source: survey data 2016

3.10. Methods of data analysis

The Data that were gathered by the questioner were organized using MS-excel spread sheet. The organized data were analyzed through relevant statistical techniques descriptive frequencies, Pearson correlation and multiple regression analysis using statistical package for social sciences (SPSS) Version 20.and the result of the analysis presented using tables and graphs.

Chapter Four

Data Analysis and Presentation of Research Results

This chapter consists of the presentation, analysis and the interpretation of data gathered through structured questionnaire. The data considered in this chapter is obtained by using SERVQUAL model. In addition to this, background information of respondents is presented. Finally, the statistical methods of analysis were discussed, which included a descriptive analysis, a correlation analysis, and a multiple regression analysis through SPSS version 20.

4.1. Data Analysis

4.1.1. Socio Demographic Data

Two hundred questionnaires were distributed to the respondents and out of the 200 questionnaires 185 of them were collected with a response rate of 93%. However, only 165 responses were valid with complete answers. The demographic characteristics include: gender, age, level of education, and working experience in Abay Bank Share Company. The demographic part of the analysis deals with the personal data on the respondents of the questionnaires given to them. The table below shows the details of background information of the respondents.

In table 4.1 demographic data table shows that out of 165 respondents, 34.5% (57) are females and the remaining 65.5 % (108) are males. In addition on educational background Majority of the respondents are degree holders with 58 number and proceeding by Diploma and certificate holders of 43. The third one is 32 in number for educational qualification of up to grade 12 followed by masters and above and illiterate respondents with 26 and 5 in number respectively.

As far as age of respondents is concerned, 5.5% of the respondents are in the range of above 55 years, 31.5% of the respondents are in the range of 36-55 years, 104% are in the range of 18-35 years.

Since 2011, Abay Bank Share Company has started banking service (www.abaybank.com.et) the below table 4.1 indicates that 57 each are from 1 to 2 years experience and 3 up to 4 years experience. Those of respondents 45 and 6 in number are from experiences less than one year and above five year work experience with Abay Bank Share Company respectively.

Table 4.1: Demographic data of respondents

| Items | Options | Frequency | Valid Percent | Cumulative Percent |
|------------------------------------|-------------------------|-----------|---------------|--------------------|
| Gender | Female | 57 | 34.5 | 34.5 |
| | Male | 108 | 65.5 | 65.5 |
| | Total | 165 | 100.0 | 100.0 |
| Age | 18-35 | 104 | 63.0 | 63.0 |
| | 36-55 | 52 | 31.5 | 94.5 |
| | above 55 | 9 | 5.5 | 100.0 |
| | Total | 165 | 100.0 | |
| Level of education | Illiterate | 5 | 3.0 | 3.0 |
| | up to grade 12 | 32 | 19.4 | 19.4 |
| | Certificate and Diploma | 43 | 26.1 | 26.1 |
| | First Degree | 58 | 35.2 | 35.2 |
| | Master and above | 27 | 16.4 | 16.4 |
| | Total | 165 | 100.0 | 100.0 |
| Work Experience with Abay bank S.C | Less than a Year | 45 | 27.3 | 27.3 |
| | 1 – 2 years | 57 | 34.5 | 34.5 |
| | 3 - 4 years | 57 | 34.5 | 34.5 |
| | 5 - 6 years | 6 | 3.6 | 3.6 |
| | Total | 165 | 100.0 | 100.0 |

Source: Survey result 2016

4.1.2. Descriptive Analysis

As tried to discuss in the literature review part of the study, parasuraman et al.1988 developed SERVQUAL instrument to measure the dimensions service quality that is frequently used by researchers to investigate customer satisfaction. Those of compiled five dimensions of service quality are Tangibility, Reliability, Responsiveness, Assurance and Empathy. Considering the results for the individual question of variables are discussed below individually

4.1.2.1. Tangibility Descriptive Measurement

T1. The Bank uses latest equipment

According to analysis made the bank use of latest equipment as shown on the table 4.2 indicates that majority of respondents Agree (47.9 pent) on the banks equipments are latest and by strongly agreed with 22.4 percent and the rest12.1 percent disagree, 11.5 percent are neutral and 6.1 percent strongly disagree. The mean result of responses shows that 3.68 imply that has

positive implication for customer's satisfaction towards service quality in Abay Bank Share Company Addis Ababa city.

T2. The Bank has neat and disciplined employees

Majority of responses strongly agreed that is 49.7 percent on employees of Abay Bank Share Company are neat and disciplined while serving the customers. 35.8 percent also agreed on employees disciplined and neatness employees of the bank. The rest 7.3, 3.6 and 3.6 percent of responses said Neutral, Disagree and strongly disagree respectively. The Mean result 4.24 shows most of responses agree and above on the statement.

T3. Room is clean and provides adequate of space

The analysis shows that 41.8 percent strongly agreed on the statement. Proceeding by 37.0 percent agreed and 10.9, 7.3 and 3.0 percent response neutral, disagree and strongly disagree respectively. The mean result of the room is clean and provides adequate space is 4.07 has positive implication on the statement.

T4. Easy to handle and attractive Printed materials

The analysis indicates 43.0 percent of respondents agreed on Abay bank Printed materials are easy to handle and attractive. The rest 33.9, 9.7, 7.3 and 6.1 percent shows strongly agree, Neutral, disagree and strongly disagree respectively. The mean result 3.92 indicates that most of responses are above neutral and it is a positive implication for the service quality dimension variable.

T5. The bank has well organized staffs

The analysis shows that 43.6 percent of respondents strongly agreed on Abay Bank Share Company Addis Ababa branches have well organized staffs 34.5 responds agreed in organized staffs of the Bank. 13.3, 5.5 and 3.0 percent responds on neutral, disagree and strongly disagree. The mean result 4.10 indicates most of respondents agreed on the statement.

T6. The bank has adequate support facilities (Parking lot, toilet, gust chairs and etc)

Majority of respondents in the analysis shows 32.7 percent strongly agreed on the Abay Bank has adequate support facilities like parking lot, toilet, gust chairs. 28.5 percent of response agreed on the statement and Neutral, Disagreed and strongly disagreed has response percentage of 17.6,

13.9 and 7.3 respectively. The mean result 3.66 indicates most of respondents answered above neutral on the statement.

T7. Employees establish effective relationships with customers

According to the analysis made 66.1 percent of respondents strongly agreed on the Employees establish effective relationship with and agreed with 26.1 percent, 3.6 percent neutral, and 2.4 percent disagreed and the rest 1.8 percent strongly disagreed. The mean result of responses shows that 4.52 imply that has positive implication for customer's satisfaction towards service quality in Abay Bank Share Company Addis Ababa city.

