

**ST. MARY'S UNIVERSITY SCHOOL OF
GRADUATE STUDIES**



**ASSESSMENT OF THE SERVICE QUALITY OF UNITED BANK
S.C. AND ITS IMPACT ON CUSTOMER SATISFACTION**

BY

By: TIGIST MEQUANINT

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MAY, 2017

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STUDIES
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER
OF ARTS IN BUSINESS ADMINISTRATION (MBA)

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APPROVED BY BOARD OF EXAMINERS

Dean, Graduate Studies

Signature and date

Advisor

Signature and date

External Examiner

Signature and date

Internal Examiner

Signature and date

DECLARATION

I hereby declare that this submission is my own work prepared under the guidance of Tesfaye Wolde (PhD). It contains neither material previously published another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgment has been made in the text.

Student name and ID

Signature

Date

ENDORSEMENT

This thesis has been submitted to St. Mary's University School of graduate studies for examination with my approval as university advisor.

Advisor

Signature

Date

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ACRONYMS/Abbreviations

NBE	National Bank of Ethiopia
UB	United Bank
S.C	Share Company
PhD	Degree of Philosophy
UK	United Kingdom

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ABSTRACT

Commercial Banks in Ethiopia to increase their market share are in high competition, to provide a high quality of service to their customers. This paper tries to access the service quality of United Bank S.C. and its impact on customer satisfaction. It is mixed type of research a descriptive & causal type of study that collects quantitative data on customer satisfaction-dependent variable and the service quality measurement dimensions; independent variables. The independent variables are tangibles, reliability, responsiveness, assurance and empathy. The instrument measured service performance by using twenty two indicators that belong to the five dimensions of SERVPERF. The instrument was tested for reliability and validity. Self administered questionnaire was distributed to 385 customers of United Bank S.C., in 21 selected branches of Addis Ababa. The response rate was 89%. Descriptive and inferential statistics was used for data analysis. Descriptive statistics like proportion (Percentage), frequency, median, and mode was used to interpret demographic variables of the respondents and to find the mean scores of service quality dimensions whereas inferential statistics used to see the relationship among independent and dependent variables. Correlation between variables was made and results were all positive with significant effect. Hypothesis was tested to find out whether service quality dimensions had a positive relationship with customer satisfaction. The results indicated that the three dimensions responsiveness, assurance and empathy had a positive correlation with service quality except tangibility & reliability, and 93% of the customers were satisfied with the service rendered by UB. And also the regression analysis indicated the two most dominant service quality dimensions from the five dimensions; empathy followed by assurance The finding of this study is important to help managers focus their attention on the service quality dimension that matters most to customers.

Key words: tangibility, reliability, responsiveness, empathy, assurance, customer satisfaction

CHAPTER ONE

INTRODUCTION

This chapter discusses the background of the study, statement of the problem, objective of the study, research hypotheses, significance of the study, scope and limitation of the study and organization of the paper discussed.

1.1 Background of the Study

Modern banking in Ethiopia began in 1905 with the Bank of Abyssinia, a private company controlled by the Bank of Egypt. In the years that followed, the fate of the banks varied with the style of the government regime. In 1931 Bank of Egypt was liquidated and replaced by the Bank of Ethiopia which was the bank of issue until the Italian invasion of 1936. In 1943, the State Bank of Ethiopia was established. In 1963, the National Bank of Ethiopia (the central and issuing bank) and the Commercial Bank of Ethiopia was formed. Mauri, (1971).

In the period to 1974, several other financial institutions emerged. Then the shift to Marxist government in 1975 brought several changes to the banking system, and saw the nationalization of private banks and insurance companies. After the fall of the socialist regime in 1991 the financial sector of the country witnessed a major shift of paradigm. Numerous private banks, insurances and micro financial institutions were established. Deribie, (2012). Currently, the number of Ethiopian owned commercial banks has reached eighteen, sixteen private owned and two government owned banks. And the national bank of Ethiopia has the mandate to License, supervise and regulate the operations of banks, insurance companies and other financial institutions.

United Bank S.C. was incorporated as a Share Company on 10 September 1998. As of December 31, 2016, it has 84 branches in Addis Ababa and 66 branches in outlying areas in Ethiopia.

This paper aims to assess the service quality offered by United Bank S.C. Addis Ababa branches and its impact on overall customer satisfaction level.

Kotler (2003) 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.

Parasuraman, Zeithaml, Berry, (1988) defined service quality and customer satisfaction as “service quality is a global judgment, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction.

Since service is intangible its measurement becomes difficult than measuring the quality of goods. Different models have been developed to assess the quality of service. The SERVQUAL model by Parasuraman, Zeithaml, and Berry. (1985) is the generic model of measuring service quality. The SERVQUAL model is developed to assess service quality from the view point of the customer by comparing what the consumer expected prior to the service and perceived level of service received. The model uses five measurement dimensions: tangibles, reliability, responsiveness, assurance and empathy to measure service quality Parasuraman et al (1988). Based on this generic model the SERVPERF model was developed in 1992 by Cronin and Taylor and this model is a performance only measure of service quality but uses all the dimensions of service quality in the SERVQUAL model. This research will use the SERVPERF (performance only) model to assess the service quality of United Bank S.C. customers and its impact on customer satisfaction.

Assessing the service quality help the company know its best service quality dimensions and its weak service quality dimensions. Furthermore it helps the bank to find out which dimension is more important to customers. This in turn help the bank improve its service quality then ultimately its customer satisfaction level. Therefore these two questions need to be answered by this study; what is the level of service quality that United Bank S.C. offers to

its customers in accordance to each service quality measurement dimension? Which dimension of service quality matters more to customers and contributes more to overall customer satisfaction of customers?

In Ethiopia, with the emergence of new private banks, competition is increasing. Therefore, banks need to worry about offering best service to retain and increase loyalty of their customers. The findings of the study will help United Bank S.C. improve the service quality or build on what it is currently practicing to achieve the desired level of service quality.

1.2 Statement of the Problem

Banks being service providing firms can use service as a competitive edge. Providing higher service quality that satisfies customers is one way to win in this competition. Therefore finding out what the current level of service quality becomes essential for United Bank's future as the competition intensifies. Most of the private banks in the banking industry of Ethiopia offer similar types of products, therefore the differentiation lies in the service quality offered. Rendering better quality of service will lead to high customer satisfaction, profit will increase. Therefore, to what extent the service rendered by United Bank S.C. impacts customer satisfaction and ultimately maximizes profit is the focus to this study.

Different researchers have studied the relationship between service quality and customer satisfaction. The five dimensions of service quality have been measured by different researchers and the results for all the different researches were found to be different. Such as Quyet, Vinh, and Chang, (2015) have studied the service quality effects on customer satisfaction in banking industry in Vietnam. All five factors were positively related to customer satisfaction. However, reliability had only partial support. Mohammad, and Alhamadani, (2011) have studied the Service quality perspectives and customer satisfaction in commercial banks working in Jordan. The results of this study indicated that the weakest

correlation was for tangibles and customer satisfaction. The most important service quality dimension on customer satisfaction was assurance.

Islam, and Mohammad, (2011) have studied the measuring service quality of banks: in Bangladesh. The research findings suggest that there is a strong influence of service quality dimensions on satisfaction.

Referring the above previous studies, the researchers have found that the five dimensions of service quality have been found to have different importance in different banks. In some cases the most important service quality dimension on customer satisfaction was assurance, in other cases it was empathy and on the other hand the weakest correlation was found between tangibles and customer satisfaction.

Thus since the results of the studies have found a range of different results for various banks, In addition the results obtained in one country different in another country. The finding of this study will be also different.

Thus for United bank S.C., the study of service quality at any given date is crucial so as to know and understand on which service quality dimension the bank should work on and on which service quality dimension the bank is doing well, since the results can differ from time to time.

1.3 Research Question

The following are the basic research questions that the study answers

- i. What is the level of service quality offered to customers by United bank S.C. when measured by using the tangibles, reliability, responsiveness, assurance and empathy dimensions?
- ii. What is the relationship between service quality dimensions and customers' satisfaction?

- iii. What is the dominant service quality dimension that has strong relation with customer satisfaction in United Bank S.C.?

1.4 Objective of the Study

1.4.1 General Objective of the Study

The objective of this paper is to assess the service quality of United Bank and its impact on customer satisfaction, since service quality is a major factor that affects customer satisfaction and the ultimate bottom line, profit.

1.4.2 Specific Objectives

- i. To assess the service quality of United Bank S.C. based on customers' perception of service quality that are measured by using the tangibles, reliability, responsiveness, assurance and empathy dimensions.
- ii. To investigate the relationship between service quality dimensions and customers satisfaction.
- iii. To identify the dominant service quality dimension that has strong impact on customer satisfaction in United Bank S.C.

1.5. Significance of the Study

The study have practical significance of helping management of United Bank S.C. improve the service quality dimensions that are found to be weak and build on those that are found to be strong. This study, its methodology and service quality assessment style can also be used for other researchers who want to assess service quality of customers in commercial banks in Ethiopia since the environmental factors are different in different countries it can also be used for similar assessments performed in similar situations.

