



ST.MARY'S UNIVERSITY

SCHOOL OF GRAGUATE STUDIES

AN ASSESSMENT OF SERVICE QUALITY AND CUSTOMER

SATISFACTION IN COOPERATIVE BANK OF OROMIA S.C:

(THE CASE OF CENTRAL FINFINE DISTRICT)

BY

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JUNE, 2017

ADDIS ABABA, ETHIOPIA

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Tesfaye Wolde. 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.

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JUNE, 2017

ENDORSEMENT

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

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ABSTRACT

In modern time, quality conscious societies are giving a due attention towards the service quality they receive from service delivery organizations. This leads to an increase in customer's demand for higher service quality. The general objective of this study was to assess the quality of service rendered and customer satisfaction in Cooperative Bank of Oromia s.c. The focus was on Central Finfinie district covering a total of five branches. To achieve the stated objective, we used the SERVQUAL instrument and design effective questionnaires in five dimensions of service quality: tangibility, reliability, responsiveness, assurance, and empathy. The data was then gathered by distributing the questionnaires to a total of one hundred respondents which are selected based on convenient sampling technique. The expectations and perceptions of CBO customers were assessed under the five dimensions of service quality using Statistical Package for Social Scientist (SPSS). Comparison of perception and expectation of service quality rendered by CBO revealed that reliability dimension shows a positive gap with a meaning of customer satisfaction. In contrary to this, the other dimensions showed a negative gap between perception and expectation leading customer dissatisfaction. Statistically using the paired sample test, assurance (-0.96), responsiveness (-0.95) and empathy (-0.74) are the major contributing factors for service quality and much has to be done in this regard. The overall customer satisfaction measurement also showed that customers' expectation of service quality is greater than perception of service quality. This helps us to conclude that customers of the bank are unsatisfied. We also find out that there exists strong correlation between service quality and customer satisfaction which intern has a strong correlation with customer loyalty. Hence, to ensure customer retention and improve competitiveness, CBO should regularly assess service delivered by continuously monitoring customers' expectation and perception of service quality. Based on the finding, special recommendations were suggested and if the bank takes all the recommendations listed and work towards addressing customers' expectation; customer satisfaction and customer retention is achievable.

Key words: *customer satisfaction, customer expectation and perception, customer loyalty*

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ABBREVIATION

ATM	Automatic Teller Machine
CBO	Cooperative Bank of Oromia
E	Expectation
IFB	Interest Free Banking
KPI	Key Performance Indicator
P	Perception
S.C	Share Company
SERVQUAL	Service Quality Measurement Tool

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CHAPTER ONE

INTRODUCTION

This chapter is organized in seven sections starting from background of the study which presents the rationale and overview of the study, statement of the problem which solely focus on the problem to be addressed by this paper and why the study is mandatory, research question section provides the type of questions to be answered in solving the stated problem, the thesis objectives section explains the general and specific objectives to be addressed, significance of the study section clearly explains the importance of conducting the study, scope and delimitation of the study section also explains the major limitation and the over all scope of the study, and finally, it presents the organization of this thesis work.

1.1. Background of the Study

Banking industry is in to a lot of pressure due to the increase in number of commercial banks in Ethiopian market and technological competition due to enforceable law of National Bank of Ethiopia .different strategies have been developed to retain the customers by enhancing service quality. In general customers perceive very little difference or no difference in banking products offered by all commercial banks in Ethiopia. To become profitable and stay in the business, customer oriented companies are forcing towards improving service quality. The customer is the focus and customer service is the differentiating factors (Guo et al., 2008) in this industry. A bank can differentiate itself from competitors by providing high quality customer service compared to the other. Those service providers who provide a high level of service quality retain a high level of customer satisfaction; and also obtained a sustainable competitive advantage. Service quality has been referred as the extent to which a service meets customer's needs or expectations (Lewis & Mitchell, 1989). Most of the bank customers believe that all banks are the same and make their product selection based solely on the best practice. Hence, banks must work hard towards excelling customer expectation by providing excellent customer service.

Customer satisfaction is the important tools to run a business and achieve the sated mission. It is a state of mind that customers have about the product or services after using that product and service offered by a company in return of customer expectations about the products. Indeed, customer satisfaction has great significance for the future of an institution and it is

seen as a basis for securing market position and achieving other objectives of the institution. Fornell, (1992); Levesque and McDaugall (1996) found out that customer's satisfaction plays a prominent role in increasing an organization's customer base, increasing the use of more volatile customer mix and increasing the organization's reputation. Therefore, achieving high levels of service quality is one method of keeping customers both satisfied and loyal (Perng, 2007). Saravan and Rao (2007) finding supports this argument that service quality remains critical in the service industries and it helps to maintain a competitive advantage in the marketplace and achieving customer satisfaction becomes the pivot.

In general, banks as a financial sector compete in the marketplace with undifferentiated products. To this end, the major competition and excelling point of the respective bank is related to service quality (Stafford, 1996). Maximizing customer satisfaction through proven service quality is known to be the ultimate weapon of winning the market share. From this view point, one with better service quality will have stress of customers and always wins the market. This statement is also supported by Ladhari (2008) where providing quality service to customers will help the company to retain the good customers and enhances corporate image which leads to positive referral through word of mouth which in turn guarantees market survivalist and profitability.