Table 4.2; Tangibility measurement table

| Measurement Items | | Respondents Response (%) | | | | | |
|-------------------|---|--------------------------|----------|---------|-------|----------------|--------------|
| No. | Variables | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Average Mean |
| T1 | The Bank uses latest equipment | 6.1 | 12.1 | 11.5 | 47.9 | 22.4 | 3.68 |
| T2 | The Bank has neat and disciplined employees | 3.6 | 3.6 | 7.3 | 35.8 | 49.7 | 4.24 |
| T3 | Room is clean and provides adequate space | | 7.3 | 10.9 | 37.0 | 41.8 | 4.07 |
| T4 | Easy to handle and attractive Printed materials | 6.1 | 7.3 | 9.7 | 43.0 | 33.9 | 3.92 |
| T5 | The bank has well organized staffs | 3.0 | 5.5 | 13.3 | 34.5 | 43.6 | 4.10 |
| T6 | The bank has adequate support facilities (Parking lot, toilet, gust chairs and etc) | 7.3 | 13.9 | 17.6 | 28.5 | 32.7 | 3.66 |
| T7 | Employees establish effective relationships with customers | 1.8 | 2.4 | 3.6 | 26.1 | 66.1 | 4.52 |

Source: survey data 2016

4.1.2.2. Reliability Descriptive Measurement

R1. Employees follow through the Bank Rules and regulations

Majority of respondents strongly agreed with employees follow rules and regulations. The percentage of strongly agreed and agree is 57.0 and 32.7 percent respectively of all the respondents response regarding the statement consists of 6.1 percent neutral, 3.0 percent Disagree and the last 1.2 percent strongly Disagree. The mean result of their response is 4.41 which entails that it has positive impact on the level of employees follow through rules and regulations of the Bank.

R2. Employees are consistently polite

The analysis shows 52.7 percent of respondents strongly agreed on Abay Bank Share company employees are consistently polite. 33.9 percent response also has agreed on employees' politeness. The rest 6.1, 4.2 and 3.0 percent has a response of neutral, disagree and strongly disagreed on the statement. The mean result of the statement shows 4.29 that is above agree and it is a positive implication for Abay bank Addis Ababa branches.

R3. The employees handled customer's complaints effectively

The analysis indicates in Abay Bank Share company respondents 46.7 percent strongly agreed on employees handled customer's complaints effectively. 37.6 percent also agreed on the statement and the rest 9.1 percent are neutral but the rest 3.6 and 3.0 percent disagreed and strongly agreed on the statement. The mean result 4.21 shows most of the respondents agreed the employees effective compliant handling performance.

R4. Employees provide accurate information to Customers

The reliability measurement table shows that 41.2 and 40.00 percent of respondents strongly agreed and agreed on employees providing accurate information for customers respectively. Those of 10.9 percent are neutral and 3.0 percent disagreed and the rest 4.8 percent are strongly disagreed on the statement. The mean result 4.10 percent shows majority of respondents are agreed on the statement.

R5. Employees show dependability in handling Service Problem

Majority of the respondents agreed employees show dependability in handling service problem with 44.8 percent and those of 35.8 percent strongly agreed on the statement in addition to 13.3

percent are neutral. On the other side, 3.0 percent of each respondent are disagreed and strongly disagreed the statement. The mean result 4.07 percent shows majority of respondents agreed on the statement.

R6. Employees have positive contribution to my Business

The reliability data analysis listed as 49.7 percent strongly agreed and 38.8 percent agreed on Abay bank employees have positive contribution to the customers business in addition to the respondents of 9.1 percent are neutral. The rest 2.4 percent strongly disagreed on the statement. Mean result 4.33 shows most of respondents are agreed on the statement.

Table 4.3; Reliability Measurement table

| Measurement Items | | Respondents Response (%) | | | | | |
|-------------------|--|--------------------------|----------|---------|-------|----------------|--------------|
| | Variables | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Average Mean |
| R1 | Employees follow through the Bank Rules and regulations. | 1.2 | 3.0 | 6.1 | 32.7 | 57.0 | 4.41 |
| R2 | Employees are consistently polite | 3.0 | 4.2 | 6.1 | 33.9 | 52.7 | 4.29 |
| R3 | The employees handled customer's complaints effectively | 3.0 | 3.6 | 9.1 | 37.6 | 46.7 | 4.21 |
| R4 | Employees provide accurate information to Customers | 4.8 | 3.0 | 10.9 | 40.0 | 41.2 | 4.10 |
| R5 | Employees show dependability in handling Service Problem | 3.0 | 3.0 | 13.3 | 44.8 | 35.8 | 4.07 |
| R6 | Employees have positive contribution to my Business | 2.4 | 0.0 | 9.1 | 38.8 | 49.7 | 4.33 |

Source: survey data 2016

4.1.2.3.Responsiveness Descriptive Measurement

Res1. Employees are happy and willing to serve the Customer

The responsiveness measurement table below shows 53.9 percent strongly agreed on Abay Bank Share Company Employees are happy and willing to serve the customer.29.7 percent also agreed on the statement in addition to7.9 Percent are neutral. The rest 4.8 percent and 3.6 percent

disagreed and strongly disagreed on the statement. The mean result 4.25 also shows majority of respondent agreed in the employee's are happy and willing to serve the customer.

Res2. The bank provides diversified service to the customers

The analysis shows 39.4 percent agreed and 38.8 percent strongly agreed the bank provides diversified service to customers. Those of 11.5, 5.5 and 4.8 percent are neutral, disagree and strongly disagree on the statement respectively. The mean result 4.02 shows majority of respondents agreed that Abay Bank Share Company in Addis Ababa city provides diversified service to customers.

Res3. The bank gives prompt service

The data Measurement analysis in the responsiveness measurement table below indicates 46.1 percent strongly agreed and 41.2 percent agreed on the bank gives fast service. The rest 7.3, 3.0 and 2.4 percent are neutral, Disagree and strongly disagreed on the statement. The mean value 4.25 indicates majority of the respondents agreed on the statement.

Res4. The bank gives quick response to customer requests

Most of the respondents strongly agreed on the bank give quick response to customers with 48.5 percents and agreed as 38.2 percent and 9.1 percent are neutral. The remaining 1.2 and 3.0 percent disagree and strongly disagree on the statement. The mean value of 4.28 shows majority of the statement agreed the measurement.

Res5. The Bank employees are working Meticulously

In the analysis table 4.4 below indicates 49.1 percent of the respondents strongly agreed and 38.2 percent agreed in addition with 6.1 percent of neutral response. The remaining 2.4 and 4.2 percent disagreed and strongly disagreed on the statement. The mean result 4.25 explains majority of the respondents agree on Abay Bank Addis Ababa city employees are working meticulously.

Res6. Employees are responsive to the problems faced by customers

The analysis shows 36.4 and 35.2 percent strongly agreed and agreed on the statement respectively in addition to 20.0 percent of neutral response. The remaining 4.8 and 3.6 percent

align with disagree and strongly disagree on the measurement question. The mean value 3.96 shows most respondents are above neutral for the statement.

Table 4.4; Responsiveness Measurement table

| Measurement Items | | Respondents Response (%) | | | | | |
|-------------------|---|--------------------------|----------|---------|-------|----------------|--------------|
| | Variables | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Average Mean |
| Re. 1 | Employees are happy and willing to serve the Customer | 3.6 | 4.8 | 7.9 | 29.7 | 53.9 | 4.25 |
| Re2 | The bank provides diversified service to the customers | 4.8 | 5.5 | 11.5 | 39.4 | 38.8 | 4.02 |
| Re3 | The bank gives prompt service | 2.4 | 3.0 | 7.3 | 41.2 | 46.1 | 4.25 |
| Re4 | The bank gives quick response to customer requests | 3.0 | 1.2 | 9.1 | 38.2 | 48.5 | 4.28 |
| Re5 | The Bank employees are working Meticulously | 4.2 | 2.4 | 6.1 | 38.2 | 49.1 | 4.25 |
| Res 6 | Employees are responsive to the problems faced by customers | 3.6 | 4.8 | 20.0 | 35.2 | 36.4 | 3.96 |

Source: survey data 2016

4.1.2.4 Assurance Descriptive Measurement

As1. The employee has the required skill in providing Services

The data analysis shows that 44.2 percent strongly agreed and 40.6 percent agreed that Abay Bank employees have the required skill in providing services. 9.1 percent indicates respondents are neutral and the remaining 1.8 and 4.2 percent shows disagree and strongly response. The mean value 4.19 explains majority of respondents agreed on Abay Bank Share company Addis Ababa branch employees has required skill to serve the customer as a base of customer satisfaction .