1.5 Scope and Limitation

This study is conducted to assess the service quality of United Bank customers found in Addis Ababa selected branches only.

The limitation of the study is that it does not cover outlying branches, and even potential difference of customers not considered, since the demography and culture towards service dimensions might differ; research result generalization is difficult for outlying branch customers. And since our study is on developing country the customers' expectation may differ towards preference. In addition the study is survey type of study only studied by variables not answer how and why questions.

1.6 Organization of the Research

This paper has five chapters. The first chapter deals with background of the study, statement of the problem, research objective, research hypotheses, significance of the study, scope and limitation of the study and organization of the paper. The second chapter deals with review of related literature. The third chapter discusses the methodology. The fourth chapter contains presentation, analysis, interpretation and summary of major findings. The fifth chapter includes the finding, conclusion, recommendation and further area of study.

CHAPTER TWO

LITRATURE REVIEW

This chapter assesses theoretical and empirical literatures on the area of service quality and customer satisfaction in relation with the study.

2.1 Definition of Terms

Different authors defined *service* in different ways. Kotler (2003) 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.

According to Zeithaml, and Bitner.(2000), Services are deeds, processes, and performances. Services are not tangible things that can be touched, seen, and felt, but rather are intangible deeds and performances.

Crosby (1990) defined *quality* as consistency with fixed specifications and this agrees with Karim's definition (1996), who defined quality as anything that accords with the characteristics of the product to meet the external clients' needs. In addition, the product quality differs from that of a service as the earlier is tangible, whereas the latter is intangible.

Parasuraman, Zeithaml, and Berry,(1985) defined service quality as “the degree and direction of discrepancy between consumer’s perceptions and expectations in terms of different but relatively important dimensions of the service quality, which can affect their future purchasing behavior.” They must, of course, experience a service before they can be satisfied or dissatisfied with the outcome. But beliefs about quality don't necessarily reflect personal experience. People often make quality judgments about services they have never consumed, basing these evaluations on comments by acquaintances or on advertising messages, Lovelock and Wright, (1999).

Service quality is defined as the degree of discrepancy between customers' normative expectation for service and their perceptions of service performance Parasuraman et al., (1985). The definition of service quality was further developed as "the overall evaluation of a specific service that results from comparing that firm's performance with the customer's general expectations of how firms in that industry should perform Parasuraman et al., (1988).

With regard to service quality in banking, Mohamed and Shirley (2009) emphasized that banks have to care about the quality of their services since this quality is considered the essence or core of strategic competition.

Huseyin, et.al, (2005) believes that good knowledge of the characteristics and advantages of service quality on the part of banks do contribute for their success and their persistence in the international banking competitive environment. From these definitions we conclude that the quality of banking service is an integrative assessment of the services offered to the external client, for clients are considered to be independent individuals with various requirements on the basis of which services are provided, based on certain specification. This requires that banks have to carefully select creative employees with high qualifications and capabilities.

SERVQUAL is a model developed to measure service quality from the view point of the customer by comparing what the consumer expected prior to the service and perceived level of service received. Parasuraman, Zeithaml, and Berry, (1985)

SERVPERF is a model of measuring service quality developed in 1992 by Cronin and Taylor and it is a performance only measure of service quality which uses the dimensions of SERVQUAL model.

2.2 Characteristics of Service

A company must consider four special service characteristics when designing marketing programs: intangibility, inseparability, variability, and perish ability.

Service intangibility means that services cannot be seen, tasted, felt, heard, or smelled before they are bought. For example, people undergoing cosmetic surgery cannot see the result before the purchase. Airline passengers have nothing but a ticket and a promise that they and their luggage will arrive safely at the intended destination, hopefully at the same time. To reduce uncertainty, buyers look for “signals” of service quality. They draw conclusions about quality from the place, people, price, equipment, and communications that they can see. Therefore, the service provider’s task is to make the service tangible in one or more ways and send the right signals about quality. One analyst calls this evidence management, in which the service organization presents its customers with organized, honest evidence of its capabilities. Physical goods are produced, then stored, later sold, and still later consumed. In contrast, services are first sold and then produced and consumed at the same time. In services marketing, the service provider is the product.

Service inseparability means that services cannot be separated from their providers, whether the providers are people or machines. If a service employee provides the service, then the employee becomes a part of the service. Because the customer is also present as the service is produced, provider-customer interaction is a special feature of services marketing. Both the provider and the customer affect the service outcome.

Service variability means that the quality of services depends on who provides them as well as when, where, and how they are provided. For example, some hotels say, Marriott—have reputations for providing better service than others. Still, within a given Marriott hotel, one registration-counter employee may be cheerful and efficient, whereas another standing just a few feet away may be unpleasant and slow. Even the quality of a single Marriott employee’s service varies according to his or her energy and frame of mind at the time of each customer encounter.

Service perishability means that services cannot be stored for later sale or use. Some doctors charge patients for missed appointments because the service value existed only at that point and disappeared when the patient did not show up. The perishability of services is not a problem when demand is steady. However, when demand fluctuates, service firms often have difficult problems. For example, because of rush-hour demand, public transportation companies have to own much more equipment than they would if demand were even throughout the day. Thus, service firms often design strategies for producing a better match between demand and supply. Hotels and resorts charge lower prices in the off-season to attract more guests. And restaurants hire part-time employees to serve during peak periods. Kotler (2014).

2.3 Dimensions of Service Quality

Parasuraman, Zeithaml, and Berry (1991) mentioned that there exist ten criteria and dimensions through which service quality can be assessed:

- **Reliability:** the ability of an organization to accurately achieve its services in the proper time and according to the promises it has made to its clients.
- **Responsiveness:** the tendency and willingness of service providers to help clients and satisfy their needs, immediately reply to their inquiries, and solve their problems as quickly as possible.
- **Competence:** having adequate skills and knowledge that enable the employees to perform their jobs properly.
- **Accessibility:** providing easy access to a service in terms of location and through services provided via the telephone, the internet, or any other means of communication.
- **Courtesy:** treating clients respectfully in a polite friendly manner, understanding their feelings, and answering their phone calls gently.

- **Communication:** this occurs through gentlemanly listening to the client conveying information to them clearly and facilitating external communication with workers.
- **Credibility:** this can be achieved through full trust and confidence in the service provider as well as his honesty and straight forwardness.
- **Security:** this depends on whether the service is free from risks and hazards, defects or doubts so that it provides bodily safety, financial security as well as privacy.
- **Understanding/ knowing the customer:** this can be made achievable through the ability to pinpoint the customers' needs as well as understanding their individual problems.
- **Tangibility:** this includes physical aspects connected with service such as instruments and equipment, persons, physical facilities like buildings and nice decoration and other observable service facilities.

2.4 The SERVQUAL model of measuring service quality

The above-mentioned ten dimensions have been integrated into only five ones. Researchers agreed on the fact that these dimensions are appropriate ones which help reveal the customers' expectations and perception. This new model is called 'Servqual'. This compound word consists of the two words 'Service' and 'Quality', these five dimensions include:

Parasuraman et al. (1985) have developed a generic method of measuring service quality called the SERVQUAL model by calculating service quality by subtracting a customer's perceived level of service received from what was expected. The model consists of two sections with 22-items section measuring the service quality expectation within a specific sector and a corresponding 22-item section measuring the perception of service quality of a particular company in that sector Parasuraman et al., (1988, 1991). The SERVQUAL model uses the 22 questions to assess the five dimensions of tangibles, reliability, responsiveness, assurance and empathy. The instrument items represent the five dimensions explained below:

- a. **Reliability.** This dimension refers to the ability to perform the service dependably and accurately.
- b. **Responsiveness.** This dimension refers to the willingness to help customers and provide prompt service.
- c. **Tangibles.** This dimension refers to the Physical facilities, equipment, and appearance of personnel.
- d. **Assurance.** This dimension refers to employee's knowledge, courtesy and ability to convey trust and confidence.
- e. **Empathy.** This dimension refers to the level of caring and individual attention provided to customers.

SERVQUAL Parasuraman et al., (1988) is based on the conceptualization of service quality as the difference between consumer's Perceived performance and Expectation. On the other hand, SERVPERF (Cronin and Taylor, 1992) is purely a Performance based approach to the measurement of service quality. Even though SERVQUAL and SERVPERF are the most commonly used scales of service quality measurement Gilmore and McMullan,(2009), among these two the most commonly used measure is SERVQUAL Duff and Hair, 2008; Ladhari, (2009). Cronin and Taylor (1992) found that their measure of service performance (SERVPERF) produced better results, more reliable estimations, greater convergent and discriminate validity, greater explained variance, and consequently less bias than the SERVQUAL. This instrument has also many applications in diversified areas such as higher education Abdullah, (2006), retail sector Mehta et al., (2000), ceramic industries Llusar and Zornoza, (2000), libraries Nejati and Nejati, (2008), automotive repair industry Andronikidis, (2009) and fast food restaurants Qin et al.,(2010). There is evidence on studies undertaken to compare the two instruments and discuss on which one of the two measures Service quality in the true sense, or which instrument has to be applied in a given context.

While this issue has not resolved yet, there are some studies attempting to answer the question with reference to specific sectors. For instance, Quester and Romaniuk (1997) through their empirical study found that when used in the advertising industry, performance-based SERVPERF outperformed the SERVQUAL measurement. Mehta et al. (2000) found that for “more goods and less service” environment, i.e. a supermarket, SERVQUAL was better for a retailing context, whereas, SERVPERF was better for a retailing context where the service element becomes more important, i.e. an electronic goods retailer.

2.5 The SERVPERF model of measuring service quality

The SERVPERF model of measuring service quality was developed by Cronin and Taylor in 1992. Although the base for the SERVPERF model is the SERVQUAL model which is explained above, Cronin and Taylor (1992, 1994) argue that measuring service quality using a performance-minus expectations (SERVQUAL) basis is inappropriate and suggest that performance-only (SERVPERF) measurement is a better method. SERVPERF is composed of the 22 perception items in the SERVQUAL scale, and therefore excludes any consideration of expectations.

Brady et al. (2002) specifically maintained that SERVPERF out performs SERVQUAL (a gap-based comparison of the expectations and performance perceptions of consumers) in terms of capturing the variance in consumers' overall perceptions of service quality and validating the conceptualization of service quality as an antecedent of consumer satisfaction.

However, there are still two important issues that deserve further research. First, in spite of the theoretical foundation and empirical support documented in the literature, the SERVPERF scale has only been operationalized as a summed index (derived by averaging the distinctive dimensions of service quality) with regard to its predictive value in relation to other outcome constructs such as satisfaction and behavioral intentions. Cronin and Taylor (1992) indicated that although the aggregation of the SERVPERF dimensions is useful for the

purpose of comparative analysis across alternative models and service industries, “great care should be exercised by managers of service firms in attempts to derive more specific information from data derived using the SERVPERF scale for strategic decision-making”

2.6 Measuring Customer Satisfaction

Kolter and Armstrong (1999) defended the customer satisfaction as the customer's perception that compares their pre-purchase expectations with post purchase perception.

Oliver (1997) defines satisfaction as “the consumer’s fulfillment response”, a post consumption judgment by the consumer that a service provides a pleasing level of consumption-related fulfillment, including under or over-fulfillment. Oliver (1981) point of view Customer satisfaction is the evaluation a customer makes to a certain exchange, which reflects the relation of the customer's expectation and their real perception to products and services they receive.

Huang (1998) also defined five factors used to evaluate customer satisfaction: product, service, staff, overall performance of products, and closeness to expectation.

One common way of measuring satisfaction is to ask customers first to identify what factors are important in satisfying them and then to evaluate the performance of a service provider by using a five-point scale to measure customer satisfaction. The results of these satisfaction surveys can be used to estimate the number of loyal customers a firm has, as well as how many are at risk of defecting Lovelock and Wright (1999).

2.7 Perceived Service Quality and Customer Satisfaction

Customer satisfaction is influenced by customers’ perceptions of quality Zeithaml and Bitner, (2000). Service quality is an antecedent of the broader concept of customer satisfaction and the relationship between service quality and loyalty is mediated by satisfaction Caruana, (2002); Fullerton and Taylor (2002). Customer satisfaction is the overall evaluation to

services. It is the reflection customers make to their previous purchase. If it always exceeds their expectation, their loyalty increases. Customer satisfaction should be highly valued in business. The relationship among service quality and customer satisfaction has received considerable attention in the marketing literature Brady et al., (2001; Meuter et al., (2000), Olorunniwo et al.,(2006). Within this research area, numerous empirical studies have reported the positive relationship between customer satisfaction and service quality Andaleeb and Conway, (2006). Firms that provide superior service quality also have a more satisfied customer base.

Angur, Natarajan, and Jahera. (1999) examined the continuous improvement of service operations in which the actual service experience is assessed through a customer survey. Spreng and Mackoy (1996) tested a model developed by Oliver (1997). Oliver's model integrates the two constructs, and suggests, among other things, that perceived service quality is an antecedent to satisfaction. Spreng and Mackoy's results indicate that, as predicted, service quality leads to satisfaction. Walfried et al. (2000) adopted two techniques in their study for service quality perspectives and satisfaction in private banking, the first was SERVQUAL and the second was a measure of technical/functional quality. In the second approach, technical quality involves what is provided while functional quality considers how it is provided. These two service quality measures were subsequently compared and contrasted as to their ability to predict customer satisfaction. The study provides initial support in favor of the idea that SERVQUAL and technical/functional quality-based models may be unequally or asymmetrically applicable across different settings and situations. The authors suggested employing both of these two measures in varying situations and contexts, as well as with different customer groups.

Richard and Allaway (1993) found that both technical and functional dimensions explained more of the variation in customer choice behavior than functional measures alone, as the

technical dimension is easy to evaluate for a pizza delivery service. Mittal and Lassar (1998) utilized the Technical/ Functional Quality perspective to compare the concepts of customer loyalty and satisfaction. The authors found that, in a high contact service wherein a customer's direct contact with the service provider was relatively intense, functional quality significantly and positively affected satisfaction. Technical quality, on the other hand, was found to affect customer loyalty in the high contact service.

Newman and Cowling (1996) studied service quality in the retail-banking sector of the United Kingdom (UK) by comparing two British clearing banks. They concluded that banks have a greater strategic interest in service quality, partly because of the link between quality, productivity and profitability and partly due to a drive to reduce costs within the sector. Kangis and Voukelatos (1997) compared private and public banks in Greece. They found that expectations and perceptions of most of the dimensions of service quality to be marginally higher in the private.

Blanchard and Galloway (1994) used the SERVQUAL technique in examining quality in retail banking. In order to provide useful insights into how service might be improved, these authors attempted to develop an alternative model. They, however, adopted most of the items of the original model in their survey. They claimed that their model was general enough to be very widely applicable, and specific enough to give actionable diagnostic information.

Wang et al. (2003) evaluated the antecedents of service quality and product quality, and their influences on bank reputation in the banking industry of China, using a structural equations model. They concluded that both service quality and product quality had a significant influence on bank reputation. Cronin and Taylor (1992) tested, among other things, the casual relationship between service quality and customer satisfaction. In their article, Cronin and Taylor note that marketing researchers are not in agreement in terms of the causal order of

these constructs, and suggest that empirical justification is necessary to determine the true nature of this relationship. The authors report ultimately that, according to their analyses, perceived service quality leads to satisfaction (as opposed to the reverse).

A dimension-specific model of service quality and satisfaction is more likely to reflect consumers' mental representations of consumption experiences Mittal et al., 1999; Oliver, (1997). Thus, managers would be most interested in linking those specific service dimensions to overall satisfaction. This kind of analysis can provide specific insights to enrich managers' understanding of diagnostic usefulness about antecedents of satisfaction, and to increase the specificity and action ability of satisfaction management Mittal et al., (1999).

2.8 Service Quality in banking

The five dimensions of service quality are important for retail banks. Tangibility represents physical facilities, equipment and appearance of personnel. Examples of the tangible factor related to banks include comfortable store designs, up-to-date equipment for customer use and sufficient staff to provide service.

These aspects are important for retail banks, because there are extensive face-to-face contacts between a customer and an employee. Therefore, maintaining a professional and comfortable store environment can increase customer satisfaction. The next dimension is responsiveness, which represents the willingness to help customers and provide prompt service. Reliability means the ability to perform the promised service dependably and accurately. The major reason for customers to choose banks for investment funds is because of the dependability and reputation of banks. Banks always promise customers a high level of security during transactions.

Banking service can increase customers' confidence and trust if employees are able to provide appropriate service to each customer. For instance, understanding the needs of each

individual customer, such as knowing the customers' expected retirement age, annual income, and hobbies are required to help provide a good match of insurance and fund products for customers. Assurance is the knowledge and courtesy of employees and their ability to inspire trust and confidence. Bank commitments are important, as customers may save a large sum of money in banks.

For complicated products such as insurance, funds, and margins, employees must provide a clear explanation of each product to customers, so that customers can feel confident about the services provided by banks. The final dimension is empathy, which represents the individualized attention that firms provide to its customers. Employees who show understanding of customer needs and are knowledgeable to solve customer problems are success factors for the service industry. Friendly customer service pleases customers when they walk into a bank. The purpose of this dimension is to retain customers to keep using the bank service Van Iwaarden et al., (2003).

2.9 Empirical Review

Several studies have used the SERVQUAL or the SERVPERF to assess service quality and relation with customer satisfaction of the banking sector or other service sector areas.

Quyet,Vinh,and Chang,(2015) have studied the service quality effects on customer satisfaction in banking industry in Vietnam. They used the SERVQUAL model and have found that their study contributes to the literature by considering a model for testing the quality of deposit services in the banking industry in Vietnam. The results indicating support for the hypotheses suggest that the five SERVQUAL factors can be used to test banking services based on the whole system. All five factors were positively related to customer satisfaction. However, reliability had only partial support, indicating a need to improve

reliability for management of the bank wishing to be more competitive in the market. Quyet ,Vinh, and Chang.(2015).