As2. Bank employees are trustworthy

More than half of responses in the analysis that is 56.4 percent strongly agreed the Trustworthy of Abay Bank staffs in Addis Ababa Branches. The 27.9 percent also agree on the measurement and 10.9 percent are neutral. The last 3.0 and 1.8 percent respond as disagree and strongly

disagree respectively on the statement. The mean value 4.34 explains that majority of respondents agreed and above for the measurement question.

As3. The employees make customers feel safe in their transactions

The analysis shows 46.7 percent strongly agree and 36.4 percent agree for the statement. The rest 12.10, 1.8 and 3.0 percents responds neutral disagree and strongly disagree on the statement. The mean value of 4.22 shows majority of respondents agreed on Employees of Abay Bank Share Company Addis Ababa branches make customers feel safe in their transaction.

As4. The employees make the customer’s confident working with the Bank

Majority of the response lies on the statement are 40.6 percent agreed and 38.8 percent strongly agreed. 14.5 percent as neutral and the last 3.6 and 2.4 responding disagree and strongly disagree. The mean result of 4.10 shows majority of response agree on Abay bank Share Company Addis Ababa branch employees make the customer’s confident working with the bank.

Table 4.5; Assurance Measurement table

| Measurement Items | | Respondents Response (%) | | | | | |
|-------------------|---|--------------------------|----------|---------|-------|----------------|--------------|
| | Variables | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Average Mean |
| As1 | The employee has the required skill in providing Services | 4.2 | 1.8 | 9.1 | 40.6 | 44.2 | 4.19 |
| As2 | Bank employees are trustworthy | 1.8 | 3.0 | 10.9 | 27.9 | 56.4 | 4.34 |
| As3 | The employees make customers feel safe in their transactions | 3.0 | 1.8 | 12.10 | 36.4 | 46.7 | 4.22 |
| As4 | The employees make the customer’s confident working with the Bank | 2.4 | 3.6 | 14.5 | 40.6 | 38.8 | 4.10 |

Source: survey data 2016

4.1.2.5. Empathy Descriptive Measurement

E1. Employees understand customers' specific needs

The Empathy measurement table indicates 39.4 percent strongly agreed and 35.2 percent agreed on Abay Bank employees understand customers' specific needs. 18.2 percent are neutral and the remaining 4.2 and 3.0 percent answers disagree and strongly disagree. The mean result 4.04 shows majority of the respondents agree on the statement.

E2. Employees treat customer with great respect

The analysis shows 53.9 and 34.5 percent strongly agree and agree on employees treat customer with great respect. 7.3 percent respond neutral and the rest 2.4 and 1.8 percent disagreed and strongly disagreed on the statement. The mean result 4.36 indicates majority of the respondents agree on Abay Bank Addis Ababa branch employees treat customers with great respect.

E3. The employees make customers feel safe in their transactions

The analysis shows 47.9 and 37.6 percent strongly agree and agree on employees make customers feel safe in their transaction. 7.3 percent respond neutral and the rest 4.2 and 3.0 percent disagreed and strongly disagreed on the statement. The mean result 4.23 indicates majority of the respondents agree on Abay bank Addis Ababa branch employees treat customers with great respect.

E4. Employees give advice for your business

Majority of response agree that Employees give advice for the customer business with percentage of 40.0 and 35.2 percent strongly agree on the statement. 13.9 percents are neutral with remaining percentage of 6.1 and 4.8 disagree and strongly disagree on the measurement question. The mean result 3.95 implies majority of respondents answer above neutral for the statement.

Table 4.6; Empathy Measurement table

| Measurement Items | | Respondents Response (%) | | | | | |
|-------------------|--|--------------------------|----------|---------|-------|----------------|--------------|
| | Variables | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Average Mean |
| E1 | Employees understand customers' specific needs | 3.0 | 4.2 | 18.2 | 35.2 | 39.4 | 4.04 |
| E2 | Employees treat customer with great respect | 1.8 | 2.4 | 7.3 | 34.5 | 53.9 | 4.36 |
| E3 | Employees give individual attention to customers | 3.0 | 4.2 | 7.3 | 37.6 | 47.9 | 4.23 |
| E4 | Employees give advice for your business | 4.8 | 6.1 | 13.9 | 40.0 | 35.2 | 3.95 |

Source: survey data 2016

4.1.2.6. Customer satisfaction Measurement

CS1. I am satisfied with the bank's complete range of Services

The data analysis in the customer satisfaction measurement table shows 49.10 percent of respondents strongly agree on Abay Bank share company Addis Ababa in Addis Ababa city. 33.9 And 10.3 percent agreed and neutral respectively on the statement. The rest 3.6 percent respond as disagree and 3.0 percent strongly disagree on the statement. The Mean value 4.22 explains majority of the respondents agreed and above on the measurement question the customers are satisfied in the Abay bank Addis Ababa branches complete range of service.

CS2. I am satisfied with the performance of the Employees

The data analysis indicates in 4.7 table 46.7 percent of respondents strongly agreed on the statement, 43.0 percent also agreed on Abay Bank Employees performance satisfying the customer needs and the 4.8 percent are neutral. The rest 3.0 and 2.4 percent responding as disagree and strongly disagree respectively. The mean value 4.28 shows majority of the respondents agree and above on the statement.

CS3. I am satisfied of being a client of this bank

In the customer satisfaction measurement table analysis shows 55.2 percent respondents strongly agree on the statement customers are satisfied of being Abay Bank Clients in addition 33.9

percent agree and followed by 6.7 percent are neutral. The rest 2.4 and 1.8 percent shows disagree and strongly disagree on the measurement question. The mean result 4.38 describes majority of the results are agree and above on the statement.

CS4. I am satisfied with the bank employees' Professional competence

According to analysis made the Customers are satisfied with the bank employees' professional Competence as shown on the table indicates that majority of respondents strongly agree on customer satisfaction related with the Abay bank Addis Ababa branches employees professional competence with 49.10 percent and agreed on 38.2 the rest 6.7 percent are neutral, 4.2 percent are strongly disagree and 1.8 percent disagree. The mean result of responses shows that 4.26 imply that has positive implication for customer's satisfaction in Abay Bank Share Company Addis Ababa city.

CS5. I am satisfied with the quick service of this bank

The analysis indicates 50.3 percent of respondents strongly agreed on customer satisfaction related with quick service of Abay Bank. 33.9 percent agree, 8.5 percent are neutral, 4.8 percents disagree and the rest 2.4 percent strongly disagree. The mean result 4.25 indicates that most of responses are above agreed and it is a positive implication for the customer satisfaction.