Mohammad, and Alhamadani. (2011) have studied the service quality perspectives and customer satisfaction in Commercial Banks working in Jordan. They used modified version of SERVQUAL as proposed by Parasuraman et al. (1988), which involve five dimensions of service quality, namely reliability, responsiveness, empathy, assurance, and tangibles. Customer satisfaction was measured by a nine item adapted from Walfried et al. (2000).

Multiple regression analysis was employed to test the impact of service quality on customer satisfaction. The results of this study indicated that service quality is an important antecedent of customer satisfaction. The weakest correlation was for tangibles and customer satisfaction. The most important service quality dimension on customer satisfaction was assurance, which goes to prove that Assurance was perceived as a dominant service quality; improvements in customer satisfaction levels were significant. The findings displayed that the respondents who perceived a greater awareness of service quality exhibiting the more positive reactions in favor of customer satisfaction Mohammad, and Alhamadani,(2011).

Islam, and Mohammad, (2011) have studied the measuring service quality of Banks in Bangladesh. This study examines an interrelationship among service quality, satisfaction and customer loyalty. For this purpose, existing SERVQUAL model has been extended to test the above linkage in a developing country context. A quantitative research approach is used in this study. The research findings suggest that there is a strong influence of service quality dimensions on satisfaction. It is also found that the customer satisfaction and reputation of the bank lead greater loyalty. Hence, the findings of the study would open up a new method of designing banking service in developing country like Bangladesh. It will also guide the

bankers how well they could serve present and prospective customers. In fact, the study provides frame work for bankers to offer quality service. Islam, and Mohammad, (2011)

Angur, Natarajan, and Jahera .1999) have studied Service quality in the banking industry: an assessment in a developing economy. The study examined the applicability of alternative measures of service quality in the developing economy of India and assesses related issues in that context. Based on data gathered from customers of two major banks, overall results show the five-factor conceptualization of SERVQUAL does not seem to be totally applicable, and no significant difference was found in the predictive ability of the two measures.

Zhou, (2004) A dimension-specific analysis of performance only measurement of service quality and satisfaction in China's retail banking. This study examines specific dimensions of the performance-only measurement of service quality (SERVPERF) as determinants of consumer satisfaction and subsequent behavioral intentions associated with banking services in mainland China. Empirical support for the predictive ability of context-dependent service quality dimensions is presented. The results extend and enhance the validity of the performance-only approach to service quality through the focus on the multidimensional facets of the SERVPERF scale, a direct link between context-dependent dimensions of service quality and consumer satisfaction, and its application in an international setting. Strategic issues in managing service quality with retail banks in the Chinese market are also identified and discussed.

Yimer, (2012) Measurement of Service Quality, Customer Satisfaction and Loyalty in Nib International Bank S.C. The results showed that tangible, empathy and reliability are the most important dimensions in predicting overall service quality. Therefore, in order to deliver quality and dependable service the bank should improve its ability of performing the promised service dependably and accurately, give caring, and individualized attention.

Muhye, (2012) studied service quality in Nib International Bank S.C: Regression analysis results revealed that the five SERVQUAL dimensions explained about 45 percent of the variation in overall service quality. Of the five SERVQUAL dimensions have a significant effect on overall service quality. Second, regression analysis was conducted on customer satisfaction as a dependent variable and the four service quality dimensions as independent variables. The correlation results of the regression analysis indicate that there is a positive and significant correlation between customer satisfaction and service quality dimensions. From which satisfaction has higher correlation with reliability and lower correlation with tangible dimensions of service quality. Among the dimensions, reliability and empathy have statistically significant contribution towards overall customer satisfaction. On the basis of their level of significance, the order of importance of the dimensions for customer satisfaction is reliability, empathy, re-assurance and tangibles.

2.10 Conceptual Frame Work

This study is conducted on the hypothesis that the five service quality measurement dimensions contribute positively to customer satisfaction as depicted below.

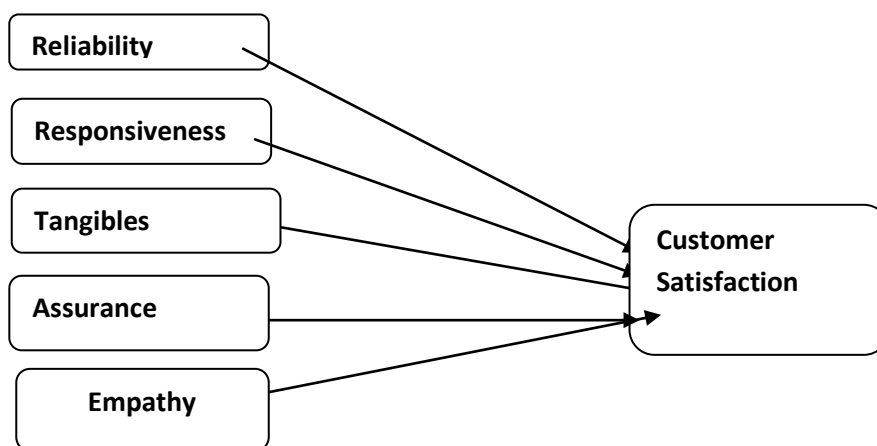


Figure 1: Conceptual Model

It is a model for measuring the relations between the five service quality measurements constructs (reliability, responsiveness, tangibles, assurance and empathy) which have impact on customer satisfaction adapted from Cronin and Taylor. (1992)

Understanding satisfaction and its relation to service quality have been recognized as significant for building service improvement strategies Gill and White, (2009). Parasuraman et al (1988) defined service quality and customer satisfaction as “service quality is a global judgment, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction”. The bond between service quality and customer satisfaction has been addressed in a number of studies where it commonly trusted that higher degrees of service quality lead to higher degrees of customer’s satisfaction.

Furthermore Parasuraman, Zeithaml and Berry (1994) deem that satisfaction is a result of service quality. Others believe that service quality is a vital antecedent of customer satisfaction Cronin and Taylor, (1992). In turn, customer satisfaction is believed to affect post purchase and perception and future decisions. Therefore we can conclude that if banks can offer higher service quality, their customers will be satisfied. This should, in turn, lead to greater customer retention and improved profitability. Lovelock and Wright, (1999)

2.11. Research Hypotheses

H1a: Tangibles has a significant positive impact on customer satisfaction in United Bank’s branches selected in Addis Ababa.

H2a: Reliability has a significant positive impact on customer satisfaction in United Bank’s branches selected in Addis Ababa

H3a: Responsiveness has a significant positive impact on customer satisfaction in United Bank’s branches selected in Addis Ababa.

H4a: Empathy has a significant positive impact on customer satisfaction in United Bank’s branches selected in Addis Ababa.

H5a: Assurance has a significant positive impact on customer satisfaction in United Bank’s branches selected in Addis Ababa.

CHAPTER THREE

RESEARCH METHODOLOGY

In this chapter, the methodology of the research discussed. It consist the research approach and design, population, sample size and sampling procedure, data source and data collection method and data analysis method.

3.1. Research Approach and Design

The study is a survey that collects quantitative data on the service quality measurement dimensions. Even though Service quality by itself is qualitative but the study uses quantitative measures to measure the quality of service quantitatively.

The research design is mixed type descriptive & causal type of study. The impact of the independent variables on the dependent variable, correlation among variables and with customer satisfaction assessed and hypothesis tested .customer satisfaction was assessed by this study. The dimensions of measuring service quality are the independent variables which are tangibles, reliability, responsiveness, assurance and empathy. The dependent variable is customer satisfaction.

3.1.1. Population, sample size and sampling procedure

The researcher wants to assess the quality of service in United Bank S.C. from the view point of the customers. Therefore, the population under study is all customers of United Bank S.C. in Addis Ababa. i.e 376,533.00 as of December 31, 2016. Sample size is 385 customers from a population of 376,533.00 customers as of December 31, 2016 according to company profile data. The sample size to this study is determined by using the formula developed by Cochran (1963). Sample size from the customers is calculated as follows:

$$n_0 = \frac{Z^2 pq}{e^2}$$

Where: n_0 = the sample size

Z^2 = the abscissa of the normal curve that cuts off an area α at the tails ($1 - \alpha$ equals the desired confidence level, i.e. 95%)

e = the desired level of precision

p = the estimated proportion (standard deviation) of an attribute that is present in the population, and q is $1-p$.

The value for Z is found in statistical tables which contain the area under the normal curve.

$$n_0 = \frac{(1.96)^2 (0.5)(0.5)}{(0.05)^2} = 385.$$

The above sample size is the representative sample proportion at 95% confidence level and $\pm 5\%$ precision when the population is large and unknown.

If the population is small, then the sample size can be reduced slightly. This is because a given sample size provides proportionately more information for a small population than for a large population. As a result, the sample size (n_0) can be adjusted (Cochran 1963).