CS6. I am satisfied with the respectful behavior of employees

According to analysis made the Customers are satisfied with the bank employees' respectful behavior as shown on the table indicates that majority of respondents strongly agree on customer satisfaction related with the Abay Bank Addis Ababa branches employees respectful behavior with 56.4 percent and agreed on 33.9 percent the rest 3.6 percent are neutral, 2.4 percent are disagree and 1.8 percent strongly disagree. The mean result of responses shows that 4.44 imply that has positive implication for customer's satisfaction in Abay Bank Share Company Addis Ababa city

CS7. I recommend Abay Bank to friend or colleague

According to analysis made the Customers are recommend for Abay Bank for friends as shown on the table indicates that majority of respondents strongly agree on customer satisfaction related with the Abay Bank Addis Ababa branches employees professional competence with 56.4 percent and agreed on 30.3 percent the rest 9.7 percent are neutral, 1.8 percent each are strongly

disagree and disagree respectively. The mean result of responses shows that 4.38 imply that has positive implication for customer's satisfaction in Abay Bank Share Company Addis Ababa city.

Table 4.7; Customer satisfaction Measurement table

| Measurement Items | | Respondents Response (%) | | | | | |
|-------------------|---|--------------------------|----------|---------|-------|----------------|--------------|
| | Variables | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Average Mean |
| CS1 | I am satisfied with the bank's complete range of Services | 3.0 | 3.6 | 10.3 | 33.9 | 49.10 | 4.22 |
| CS2 | I am satisfied with the performance of the Employees | 2.4 | 3.0 | 4.8 | 43.0 | 46.7 | 4.28 |
| CS3 | I am satisfied of being a client of this bank | 1.8 | 2.4 | 6.7 | 33.9 | 55.2 | 4.38 |
| CS4 | I am satisfied with the bank employees' Professional competence | 4.2 | 1.8 | 6.7 | 38.2 | 49.10 | 4.26 |
| CS5 | I am satisfied with the quick service of this bank | 2.4 | 4.8 | 8.5 | 33.9 | 50.3 | 4.25 |
| CS6 | I am satisfied with the respectful behavior of employees | 1.8 | 2.4 | 3.6 | 33.9 | 58.2 | 4.44 |
| CS7 | I recommend Abay Bank to friend or colleague | 1.8 | 1.8 | 9.7 | 30.3 | 56.4 | 4.38 |

Source: survey data 2016

4.1.3. Pearson Correlation analysis

To determine the relationship between service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) and customer satisfaction, Pearson correlation was computed. Table 4.1.3 below presents the results of Pearson correlation on the relationship between service quality dimension and customer satisfaction.

Table 4.8; Service quality dimensions and customer satisfaction relationship table

| | | Assurance | Customer Satisfaction | Empathy | Reliability | Responsiveness | Tangible |
|------------------------|---------------------|-----------|-----------------------|---------|-------------|----------------|----------|
| Assurance | Pearson Correlation | 1 | .793** | .824** | .770** | .746** | .678** |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 | .000 |
| | N | 165 | 165 | 165 | 165 | 165 | 165 |
| Customers Satisfaction | Pearson Correlation | .793** | 1 | .826** | .779** | .773** | .750** |
| | Sig. (2-tailed) | .000 | | .000 | .000 | .000 | .000 |
| | N | 165 | 165 | 165 | 165 | 165 | 165 |
| Empathy | Pearson Correlation | .824** | .826** | 1 | .774** | .751** | .738** |
| | Sig. (2-tailed) | .000 | .000 | | .000 | .000 | .000 |
| | N | 165 | 165 | 165 | 165 | 165 | 165 |
| Reliability | Pearson Correlation | .770** | .779** | .774** | 1 | .807** | .763** |
| | Sig. (2-tailed) | .000 | .000 | .000 | | .000 | .000 |
| | N | 165 | 165 | 165 | 165 | 165 | 165 |
| Responsiveness | Pearson Correlation | .746** | .773** | .751** | .807** | 1 | .714** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | | .000 |
| | N | 165 | 165 | 165 | 165 | 165 | 165 |
| Tangibility | Pearson Correlation | .678** | .750** | .738** | .763** | .714** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | |
| | N | 165 | 165 | 165 | 165 | 165 | 165 |

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

Source: Survey data 2016

The results in table 4.1.3 indicate that, there is positive and strong relationship between quality service dimensions and customer satisfaction listed as Empathy and customer satisfaction ($r = 0.826$), assurance and customer satisfaction ($r = 0.793$), reliability and customer satisfaction ($r =$

0.779), responsiveness and customer satisfaction ($r = 0.773$), tangible and customer satisfaction ($r = 0.750$). In statistics, the correlation coefficient r measures the strength and direction of a linear relationship between two variables on a scatter plot. The value of r is always between +1 and -1. When r is greater than or equal to 0.70, there is strong uphill (positive) linear relationship. To interpret the finding on table 7 above further indicates that the highest relationship is found between service quality dimensions Empathy, assurance, reliability, responsiveness and tangibility with customer satisfaction.

4.1.4. Multiple Regression analysis

Multiple regression analysis was employed to examine the effect of customer service quality dimensions on customer satisfaction.

This analysis is conducted to predict the percentage of dependent variable, where independent variables are entered simultaneously. The overall variance (customer satisfaction) is explained by the independent variables, (Assurance, Empathy, Responsiveness, Reliability and tangible) which were discussed on chapter two.

Table 4.9; Multiple Regression analysis coefficient table

| Model | Un standardized Coefficients | | Standardized Coefficients | t | Sig. |
|----------------|------------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| (Constant) | .383 | .176 | | 2.176 | .031 |
| Assurance | .187 | .069 | .200 | 2.728 | .007 |
| Empathy | .311 | .074 | .324 | 4.222 | .000 |
| Reliability | .098 | .076 | .099 | 1.283 | .201 |
| Responsiveness | .175 | .071 | .174 | 2.479 | .014 |
| Tangible | .177 | .065 | .175 | 2.737 | .007 |

Source: Survey data 2016

Based on the above analysis table Empathy versus customer satisfaction ($P=0.000$) is less than the level of significance P -value 0.05, thus Accepting **H4**. The results signify that there is significant evidence that relationship exists between individual Empathy and customer satisfaction in Abay Bank S.C. Addis Ababa city. Beta value of relationship between Empathy and customer satisfaction is ($B=.311$) is positive. The relationship between assurance and customer satisfaction as positive beta (0.187) value, as it is shown in the table the P -value for

Assurance and Customer satisfaction is ($P= 0.007$) is less than the level of significance 0.05, thus Accepting **H2**. The results signify that there is significant evidence exists in the relationship of Assurance and customer satisfaction in Abay Bank S.C. Addis Ababa city. The positive beta value of relationship between assurance and customer satisfaction ($B= 0.187$) shows positive relationship. As shown in the above analysis table P- value of relationship between Reliability and customer satisfaction is ($P=0.201$). This result is greater than the significance value 0.05, thus rejecting **H1**. There is no significant evidence that relationship exists between Reliability and customer satisfaction in Abay Bank S.C Addis Ababa branches. The positive beta value ($B= 0.098$) indicates the relationship between Reliability and customer satisfaction is positive.

Based on table 4.1.4 analysis data the P value of tangibility and customer satisfaction is ($P=0.007$) is less than the level of significance 0.05, thus Accepting **H5**. The result signifies that there is significant evidence that relationship exists between individual tangibility and customer satisfaction in Abay Bank S.C. Addis Ababa Branches. The relationship between Tangibility and customer satisfaction is positive as Beta value of ($B=0.177$). As it is clearly indicated in table 4.1.4, the P value of responsiveness and customer satisfaction is ($P= 0.014$) is less than the level of significance 0.05, thus accepting **H3**. The result signifies that there is significant relationship exists between individual responsiveness and customer satisfaction in Abay Bank S.C Addis Ababa branches. Positive beta value of ($B=.175$) shows there is positive relationship between responsiveness and customer satisfaction.

4.2. Presentation of research results

The research objective is to assess the effect of service quality on customer satisfaction and to identify the dominant service quality dimension that has strong relation with customer satisfaction in Abay Bank Share Company and answer the research questions which are stated on first chapter.

Hypothesis 1

H1: Reliability has positive and significant effect on Customer satisfaction in Abay Bank S.C Addis Ababa branches.

Findings: $P= 0.201 >$ than 0.05, Thus **H1** is Rejected

Hypothesis 2

H2: Assurance has positive and significant effect on customer satisfaction in Abay Bank S.C Addis Ababa Branches.

Findings: $P=0.007 < 0.05$, thus **H2** is Accepted

Hypothesis 3

H3: Responsiveness has positive and significant effect on customer satisfaction in Abay Bank S.C Addis Ababa Branches.

Findings $P=0.014 < 0.05$ Thus, **H3** is Accepted

Hypothesis 4

H4: Empathy has positive and significant effect on customer satisfaction in Abay Bank S.C Addis Ababa Branches.

Findings $P=0.000 < 0.05$ Thus, **H4** is Accepted

Hypothesis 5

H5: Tangible has positive and significant effect on Customer satisfaction in Abay Bank S.C Addis Ababa Branches.

Findings $P=0.000 < 0.007$ Thus, **H5** is Accepted

In Hypothesis testing except reliability in five dimensions of service quality all have positive and significant effect on customer satisfaction. The result in line with the study done by Parasuraman, Zeithaml and Berry which established the relationship between customer satisfaction and service quality. For the first service quality dimension Empathy, on the statement “Employees understand customers’ specific needs” and “Employees give advice for your business” cumulative of 25.4 percent and Employees give advice for your business respectively respond disagree, strongly disagree and neutral. This is also supported by the hypothesis test indicated that there is positive relationship between customer satisfaction and Empathy.

With reference to descriptive analysis table of tangibility measurement, the measurement of question ‘the bank has adequate support facilities such as parking lot, toilet, guest chairs and etc.

respondents of cumulative result 38.8 percent are strongly disagree, disagree and neutral in addition this measurement statement has a lower level of mean value 3.66. In the comparison of hypothesis development there is positive and significant relationship between tangible and Customer satisfaction.

In the descriptive measurement of assurance service quality dimension, the statement “the employees make the customer’s confident working with the Bank” responds cumulative 20.5 percent are strongly disagree, disagree and neutral. Assurance is essential dimension of service quality towards satisfaction. There is positive association of assurance and customer satisfaction in Abay Bank S.C.

The fourth Dimension of service quality is responsiveness. As the name responsiveness implies dimension reflects the willingness of employees to provide immediate service to all-round customers. The mean value of the variable “Employees are responsive to the problems faced by customers” shows 3.96. However average respondents are above neutral there is cumulative of 28.4 percent respond as strongly disagree, disagree and neutral. As a comparison made in the hypothesis indicated that there is a positive association between responsiveness and customer satisfaction.

From Reliability, average mean of all measurement statement is above agreed. The last value 4.07 average mean for the statement ‘Employees show dependability in handling Service Problem’ cumulative of 19.3 percent of respondents as strongly disagree, disagree and neutral. This reliability dimension also shows there is no significant relationship in hypothesis testing analysis.

The customer satisfaction measurements on descriptive analysis reveal that majority of the respondent are strongly agree. The minimum value of strongly agree is 46.7 percent for the statement “I am satisfied with the performance of the Employees”. As indicated above majority of respondents strongly agree their level of satisfaction which is highly related with service quality dimensions discussed above.

Chapter 5

Summary, Conclusion and Recommendation

5.1. Summary

The study was intended to investigate the effect of customer service quality on customer satisfaction in Abay bank Share Company in Addis Ababa based on the questionnaire consisting of 200 randomly selected customers of the bank. The results of background information of respondents indicated that majority of the total respondents (65.5%) are male, (63.0%) aged in the range of 18-35 years, (35.2%) are degree holders, and (34.5%) of the respondents are customers which have one to two or three to four years work experience in Abay Bank Share company . The results of the descriptive statistical analysis also indicated that, customers were most satisfied with the empathy dimensions of service quality followed by tangibility, assurance and Responsiveness.

However, customers were less satisfied with reliability dimensions of service quality. The correlation result show that there is a positive and significant relationship between empathy and customer satisfaction, assurance and customer satisfaction, tangibility and customer satisfaction, responsiveness and customer satisfaction. However, the results indicate that, there is positive and insignificant relationship between reliability and customer satisfaction. The finding also indicates that the highest relationship was found between empathy and customer satisfaction, while the lowest relationship was found between reliability and customer satisfaction.

Furthermore, the multiple regression results showed that except reliability the four service quality dimensions (tangibility, responsiveness, assurance and empathy) have positive and significant effect on customer satisfaction.

The findings of this study also indicated that empathy is the most important factor to have positive effect on customer satisfaction, followed by assurance, tangible and responsiveness.

5.2. Conclusion

This research examined the effect of service quality on customer satisfaction in Abay Bank Share Company, where service quality has five dimensions which are assurance, empathy, responsiveness, tangible, and reliability.

The finding of the study also indicates that, customers were most satisfied with the empathy dimensions of service quality. However, customers were less satisfied with reliability dimensions of service quality. The correlation result shows that, responsiveness, empathy, tangibility, reliability and assurance are positively related with customer satisfaction.

the researcher regression analysis with service quality dimensions and customer satisfaction shows that assurance, responsiveness, empathy and tangibility has significant and positive relationship even though reliability has positive correlation, there is no significant relationship with customer satisfaction.

In terms of the stated research hypotheses the following specific empirical findings emerged from the investigation: The four service quality dimensions including tangibility, responsiveness, assurance and empathy have positive and significant effect on customer satisfaction. The findings of this study also indicated that empathy is the most important factor to have a positive and significant effect on customer satisfaction. In addition to this, except reliability the four service quality dimensions significantly explain the variations in customer satisfaction.

5.3. Recommendation

Based on the findings and conclusions of the study, the researcher forwards the following recommendations to the management of the banks. Empathy dimension was considered as one of the most important factors influencing customer satisfaction. However, the customers of Abay Bank Share Company in Addis Ababa were found less satisfied in terms of the reliability dimensions. One way of addressing by treating customer to perform the promised service dependency and accurately. This is to say, the bank management should focus on this factor to maximize customer satisfaction.