Since the population for this study is finite, the sample size (n_0) can be adjusted as follows:

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

Where n is the sample size and N is population of the study.

$$n = 384.8236384 \approx \mathbf{385}$$

As of December 2016, United Bank S, C. has a total of 84 branches in Addis Ababa. The researcher used convenience sampling design to select the representative 21 branches (25%) from the whole 84 branches. Since 21 branches were selected as representative of the 84 branches. Therefore, the sampling frame was all the customers in the 21 branches from the whole of 84 branches.

The convenience sampling used to select the respondents since customers who walked into the selected branch and who are willing to fill out the questionnaire were the potential

respondents. There were approximately 19 respondents from each branch by distributing the 385 questionnaires equally among the 21 branches out of 84 branches in Addis Ababa. The response rate was 89%, 344 questionnaires were properly filled out of 385 distributed questionnaires.

Respondents who were willing to fill out the questionnaire were asked to respond to the questionnaire. The branch selection was based on convenience and high number of customers.

Table 1: List of branches

S.No.	Name of Branch	Branch grade	# of questionnaire distributed
1	Abune Petros	C	19
2	Addisu Gebeya	B	19
3	Arat Killo	C	19
4	Beklobet	C	19
5	Berate Gebreal	B	19
6	Bethel	C	19
7	Cathedral	B	19
8	Genet	B	19
9	Ghandi	C	19
10	Gullele	C	19
11	Itege taitu	B	19
12	Kechene	C	19
13	Ledeta	A	19
14	M/Arada	B	19
15	Megennagna	C	19
16	Mesrak	A	19
17	Old Airport	C	19
18	Ras Desta	C	19
19	Shiromeda	B	19
20	Urael	B	19
21	Yerer Ber	C	19
			385

Source: United bank status report (as of June 30, 2016)

Grading of branches is conducted on annual basis in line with the performance of each branch in the preceding fiscal year. This branch grading is prepared based on the performance of branches from July 1, 2015 to June 30, 2016. Thus, the grading result will serve only for one fiscal period. It is from this perspective that the performance of branches is scrutinized.

3.2. Data Sources and Data Collection Method

Data sources: Primary data was collected from customers of United Bank S.C. Secondary data was collected from prior researchers, articles, journals to use as reference for this specific research. Reference was made from books, internet and annual reports of NBE and United bank website to get back ground information about banking industry and to get relevant data about United Bank S.C.

Data Collection Method: The instrument for data collection is a self administered structured questionnaire. All the questions were positively worded to aid in the coding to SPSS then the questionnaire was translated into Amharic. The questionnaire has three parts. Part one is discussing about demographic data, part two about the measurements of service quality and part three is on measurement of customer satisfaction. The measure for customer service quality of the bank and have five scales Likert measurement, adopted from Cronin and Taylor (1992). Alternatives range from "strongly disagree" to "strongly agree". Customer satisfaction was measured with one scale adopted from Lovelock and wright (1999) with response ranging from 'highly dissatisfied' to 'highly satisfied'.

3.3. Reliability and Validity

3.3.1. Reliability

To see how much the study is reliable, The Cronbach alpha coefficient test is used. It is an indicator of internal consistency of the scale. A high value of the Cronbach alpha coefficient suggests that the items that make up the scale "hang together" and measure the same underlying construct. A value of Cronbach alpha above 0.70 can be used as a reasonable test of scale reliability. Gaur and Gaur .(2009)

Therefore all the five dimensions of measuring service quality were found to be high in their internal consistency and thereby in measuring the dimensions of interest. (Cronbach alpha >0.7 good) (Nunnally, 1978)

Table 2 : Reliability Measure of service

Dimensions	No of Items	Cronbach's Alpha
Tangibles	4	0.715
Reliability	5	0.789
Responsiveness	4	0.808
Empathy	5	0.755
Assurance	4	0.819
Collective reliability	22	0.928

Source: Own survey, 2017

As can be seen from Table 2 all the dimensions have Cronbach Alpha results which are over 0.70. This implies that all the service quality measurement dimensions have internal consistency. Assurance has the highest alpha result with a 0.819 implying that the constructs were more consistent than the rest four service quality variables followed by responsiveness 0.808, reliability 0.789, empathy 0.755 and Tangibles 0.715.

3.3.2. Validity

The researcher used two ways of Validity tests. The first step in assessing validity is called the face validity test. Face validity establishes whether the measuring device looks like it is measuring the correct characteristics. The face validity test is done by showing the instrument to experts and actual subjects and analyzing their responses qualitatively. Gaur A. and Gaur S. (2009). Therefore the researcher tested the face validity of the instrument by showing it to United Bank S.C. managerial and non managerial staffs and some customers. Afterwards some adjustments were made. In addition the researcher had to use some indicators which were adapted to the banking industry by referring to other researchers' constructs. This was done because one of the problems with the generic SERVQUAL measures is it has to be adapted to the specific industry Clow and Kurtz, (2003).

Some of the measurement instruments which have been tested for their validity and reliability have been adopted from other researches to make the study industry specific. Jabnoun and Tamimi,(2003) . By doing so the measure was adopted to the banking industry. By using the Pearson correlation coefficient between the customer satisfaction level and the five dimensions of service quality, the causality of independent variable and dependent variable was established at 95% confidence level.

3.4. Data Analysis Method

Descriptive and inferential statistics was used for data analysis. Descriptive statistics like proportion (Percentage), frequency, median, and mode was used to interpret demographic variables of the respondents and to find the mean scores of service quality dimensions whereas inferential statistics used to see the relationship among service quality dimensions (tangibles, reliability, responsiveness, assurance and empathy) and customer satisfaction and as same time used for hypothesis testing using correlation and regression analysis.

3.5. Ethical Considerations

In order to keep the confidentiality of the data given by respondents, the respondents were not required to write their name and assured that their responses is treated in strict confidentiality. The purpose of the study was disclosed in the introductory part of the questionnaire. The questionnaires were distributed only to voluntary participants.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

In this chapter, the data collected from respondents has been analyzed and interpreted. A self administered structured questionnaire was distributed to 385 account holder customers of United Bank S.C. Out of these, 344 questionnaires were collected and usable, that is around 89% response rate. SPSS version 16 was used for the analysis.

The analysis had the objective of accessing service quality level of United Bank S.C. using the SERVPERF model then establishing the relationship between service quality and customer satisfaction. The hypothesis that, “service quality measurement dimensions have a significant impact on customer satisfaction “have been tested. In order to proceed with the analysis the reliability and validity of the construct was tested. Finally the study established a model for United Bank S.C. can use to prioritize from the service quality dimensions getting regression analysis.

4.1 Respondents' Profile

The background information about the respondents of the customers of United Bank S.C. were collected their Gender, age, marital status and education level. Therefore, the results obtained from the structured questionnaire of the 344 customers of United Bank S.C.is presented below.

Table 3: Background characteristics of respondents

Variables	N	Percent
Sex		
Male	238	69.2
Female	106	30.8
Total	344	100
Age		
18-29	109	31.7
30-39	143	41.6
40-49	79	23
>=50	13	3.8
Total	344	100
Marital Status		
Single	148	43
Married	191	55.5
Other	5	1.5
Total	344	100
Education level		
Primary School	4	1.2
Secondary School	41	11.9
Certificate or Diploma	75	21.8
First Degree	205	59.6
Second Degree and Above	15	4.4
others	4	12
Total	344	100

Source: Own survey, 2017

As per the result, presented in Table 3 Out of the 344 respondents, 238(69.2%) were male and 106(30.8%) were female. which shows the male dominancy of the bank customer. The highest percentage of respondents 109 (31.7%), were between 18 to 29 years old, followed by 143 (41.6%), between 30-39 years old, 79 (23%) between 40-49 age group and 13 (3.8%) were above 50 years old.

Marital status of the respondents show a distribution of 148(43%) single, 191(55.5%) married and 1(3%) other category. With regard to educational level of respondents, the highest number have a first degree comprising 205 (59.6%) of the respondents, followed by 75 (21.8%) of the respondents who have certificate or diploma, and 41(11.9) % who finished

high school, 15(4.4%) who have a second degree and above, and lastly 4 (1.2%) who finished primary school and taking informal education. In marital status and educational level four and five respondents were those whose spouse died and taking informal education like theological school respectively.

4.2 Descriptive Analysis of Service Quality Measurement

In measuring the perception of service quality customers have about the bank, they responded to SERVPERF model 22 indicators on a five point Likert scale. The Mean scores and standard deviation have been computed for all the dimensions categorized in their respective five service quality dimensions. A brief description of the mean of the dimensions is listed below.

Table 4: Basic statics result of service quality dimensions

Service quality dimensions	Basic Statistics					
	Mean	Std. Deviation	Minimum	Maximum	Number	Missing
Assurance	4.41	0.64	2.25	5	340	4
Responsiveness	4.36	0.55	2.75	5	344	0
Empathy	4.13	0.67	2.2	5	339	5
Tangibles	4.01	0.64	2.75	5	344	0
Reliability	3.90	0.69	2.2	5	344	0

Source: Own survey, 2017

The five service quality dimensions and their mean and standard deviation was calculated and presented under in Table 4. When the mean score of the results for each dimension is divided into the corresponding number of constructs, except reliability all dimensions have a score of greater than four. Assurance has the highest mean of 4.41, followed by Responsiveness 4.36 empathy 4.13, Tangibles 4.01 and reliability the least score 3.90.