Furthermore, reliability dimension was considered as one of the most important factors influencing customer satisfaction. However, the customers of Abay bank Share Company in Addis Ababa branches were found less satisfied in this regard. One way of handling this problem is by delivering its services at promised times, and handling customer's complaints effectively.

Since keeping the promise for customers contributes in attracting as well as retained loyal customers of an organization, the employees of the banks should respect their promise by telling to customers only the truth about their service. Evidence from the study show that, banks have to improve performance on all the dimensions of service quality in order to increase customer satisfaction since Consumers expect more than what is been offered by these stores. This will enable them maintain level of competitiveness.

In general, delivering a quality service for customers have a tremendous effect on customers' satisfaction that in turn determines the existence and success of banks. So, it's mandatory that the bank should attempt to maintain consistent service quality at or above customers' expectation by assessing all the service quality dimensions regularly.

5.4. Recommendation for future research

Customer satisfaction is very important for the survival of financial institution in today's stiff competitive environment. Now a day's customers are becoming an inevitable factor in companies' management with the power to change short-term and long-tem policies and strategies. Therefore, enough knowledge of environment, expectation of customers and their desire are very important to find the best solution for facing up-expected behave in such a way that to change the mind of customers in the direction of companies' profit.

It is recommendable for future research to develop further the core concepts of service quality dimensions such as assurance, responsiveness, empathy, tangibility and reliability in context of customer satisfaction.

The data of this research is consisted only from Addis Ababa branches customers, so there is limitation of thinking towards the research. Apart of that, it is recommended to develop a research that not only includes outside Addis Ababa branch customers. Since service quality dimensions have significant influence on customer satisfaction, it is important to satisfy customer requests as part of organizational plans in achieving organizational goals.

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Appendix

1. Frequencies

Statistics

| | | Age | education educational background | work experience with Abay bank share company | Sex |
|---|---------|-----|--|---|-----|
| N | Valid | 165 | 165 | 165 | 165 |
| | Missing | 0 | 0 | 0 | 0 |

Frequency Table

Age

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|------------|---------|---------------|-----------------------|
| Valid | 1 18-35 | 104 | 63.0 | 63.0 |
| | 2 36-55 | 52 | 31.5 | 94.5 |
| | 3 above 55 | 9 | 5.5 | 100.0 |
| | Total | 165 | 100.0 | 100.0 |

Educational background

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|---------------------------|---------|---------------|-----------------------|
| Valid | 1 Illiterate | 5 | 3.0 | 3.0 |
| | 2 up to grade 12 | 32 | 19.4 | 22.4 |
| | 3 Certificate and Diploma | 43 | 26.1 | 48.5 |
| | 4 Degree | 58 | 35.2 | 83.6 |
| | 5 Master and above | 27 | 16.4 | 100.0 |
| | Total | 165 | 100.0 | 100.0 |

work experience with Abay bank share company

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Valid 1 0-1 years | 45 | 27.3 | 27.3 | 27.3 |
| 2 1-2 years | 57 | 34.5 | 34.5 | 61.8 |
| 3 3-4 years | 57 | 34.5 | 33.9 | 96.3 |
| 4 5-6 years | 6 | 3.7 | 3.7 | 100.0 |
| Total | 165 | 100.0 | 100.0 | |

Gender

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------|-----------|---------|---------------|--------------------|
| Valid 1 Female | 57 | 34.5 | 34.5 | 34.5 |
| 2 male | 108 | 65.5 | 65.5 | 100.0 |
| Total | 165 | 100.0 | 100.0 | |

2. Reliability

Case Processing Summary

| | | N | % |
|-------|----------|-----|-------|
| Cases | Valid | 165 | 100.0 |
| | Excluded | 0 | .0 |
| | Total | 165 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .971 | .973 | 34 |

scale Statistics

| Mean | Variance | Std. Deviation | N of Items |
|--------|----------|----------------|------------|
| 142.28 | 564.958 | 23.769 | 34 |

Correlations

| | | Customer Satisfaction | Empathy | Reliability | Responsiveness | Tangible | Assurance |
|-----------------------|---------------------|-----------------------|---------|-------------|----------------|----------|-----------|
| Customer Satisfaction | Pearson Correlation | 1 | .826** | .779** | .773** | .750** | .793** |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 | .000 |
| | N | 165 | 165 | 165 | 165 | 165 | 165 |
| Empathy | Pearson Correlation | .826** | 1 | .774** | .751** | .738** | .824** |
| | Sig. (2-tailed) | .000 | | .000 | .000 | .000 | .000 |
| | N | 165 | 165 | 165 | 165 | 165 | 165 |
| Reliability | Pearson Correlation | .779** | .774** | 1 | .807** | .763** | .770** |
| | Sig. (2-tailed) | .000 | .000 | | .000 | .000 | .000 |
| | N | 165 | 165 | 165 | 165 | 165 | 165 |
| Responsiveness | Pearson Correlation | .773** | .751** | .807** | 1 | .714** | .746** |
| | Sig. (2-tailed) | .000 | .000 | .000 | | .000 | .000 |
| | N | 165 | 165 | 165 | 165 | 165 | 165 |
| Tangible | Pearson Correlation | .750** | .738** | .763** | .714** | 1 | .678** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | | .000 |
| | N | 165 | 165 | 165 | 165 | 165 | 165 |
| Assurance | Pearson Correlation | .793** | .824** | .770** | .746** | .678** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | |
| | N | 165 | 165 | 165 | 165 | 165 | 165 |

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

Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .834 | 7 |

3. Regression

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|---------------|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change | |
| 1 | .878 ^a | .770 | .763 | .37482 | .770 | 106.554 | 5 | 159 | .000 | 2.102 |

ANOVA^a

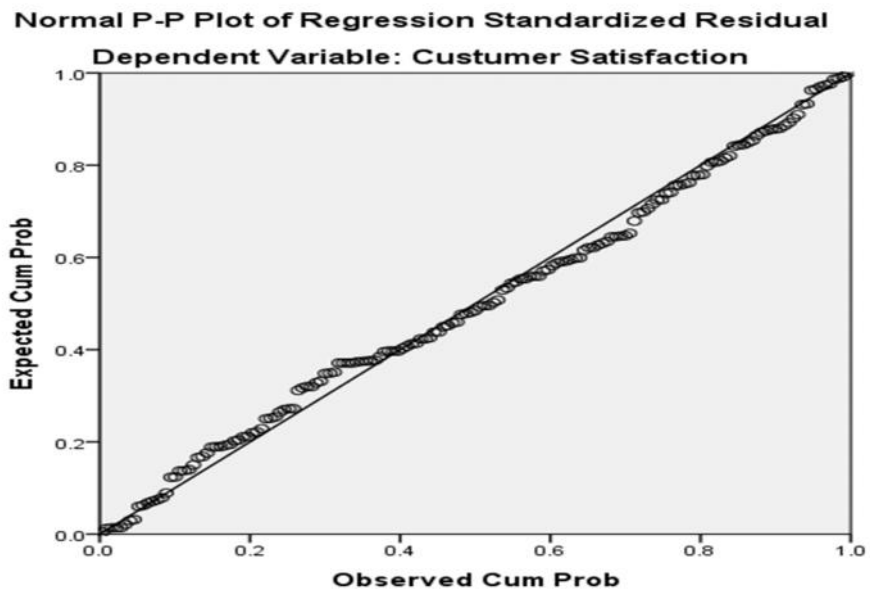
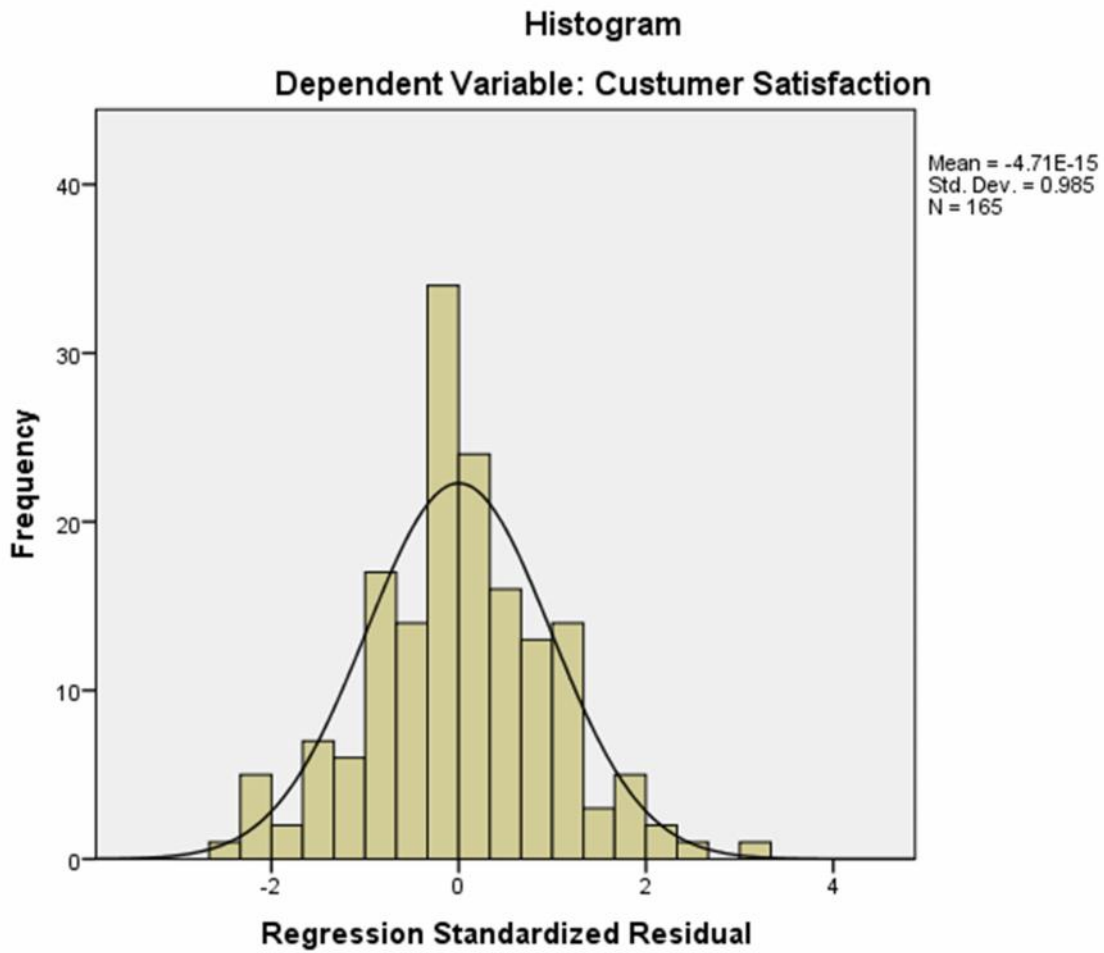
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|---------|-------------------|
| 1 | Regression | 74.849 | 5 | 14.970 | 106.554 | .000 ^b |
| | Residual | 22.338 | 159 | .140 | | |
| | Total | 97.187 | 164 | | | |

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-----------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .383 | .176 | | 2.176 | .031 |
| | Assurance | .187 | .069 | .200 | 2.728 | .007 |
| | Empathy | .311 | .074 | .324 | 4.222 | .000 |
| | Reliability | .098 | .076 | .099 | 1.283 | .201 |
| | Responsiveness) | .175 | .071 | .174 | 2.479 | .014 |
| | Tangibility | .177 | .065 | .175 | 2.737 | .007 |

Residuals Statistics

| | Minimum | Maximum | Mean | Std. Deviation | N |
|----------------------|---------|---------|--------|----------------|-----|
| Predicted Value | 1.3311 | 5.1233 | 4.3169 | .67557 | 165 |
| Residual | -.98504 | 1.24692 | .00000 | .36906 | 165 |
| Std. Predicted Value | -4.420 | 1.194 | .000 | 1.000 | 165 |
| Std. Residual | -2.628 | 3.327 | .000 | .985 | 165 |





ጥናታዊ መጠይቅ በአሜሪካ

እኔ የMBA ተማሪ ስሆን የመመሪያ ጽሁፌን በዓባይ ባንክ አ.ማ የደንበኞች አገልግሎት አሰጣጥ በደንበኞች እርካታ ያለው ተጽኖ የሚያተኩር ሲሆን እርስዎ ይህን ቃለ መጠይቅ በመሙላት አስፈላጊውን ትብብር እንዲያደርጉ እየጠየቅሁ የሚሞሉት ቃለ መጠይቅ ማስገባት ለሌላ አካል የማይተላለፍ መሆኑን እያረጋግጣለሁ፡፡

ለሰጠኝ ጊዜ በቅድሚያ አመሰግናለሁ፡፡

መመሪያ: እባክዎ የሚጠቅሙት መልስ ላይ የ(√) ምልክት ያድርጉባቸው

ክፍል I. የደንበኞች የግል መረጃ

1. ጾታ ሴት ወንድ
2. እድሜ 18-35 36-55 ከ 55 ዓመት በላይ
3. የትምህርት ደረጃ ያልተማረ እኛ 12ተኛ ክፍል ዲፕሎማ እና ስርተፍኬት ዲግሪ ማስተር እና ከማስተር በላይ
4. ከዓባይ ባንክ አክሲዮን ማህበር ጋር ለምን ይክል ዓመት ደንበኛ ነዎት? 0-1 1-2 3-4 5-6