Therefore, based on the result one can infer that United Bank S.C. is offering a high level of service quality since all the dimensions aggregate score found to be above four. Missing data are under the acceptable range less than 5 %.

4.3 Customer satisfaction

To see the levels of customer satisfaction in United Bank Share Company, the researcher used categorized satisfaction level i.e., ranges from highly dissatisfied, Dissatisfied, Neutral, satisfied and, highly satisfied. The dependent variable Customer satisfaction and the five service quality dimensions were as independent variable in this study. Since service quality is a vital antecedent of customer satisfaction (Cronin and Taylor, 1992), the researcher investigates the association and impact of service quality dimensions with customer satisfaction. The table below shows the respondents for their level of satisfaction for each predictor variables.

Table 5: Satisfaction level of respondents

Satisfaction level	Number	Percent
Highly Dissatisfied	0	0.0
Dissatisfied	6	1.7
Neutral	18	5.2
Satisfied	93	27.0
Highly Satisfied	227	66.0
Total	344	100.0

Source: Own survey, 2017

The percentage value of satisfaction level as can be seen it is very high with 66% Highly satisfied, next is 27% for satisfied, neutral with 5.2% and the least for dissatisfied with 1.7%. Even though the satisfaction level which is highly satisfied and satisfied with 93% the bank as a service provider and same as a private bank to be more competent has to do on the rest 7%. From the result no customer is Highly dissatisfied which can show the strong side of the bank. We can say that the bank is satisfying its customers very well. Thus the researcher has answered the first research question of the level of service quality offered by United Bank S.C.

4.4 Correlation analysis between service quality dimensions and customer satisfaction

To find out the existence and level of association, among variables, the researcher used bivariate correlation from which Pearson's correlation coefficient is considered to conduct the correlation analysis to find the level and direction of the relationships between the dimensions of service quality and customer satisfaction. Pearson's correlation coefficient falls between -1.0 and +1.0, indicates the strength and direction of association between the two variables. The classification of the correlation coefficient (r) is as follows: 0.1 – 0.29 is weak; 0.3 – 0.49 is moderate; and > 0.5 is strong. (Field, 2005) The bivariate correlation of a two-tailed test confirm that the presence of statistically significant difference at probability level $p < 0.05$ i.e. assuming 95% confidence interval on statistical analysis.

Table 6: Correlations between service quality dimensions

Service quality dimensions	Statistics	service quality dimensions					
		Assurance	Responsiveness	Empathy	Tangibles	Reliability	Overall satisfaction
Assurance	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	340					
Responsiveness	Pearson Correlation	.823**	1				
	Sig. (2-tailed)	.000					
	N	340	344				
Empathy	Pearson Correlation	.697**	.676**	1			
	Sig. (2-tailed)	.000	.000				
	N	335	339	339			
Tangibles	Pearson Correlation	.579**	.634**	.499**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	340	344	339	344		
Reliability	Pearson Correlation	.696**	.745**	.560**	.624**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	340	344	339	344	344	
Overall satisfaction	Pearson Correlation	.612**	.594**	.605**	.398**	.340**	1
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	344	344	344	344	344	344

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

Source: Own survey, 2017

The Pearson correlation analysis in Table 6 showed that all the service quality indicator variables were significantly (statistically) and positively correlated with overall customer satisfaction. Accordingly, Assurance has scored the highest score ($r=0.612$) followed by Empathy and Responsiveness have the strong positive relationship with customer satisfaction at ($r=0.605$) and ($r=0.594$) respectively. The rest of the dimensions; Tangibles and Reliability have a moderate positive correlation with customer satisfaction of; ($r=0.398$) and ($r=0.340$) respectively. That means, all the service quality indicators have positive correlation effect upon the level of customer satisfactions with different degree.

Here highest relationship exists with their respective score for Assurance, Empathy and Responsiveness which all these three variables were related with human element or effect due to employee's knowledge, courtesy and ability to convey trust and confidence, to provide prompt service and the caring and individual attention for customers.

From this we can infer that an improvement in any of the service quality dimensions by the bank will result in the increase in overall customer satisfaction. Therefore when the bank makes changes to one service quality dimension the association is likely to positively motivate other service quality dimensions positively too. With this result all the dimensions have a positive relationship with customer satisfaction and answered the second research question of whether there was a relationship between service quality dimensions and customer satisfaction. This result has the implication for the bank to focus on the dimensions with the highest inter correlation that is assurance with responsiveness and both are related with human element.

4.5 Regression analysis of service quality dimensions

The researcher tested the five hypothesis set out to be tested at the beginning based on the regression analysis. The researcher believes that the bank can use the result of the regression analysis for future decision making via identifying which service quality dimension got the highest effect on customer satisfaction. This will answer the third basic research question of this study which was ‘What is the dominant service quality dimension that has strong relation with customer satisfaction in United Bank S.C.?’

Collinearity test was performed, Collinearity Statistics gives two values—Tolerance and VIF (variance inflation factor). As one can see Tolerance is just the inverse of VIF. In social sciences re- search, a VIF value as high as 10 is considered to be acceptable. In turn, tolerance values greater than 0.1 have very serious collinearity effects. (Gaur and Gaur, 2009) Therefore, variables Tangibles, Reliability, Responsiveness, Empathy, and Assurance were selected and included in the regression analysis. Based on the below table result the variables are under the acceptable tolerance value.

Table 2: Tolerance and Variance Inflation Factors as model test indicators

Service quality dimensions	Collinearity Statistics	
	Tolerance	VIF
Tangibles	.532	1.880
Reliability	.396	2.525
Responsiveness	.246	4.068
Empathy	.483	2.069
Assurance	.274	3.655

Source: Own survey, 2017

Therefore, based on the result of the test variables Tangibles, Reliability, Responsiveness, Empathy, and Assurance were selected and included in the regression analysis. Based on the below table result the variables are under the acceptable tolerance value.

4.6 Overall regression analysis

The result of regression analysis on over all the independent variables (tangibles, reliability, responsiveness, empathy and assurance) with the dependent variable (customer satisfaction) indicates existence of positive and statistically significant relationship between them. Table 10 depicts that the independent variables all together explain 44.10% ($R^2 = .441$) of variation in the customer satisfaction.

Table 8: Regression model summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.664	.441	.433	.512

Source: Own survey, 2017

Prior research has similar result on Nib International Bank S.C.(2012), regression analysis results with overall service quality as the dependent variable revealed that the five SERVQUAL dimensions explained about 45 percent of the variation in overall service quality thus this research supports the prior research.

Table 3: ANOVA for SERVPERF MODEL

Source	Sum of Squares	df	Mean Square	Sig.
Regression	68.139	5	13.628	.000
Residual	86.356	329	.262	
Total	154.496	334		

Source: Own survey 2017

Since the regression result on the ANOVA table is 0.000 which is $p < 0.05$, proved the model significance for customer satisfaction & service quality dimensions.

Comparing prior research of Zhou, L. (2004) A dimension-specific analysis of performance only measurement of service quality and satisfaction in China's retail banking. Examines specific dimensions of the (SERVPERF) as determinants of consumer satisfaction and subsequent behavioral intentions associated with banking services in mainland China. The results support the validity of the model to service quality through the focus on the multidimensional facets of the SERVPERF scale.

Table 4: Coefficients table for SERVPERF MODEL

Satisfaction dimensions	Unstandardized Coefficients		Standardized Coefficients	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta		Lower Bound	Upper Bound
(Constant)	1.17	0.232		0.000	0.718	1.631
Tangibles	-0.031	0.060	-0.029	0.610	-0.149	0.087
Reliability	0.054	0.064	0.055	0.402	-0.073	0.181
Responsiveness	0.209	0.103	0.168	0.044	0.005	0.412
Empathy	0.315	0.061	0.308	0.000	0.195	0.434
Assurance	0.249	0.084	0.234	0.003	0.084	0.414

Source: Own survey, 2017

Taking overall results of the regression analysis Empathy has the highest beta value unlike the result from independent tested with customer satisfaction empathy was with the highest beta value and next responsiveness followed by assurance third Empathy. Tangibles & reliability with no significance & with negative beta value Tangibles & least correlation for reliability. For tangibles the result can be due to the customer's perception for tangibles from other variables result has negative relation it justifies whatever the physical facilities are look like customers if got best service on the rest four variables there exist satisfaction. From this result the hypotheses were:

"Tangibles have a significant impact on customer satisfaction in United Bank's branches selected in Addis Ababa" rejected.

"Reliability has a significant effect on customer satisfaction in United Bank's branches selected in Addis Ababa" rejected.

"Responsiveness has a significant effect on customer satisfaction in United Bank's branches selected in Addis Ababa" accepted.

"Empathy has a significant effect on customer satisfaction in United Bank's branches selected in Addis Ababa". accepted.

"Assurance has a significant effect on customer satisfaction in United Bank's branches selected in Addis Ababa" accepted.

To summarize results of this study were that service quality is an important antecedent of customer satisfaction. The most important service quality dimension on customer satisfaction was Emphaty and Tangibles has the lowest result from all variables.

Prior research done by Muhye, H.(2012) "Service Quality in Nib International Bank S.C: Evaluation and Measurement" had got result same on week correlation on tangibles (0.329) with satisfaction and on contrast has higher correlation with reliability (0.503) .

Also from the research of Mohammad,A.B. and Alhamadani,S.Y. (2011) which was studied the Service Quality Perspectives and Customer Satisfaction in Commercial Banks Working in Jordan. The results of this study were that service quality is an important factor of customer satisfaction the most important service quality dimension on customer satisfaction was Assurance, which goes to prove that Assurance was perceived as a dominant service quality and the weakest correlation was for tangibles and customer satisfaction. So this research also supported the prior research on tangibles result.

Referring prior research of Mohammad, and Alhamadani, (2011) who have studied Service Quality Perspectives and Customer Satisfaction in Commercial Banks Working in Jordan, using modified version of SERVQUAL as proposed by Parasuraman et al. (1988), highest beta value was recorded for Empathy and the lowest was for Assurance which contradicts & supports with this research.

Based on the correlation result Tangibles which is related with physical facility and equipment related variable has negative significance value compared to other service quality variables. So UB is not having best physical facilities and equipments but still customers are satisfied by other most dominant factors related with the human element.

Finally from the regression analysis the researcher derived formula for the service quality dimensions with customer satisfactions follows. Regression equation from Table 10 for the SERVPERF model will be

$$Y = a + bx_1 + bx_2 + bx_3 \dots$$

$$CS = 1.17 + -.031TAN + 0.054REL + 0.209RES + 0.315EMP + 0.249ASS$$

Where

1.17=constant

CS= Customer satisfaction

TAN= Tangibles

REL= Reliability

RES = Responsiveness

EMP= Empathy

ASS= Assurance

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of key Findings

This study used the SERVPERF model by Cronin and Taylor, 1992 to measure the service quality perception of the United Bank S.C. and its relationship with customer satisfaction. Pearson's vicariate correlation found that from the service quality measurement dimensions Emphaty, Assurance and Responsiveness have positive association.

Service qualities of United Bank S.C's service have been measured and all the dimensions aggregate score found to be above four except reliability. And 93.5% of the bank customers were satisfied by the service rendered.

Empathy demonstrates the highest positive correlation ($B=0.315$), Assurance showed the second positive correlation with customer satisfaction ($B=0.249$) and responsiveness demonstrates the third positive correlation ($B =0.209$) with customer satisfaction. Whereas, tangibles & reliability reveals no significant relation with customer satisfaction as compared to the other dimensions ($B=0.054$ & -0.031 respectively).

Followed by this, the overall SERVPERF model regression resulted in a $R^2 =44.10\%$ which implies the model explained 44.10% of the variance in customer satisfaction. ANOVA results show the model significance. And as per the regression result the three Empathy, Assurance and Responsiveness have positive significance on customer satisfaction while reliability has no significant relation and tangibles have no significant relation and negatively related. So the hypothesis tested and result justifies to accept for the three variables and to reject the hypotheses for tangibles & reliability.

5.2 Conclusions

The mean results of all the dimensions shows that the customers of United Bank S.C. are highly satisfied and satisfied (93%) with the bank and when the regression model was computed, the service quality explained only 44.10% of the variance therefore this implies that there are other factors outside of service that affect the satisfaction of customers.

The highest inter-correlation exists between assurance and responsiveness ($r=0.823$) and assurance and empathy ($r=0.697$). Therefore an increase in the level of assurance will result a considerable consequent increase in empathy and responsiveness. Hence the bank should keep the level of assurance as high as possible.

The dominant factor in service quality measuring dimensions is empathy (beta value 0.315). This dimension refers to the level of caring and individual attention provided to customers. Service customers often have expectation with regard to the extent to which the service providers appear to understand and be concerned about their individual needs and wants. The core concept of empathy is to understand the needs of customers and provide individual attention.

Assurance is the next dominant service quality dimension (beta value 0.249), that affects customer satisfaction. This dimension refers to employee's knowledge, courtesy and ability to convey trust and confidence. The bank customers of the United Bank S.C. believe that the bank employees are trust worthy, loyal and dedicated to their needs, and this Assurance is very important to the customers since it has a very profound effect on their satisfaction.

Reliability and Tangibility results have no significance with customer satisfaction, and the research hypotheses for these dimensions rejected.

5.3 Recommendations

Based on the results of the research the researcher tried to recommend the following points.

- Among the service quality dimensions, empathy shows the highest positive correlation with customer satisfaction in the current study. Hence the bank should work on all the indicators in this dimension on its employs i.e. giving individual attention to customers' and be attentive to their needs on areas of branch accessibility, convenience of operating hours.
- The second dominant factor is empathy. The bank has to keep via consistently courteous of employees, increasing confidence as possible, and employee's knowledge to help customers and answer their questions. The management can use training programs to act more on these indicators.
- The regression result show that only the three variables Empathy, Assurance and Responsiveness have positive significance with customer satisfaction so it implies even if the customers are satisfy for 93%.So there exist satisfaction regardless of tangibility and reliability one possible reason customers are not bothering on tangibles & reliability .and the other possible justification may be related with united bank poor performance on tangibles & reliably. So the management has to work on these variables for improvement.
- From the study result the most significant relationship was observed on human element related factors that is assurance, responsiveness and empathy having high beta value scores. And this human element is the prominent factor for satisfaction of customers. So the bank has to work on this crucial element to score best result than competitors.

Implications for further research

This study measured the overall service quality of United Bank S.C and its relationship with customer satisfaction. However, the SERVPERF dimensions explained only 44.10% of the variance while the customer satisfaction level frequency results show the customers are highly satisfied. Therefore, the reasons for their satisfaction must be due additional other factors. Further research on these area might find other customer satisfaction factors not covered by this study. And further study to be done to analyze deeply about the factors. Other thing is no significant relation observed with tangibles & reliability with customer satisfaction, further study has to be done because this study not investigate why questions since there exist satisfaction but tangibles with negative relation may be respondents perception may differ on tangibles.

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Part Two: Customers' Perception

Instruction: The following statement relates to your feeling about the service quality of United Bank S.C. Please respond by circling the number which best reflects your own perceptions. You can choose any of the numbers that show how your feelings are.

No	Statements of Service Quality	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	United Bank S.C. has up-to-date equipment and technology (latest computers, accessories and up to date system)	1	2	3	4	5
2	United Bank S.C. physical facilities are visually appealing (clean and attractive building and equipments)	1	2	3	4	5
3	United Bank S.C. employees are well dressed and appear neat.	1	2	3	4	5
4	Materials associated with the service (such as receipt vouchers and statements) are visually appealing at United Bank S.C.	1	2	3	4	5
RELIABILITY						
5	When United Bank S.C. Promises to do something by a certain time, it does so. (eg launching new services)	1	2	3	4	5
6	When you have a problem, United Bank S.C. is sincere interest in solving it.	1	2	3	4	5
7	United Bank S.C. bank performs the service perfectly at the first time.	1	2	3	4	5
8	United Bank S.C. provides its service at the time it promises to do so.	1	2	3	4	5
9	United Bank S.C. employees are accurate in doing transactions.	1	2	3	4	5
RESPONSIVENESS						
10	Employees in United Bank S.C. tell you exactly when services will be performed and completed.	1	2	3	4	5
11	Employees of United Bank S.C. give you quick service.	1	2	3	4	5
12	Employees of United Bank S.C. are always willing to help you.	1	2	3	4	5
13	Employees of United Bank S.C. are never too busy to respond to your requests.	1	2	3	4	5
EMPATHY						
14	United Bank S.C. gives you individual attention.	1	2	3	4	5
15	United Bank S.C. working hours is convenient to you.	1	2	3	4	5

No	Statements of Service Quality	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
16	United Bank S.C. has employees who gives you personal attention.	1	2	3	4	5
17	United Bank S.C. has your best interest at heart.	1	2	3	4	5
18	The employees of United Bank S.C. understand your specific needs.	1	2	3	4	5
ASSURANCE						
19	The behavior of employees in United Bank S.C. instills confidence in you.	1	2	3	4	5
20	You feel safe in your transactions with United Bank S.C.	1	2	3	4	5
21	Employees in United Bank S.C. are consistently courteous (polite) with you.	1	2	3	4	5
22	Employees in United Bank S.C. have the knowledge to answer your questions.	1	2	3	4	5

Part Three: Overall satisfaction

Instruction: The following statement relates to your feeling about United Bank S.C. Please respond by circling the number which best reflects your own perceptions.

My feelings towards United Bank S.C.'s services can best be described as,

1. Highly dissatisfied
2. Dissatisfied
3. Neutral
4. Satisfied
5. Highly satisfied

Thank you for taking time to complete this questionnaire!