ክፍል II. የደንበኞች እርካታ እና አገልግሎት መጠይቅ

| | 1 በጣም አልሰማም | 2 አልሰማም | 3 ገለልተኛ | 4 እስማምለሁ | 5 በጣም እስማምለሁ |
|---------------------------------------|----------------|------------|------------|-------------|-----------------|
| Tangibility | | | | | |
| 1. ባንኩ አዳዲስ እና ዘመናዊ መሳሪያዎች አሉት | | | | | |
| 2. የባንኩ ሰራተኞች ጽዱ እና ማልካም አለባቸው አላቸው | | | | | |
| 3. ባንኩ ንጹህና ለመሳተፍ ገደብ አለው | | | | | |
| 4. ከባንኩ የሚሰጡ ደረሰኞች ሜኬ እና ለአያያዝ ምቹ ናቸው | | | | | |
| 5. በባንኩ ወስጥ ማልካም የሆነ የሰራተኞች አደረጃጀት አለ | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| 6. ባንኩ ለደንበኞች የሚያገለግሉ የሚከተሉት ማቆሚያ፣ የደንበኛ ወንበሮች መጻፍጃ እና ሌሎችም አሉባቸው | | | | | |
| 7. የባንኩ ሰራተኞች ከደንበኞች ጋር መልካም ግንኙነት አላቸው | | | | | |
| Reliability | | | | | |
| 8. ሰራተኞች በባንኩ ህግና መመሪያ ሁሉንም እኩል ያስተናግዳሉ | | | | | |
| 9. የባንኩ ሰራተኞች ሁልጊዜም ትሁት ናቸው | | | | | |
| 10. ሰራተኞች በአግባቡ የደንበኞችን ቅሬታ ይፈታሉ | | | | | |
| 11. ሰራተኞች ትክክለኛ እና በቂ መረጃ ለባንኩ ደንበኛ ይሰጣሉ | | | | | |
| 12. ሰራተኞች የአገልግሎት ችግር ፈቸነታቸውን ያሳያሉ | | | | | |
| 13. ሰራተኞች ለሰራዊት አዎንታዊ አስተዋጾ አላቸው | | | | | |
| Responsiveness | | | | | |
| 14. የባንኩ ሰራተኞች ደንበኛን ለማገልገል ደስተኛና ፈቃደኛ ናቸው | | | | | |
| 15. ባንኩ የተለያዩ ዘርፍ አገልግሎቶችን ይሰጣል | | | | | |
| 16. ባንኩ ቀልጣፋ አገልግሎት ይሰጣል | | | | | |
| 17. የባንኩ ሰራተኞች ለደንበኞች ጥያቄ ቀልጣፋ መልስ ይሰጣሉ | | | | | |
| 18. የባንኩ ሰራተኞች በጥንቃቄ ደንበኛን ያስተናግዳሉ | | | | | |
| 19. የባንኩ ሰራተኞች በደንበኛ ለሚፈጠረው ችግር ሃላፊነትን ይወስዳሉ | | | | | |
| Assurance | | | | | |
| 20. ሰራተኞች አገልግሎቱን ለመስጠት የሚያስችል ክህሎት አላቸው | | | | | |
| 21. የባንኩ ሰራተኞች ታማኝ ናቸው | | | | | |
| 22. የባንኩ ሰራተኞች ደንበኞች አገልግሎት በማይገኝበት ጊዜ የደህንነት ስሜት እንዲሰማቸው ያደርጋሉ | | | | | |
| 23. ሰራተኞቹ ደንበኞች በራስ መተማመን እንዲኖራቸው ያደርጋሉ | | | | | |
| Empathy | | | | | |
| 24. ሰራተኞች የባንኩ ደንበኞች የግል ፍላጎት ይረዳሉ | | | | | |
| 25. ሰራተኞች ደንበኞችን በአክብሮት ያስተናግዳሉ | | | | | |
| 26. ሰራተኞች ለአያንዳንዱ ደንበኛ ትኩረት ይሰጣሉ | | | | | |
| 27. ሰራተኞች ለደንበኞች መጽዋት ምክር ይሰጣሉ | | | | | |
| Customer satisfaction | | | | | |
| 28. በባንኩ አገልግሎት አሰጣጥ እረክቻለሁ | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| 29. በባንኩ ሰራተኞች የአገልግሎት ብቃት ደስተኛ ነኝ | | | | | |
| 30. የባንኩ ደንበኛ በመሆኔ ደስተኛ ነኝ | | | | | |
| 31. በባንኩ ሰራተኞች መኖሪያ ክፍሎች አረክቻለሁ | | | | | |
| 32. በባንኩ ፈጣን ምላሽ መስጠት አሰራር አረክቻለሁ | | | | | |
| 33. በሰራተኞች የደንበኛ አክብሮት አረክቻለሁ | | | | | |
| 34. ¹ ደኞቼን በባንኩ እንዲጠቀሙ አመክራለሁ | | | | | |

Research Questioner in English Language

Dear Respondents, I am appreciating your commitment to fill my questioner properly. I am MBA Graduate student and these questioners are avail only to fulfill my research paper. All your information delivered is confidential and uses only for research paper.

Instruction please use “√” for part I and part II questions

Part I. Demographic data

1. Sex Female Male
2. Age 18-35 36-55 above 55
3. Educational Background Illiterate Up to grade Diploma
Degree Master and above
4. How many years you are working with Abay Bank Share Company?
0-1 1-2 3-4 5-6

Part II. Customer satisfaction measurement part

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|--|-------------------|----------|---------|-------|----------------|
| Tangibility | | | | | |
| 1. The Bank uses latest equipment. | | | | | |
| 2. The bank has neat and disciplined employees. | | | | | |
| 3. Room is clean and provides adequate of space. | | | | | |
| 4. easy to handle and attractive Printed materials. | | | | | |
| 5. The bank has Well organized staffs. | | | | | |
| 6. The bank has adequate support facilities. (Parking lot, toilet, gust chairs and etc). | | | | | |
| 7. Employees establish effective relationships with customers. | | | | | |
| | | | | | |
| Reliability | | | | | |
| 8. Employees follow through rules and Regulations of the Bank. | | | | | |
| 9. Employees are consistently polite. | | | | | |
| 10. The employees handled customer’s complaints effectively. | | | | | |
| 11. Employees provide accurate information to Customers. | | | | | |
| 12. Employees show dependability in handling Service Problem. | | | | | |
| 13. Employees have positive contribution to my Business. | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| | | | | | |
| Responsiveness | | | | | |
| 14. Employees are happy and willing to serve the Customer. | | | | | |
| 15. The bank provides diversified service to the customers. | | | | | |
| 16. The bank gives prompt service. | | | | | |
| 17. The bank gives quick response to customer requests. | | | | | |
| 18. The Bank employees are working Meticulously. | | | | | |
| 19. Employees are responsive to the problems faced by customers. | | | | | |
| | | | | | |
| Assurance | | | | | |
| 20. The employee has the required skill in providing Services | | | | | |
| 21. Bank employees are trustworthy. | | | | | |
| 22. The employees make customers feel safe in their transactions. | | | | | |
| 23. The employees make the customer's confident working with the Bank. | | | | | |
| | | | | | |
| Empathy | | | | | |
| 24. Employees understand customers' specific needs. | | | | | |
| 25. Employees treat customer with great respect. | | | | | |
| 26. Employees give individual attention to customers. | | | | | |
| 27. Employees give advice for your business. | | | | | |
| | | | | | |
| Customer Satisfaction | | | | | |
| 28. I am satisfied with the bank's complete range of Services. | | | | | |
| 29. I am satisfied with the performance of the Employees. | | | | | |
| 30. I am satisfied of being a client of this bank. | | | | | |
| 31. I am satisfied with the bank employees' Professional competence. | | | | | |
| 32. I am satisfied with the quick service of this bank. | | | | | |
| 33. I am satisfied with the respectful behavior of employees. | | | | | |
| 34. I recommend Abay Bank to friend or colleague. | | | | | |

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of **Dr. Temesgen Belayneh /PhD/**. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

St. Mary`s University college, Addis Ababa

Signature

June 22, 2016

ENDORSEMENT

This thesis has been submitted to St. Mary`s University College, School of Graduate Studies for examination with my approval as a university advisor.

Advisor

St. Mary`s University Collage, Addis Ababa

Signature

June 22, 2016