ቅድስት ማርያም ዩኒቨርሲቲ የቢዝነስ አስተዳደር ትምህርት ክፍል

የ አገልግሎት አሰጣጥ ጥራት እና ከ ደንበኞች እርካታ ጋር ያለውን ግንኙነት የሚዳሰስ ጥናት

ይህ ጥናት ቅድስት ማርያም ዩኒቨርሲቲ ት/ቤት የቢዝነስ አስተዳደር የድህረ ምረቃ ዲግሪ ማሟያ ነው። ጥናቱ ለትምህርት ጉዳይ ብቻ የሚውል ነው። የመጠይቁ አላማ ሕብረት ባንክ አ.ማ. የሚሰጠውን አገልግሎት ጥራት መዳሰስና እና ከ ደንበኞች እርካታ ጋር ስላለው ግንኙነት ማጥናት ነው። ስለሆነም ይህችን አጠር ያለች ከ 10 ደቂቃ በላይ የማትወስድ መጠይቅ ገለልተኛ የሆነ ምላሽዎን በመስጠት እንዲሞሉልኝ በትህትና እጠይቃለሁ። የሚሰጡት ምላሽ ምስጢራዊነት እንደሚጠበቅ ላረጋግጥልዎት እወዳለሁ።

ስለ ትብብርዎ ቅድሚያ አመሰግናለሁ።

ክፍል አንድ:

መመሪያ:

- ስምዎትን መጥቀስ አያስፈልግም
- ትክክል ነው የሚሉትን መልስ ያክብቡ
-

- | | | |
|--------|----------------|--------------------|
| ሀ. ጾታ | 1. ወንድ | 2. ሴት |
| ለ. እድሜ | 1. ከ 18-29 አመት | 2. ከ 30-39 አመት |
| | 3. ከ 40-49 አመት | 4. ከ 50 አመት እና በላይ |

ሐ. የጋብቻ ሁኔታ

- | | | | |
|---------------|-----------|----------|-------|
| መ. የትምህርት ደረጃ | 1. ያላገባ/ች | 2. ያገባ/ች | 3. ሌላ |
|---------------|-----------|----------|-------|

- | | |
|----------------|-----------------------|
| 1. አንደኛ ደረጃ | 4. የመጀመሪያ ዲግሪ |
| 2. ሁለተኛ ደረጃ | 5. ሁለተኛ ዲግሪ እና ከዛ በላይ |
| 3. ሰርተፍኬት/ዲፕሎማ | 6. ሌላ (ካለ ይገለጽ) |

ክፍል ሁለት፡ የደንበኞች እይታ

ከዚህ በመቀጠል የቀረቡ ዓርፍተ ነገሮች በህብረት ባንክ አ.ማ የአገልግሎት ጥራት ላይ ያለዎትን ስሜት ያመለክታሉ፡፡ ስለዚህ ስለ ባንኩ አገልግሎት ጥራት በርስዎ አመለካከት ትክክለኛ ብለው የሚገመቱትን ከ1-5 ከቀረበት አሜሪካኛ መካከል በሚከተለው ምሳሌ ይሰጡ፡፡

	የአገልግሎት ጥራት መለኪያ ዝርዝሮች	በጭራሽ አልስማማም	አልስማማም	አስተያየት የለኝም	አስማማለሁ	በጣም አስማማለሁ
በአገልግሎቱ ውስጥ በአይን የሚተዩ /ተጨባጭ/ነገሮች						
1	ህብረት ባንክ አ.ማ. አገልግሎቱን ለመስጠት የጊዜውን አዳዲስ ዘመናዊ የሆኑ የስራ መሳሪያዎች እና የጊዜውን አዳዲስ ቴክኖሎጂዎች ይጠቀማል፡፡	1	2	3	4	5
2	የህብረት ባንክ አ.ማ. የመገልገያ እቃዎች/ቁሳቁሶች/ ለአይን እይታ ሳቢ ናቸው፡፡	1	2	3	4	5
3	የህብረት ባንክ አ.ማ. ሰራተኞች ውብ እና ጽዱ አለባቸው አላቸው፡፡	1	2	3	4	5
4	ከአገልግሎት ጋር በተያያዙ ቁሳቁሶች /አንድ በራሪ ወረቀቶች ወይም የሒሳብ መግለጫዎች /ማሳያዎች/የመሳሰሉ/ በህብረት ባንክ አ.ማ. በአይን ሲታዩ ሰው ይሰባሉ፡፡	1	2	3	4	5
እውነተኛነት/ቃል መጠበቅ						
5	የህብረት ባንክ አ.ማ.በተወሰነ ጊዜ ውስጥ የሆነ ነገር ለመስራት ቃል ከገባ ይህንን ቃል ኪዳኑን ይፈፀማል	1	2	3	4	5
6	ህብረት ባንክ አ.ማ. ችግር በሚገጥም ጊዜ ለችግርዎ መፍትሄ እንዲያገኙ ከፍተኛ ጥረት ያደርጋል፡፡	1	2	3	4	5
7	የህብረት ባንክ አ.ማ. አገልግሎቱን ገና ከመጀመሪያው ያለምንም ስህተት በትክክል ይፈጽማል፡፡	1	2	3	4	5
8	በህብረት ባንክ አ.ማ. ሰራተኞች ቃል በገቡበት ሰአት አገልግሎት ይፈጽማሉ፡፡	1	2	3	4	5
9	በህብረት ባንክ አ.ማ. በሚገለገሉበት ወቅት ስህተት ብዙም አያጋጥሟቸውም፡፡	1	2	3	4	5
ፈጣን ምላሽ አሰጣጥ						
10	የህብረት ባንክ አ.ማ. ሰራተኞች ሠራተኞች አገልግሎቶች በትክክል መቼ እንደሚከናወኑ ይነግሩዎታል፡፡	1	2	3	4	5
11	በህብረት ባንክ አ.ማ. ሰራተኞች ቀልጣፋ አገልግሎት ይሰጥዎታል፡፡	1	2	3	4	5
12	የህብረት ባንክ አ.ማ. ሰራተኞች ሁልጊዜ እርስዎን ለመርዳት ፈቃደኞች ናቸው፡፡	1	2	3	4	5
13	የህብረት ባንክ አ.ማ. ሰራተኞች ለእርስዎ ጥያቄዎች መልስ ለመስጠት	1	2	3	4	5
የሰውን ፍላጎት/ችግር ለመረዳት መቻል						
14	የህብረት ባንክ አ.ማ. ሰራተኞች ለእርሶ በግል ትኩረት ይሰጣሉ፡፡	1	2	3	4	5
15	የህብረት ባንክ አ.ማ. የስራ ሰአት ለእርሶ ተስማሚ ነው፡፡	1	2	3	4	5
16	የህብረት ባንክ አ.ማ. ሰራተኞች የእርስዎን የተለዩ ፍላጎቶች ይገነዘባሉ፡፡	1	2	3	4	5
17	የህብረት ባንክ አ.ማ. ሰራተኞች እርሶን በጥሩ ሁኔታ ለማገልገል ከልብ የመነጨ ፍላጎት አላቸው፡፡	1	2	3	4	5
18	የህብረት ባንክ አ.ማ. ሰራተኞች ለእርስዎ የግል ፍላጎት ትኩረት የሚሰጡ ሰራተኞች ናቸው፡፡	1	2	3	4	5
ማረጋገጫ መስጠት						
19	የህብረት ባንክ አ.ማ. ሰራተኞች ደንበኞች በእነሱ እንዲተማመኑ ያደርጋሉ፡፡	1	2	3	4	5
20	በህብረት ባንክ አ.ማ. ጋር በሚያካሂዱት ማንኛውም ገንዘብ ነክ እንቅስቃሴ ስጋት አይገባዎትም፡፡	1	2	3	4	5
21	የህብረት ባንክ አ.ማ. ሰራተኞች ሁሉም ለእርሶ በወጥነት ትህትናን ያሳያሉ፡፡	1	2	3	4	5
22	የህብረት ባንክ አ.ማ. ሰራተኞች ስራቸውን ለመከወንና ለእርስዎ ጥያቄዎች ምላሽ ለመስጠት የሚያስችል በቂ እውቀት አላቸው፡፡	1	2	3	4	5

መመሪያ: ከዚህ በታች የተዘረዘሩት ስለ ህብረት ባንክ የአገልግሎት ጥራት ያለዎትን አመለካከት ይገልጻሉ። መልስ ሲሰጡ ከቁጥሮቹ አንዱን በማክበብ ይሁን።

ክፍል ሰዓት፡

መመሪያ: ስለ ህብረት ባንክ አገልግሎት ያለዎት አጠቃላይ ስሜት ምን ይመስላል? መልስ ሲሰጡ ከቁጥሮቹ አንዱን በማክበብ ይሁን።

- 1. በጭራሽ አልተደሰትኩም
- 2. ብዙም አልተደሰትኩም
- 3. አስተያየት የለኝም
- 4. በመጠኑ ተደስቻለሁ
- 5. በጣም ተደስቻለሁ

ጊዜዎትን ወስደው ይህን መጠይቅ ስለሞሉ በጣም አመሰግናለሁ!