Good service firms, like manufacturing business, use marketing to position them strongly in chosen target markets. In a service business customer and front line service employee interact to create the service. Thus, a service provider must interact effectively with customers to create superior value during service delivery. As such, most banks now have developed a way to address consumer problems. It is desirable for service providers to uncover what attributes customers utilized in their assessment of overall service quality and satisfaction and which attributes are more important. In other words, service marketers need to be able to close the customer gap between expectation and perception. To achieve this objective, service providers need to understand how customers choose and evaluate their service offerings. Hence, banks must have a clear understanding of customer's expectation and perception about their service quality. Measuring customer's expectation is the key to serve customers to the best of their satisfaction and increase the market competitiveness. In this regard, banks first need to understand the attributes that consumers use to judge service quality, and monitor and enhance the service performance.

Though the ultimate goal of every service providing industry is satisfying customers and increase profitability, more often, many of the service delivering organizations are flailed to satisfy their customers as a result of not understanding customers' interest well. This dilemma creates job difficulty to most business organizations that focus on customer relations. Banks need to close this gap-between what customers expect and receive-in order to satisfy their customers and build long-term relationships with them. Coming to our focus area, even though several researches have been done on this topic in many countries including our country, Ethiopia, it is highly difficult to apply the findings of those studies directly to CBO due to the existence of various organizational culture difference and the time gap that those studies had been done to represent the current scenario of the world in general and CBO in particular. In addition to this, to the best of knowledge of the researcher, there is no prior research done on cooperative bank of Oromia s.c. central Finfine district to assess service quality and customer satisfaction. Therefore, the focus of this study is to assess the quality of service delivered and its impact on customer satisfaction in Cooperative Bank of Oromia s.c (CBO) Central Finfine District focusing on Finfine, Churchill, Qarsa Main, Merkato & GofaGebriel branches. The researcher hopes that the outcome of this study will help the bank to work on enhancing customers' satisfaction.

1.2.Statement of the Problem

Service quality in banking has recently become the topic of interest for academicians and researchers'. Such interest may be the result of a reduced customer base and decreased market share which affects a profit of the banking industry. Provision of high quality services enhances customer retention rates, helps attract new customers through word of mouth advertising, increases productivity, leads to higher market shares, lowers staff turnover and operating costs, and improves employee morale, financial performance and profitability (Lewis, 1989). Therefore, delivering quality service to customers is a must for success and survival in today's competitive banking environment. Understanding customer requirements and expectations, is the first step service providers must take towards achieving service quality. Studies investigating service quality have extensively examined service quality measurement to assist practitioners in effectively managing quality service which remains a critical measure of organizational performance for banking institutions and will continue to be at the forefront of services marketing literature and practice. The enthusiasm is mostly kept high by the fact that a high service quality offered often leads to customer satisfaction, loyalty, and other positive behavioral outcomes such as greater willingness to recommend the service providers to others, lesser complaints, and improved customer retention.

In the "age of customer" delivering quality service is considered as an essential strategy for success and survival in today's competitive environment (Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). What constitutes excellent service quality has attracted the attention of researchers. Even though researchers continue to debate the determinants of service quality a few important issues remain unanswered. Is there a universal set of determinants that determine the service quality across a section of services? Does the service characteristic gets reflected in what customers expect out of delivery of a particular service? Is there an inherent difference in services because they must be delivered in a particular way and does that have a bearing on what becomes important for the customer? Practitioners continue to look for advice and suggestion as to what constitute service quality for their offers and furthermore, if they tend to reposition their offers by varying some characteristics of their offers, for example, by increasing or reducing tangibility or customer contact, etc.

Ethiopia has around 100 million people and the culture of using banking for financial transaction and also the knowledge of bank itself is at very low point. Beyond this, in Ethiopia, there are number of banking sector where there is service similarity and customers will face a difficulty of selecting appropriate one. The major competition area in this sector is all about customer satisfaction, meaning, whether the bank works to the best of customer interest or not. Hence, banks who are not giving a due attention for their customers are doomed to fail the competition. Different research works have been conducted service quality in banking industry internationally and nationally. However, applying the research outcome to the selected branches of CBO central district is inevitably inapplicable as there exist organizational culture difference and the time gap that those studies had been done to represent the current scenario of the world in general and CBO in particular. Consequently, conducting a study on customers' satisfaction to the stated district on selected branches is vital and necessary for better performance in customer retention and loyalty which intern lead to an increase in market share. The intention of this study is, therefore, to assess service quality and customer satisfaction in Cooperative Bank of Oromia (CBO). Keeping in mind the significance of service quality and customer satisfaction, a study is designed to examine the impact of service quality as an independent variable on dependent variable i.e. customer satisfaction.

1.3. Research Questions

The research questions raised by the researcher to address the stated problem are listed hereafter.

- What is the level of customers' expectation towards service quality in CBO?
- What is the level of customers' perception towards service quality in CBO?
- What are the discrepancy gap between customers' expectation and perception towards service quality?
- To what extent are CBO customers satisfied?
- What are the main determinants and influencers of customer satisfaction in the CBO?
- Is there a significant relationship between customer satisfaction and customer perceptions and expectation of service quality?

1.4.Objective of the Study

The general objective of this study is to assess the quality of service rendered and customer satisfaction in Cooperative Bank of Oromia s.c.

The specific objective on the other hand is:

- To assess customers expectation and perception level towards service quality of CBO in five dimensions: tangibility, reliability, responsiveness, assurance, and empathy.
- To analyze the discrepancy or gap between customers' expectation and perception towards service quality.
- To identify the critical factors of customer satisfaction in the bank.
- To identify the interrelationships between service quality, customer satisfaction and customer loyalty in the bank and to identify the benefits of these relationships.
- To discover the customer requirements or expectations for the service.
- Identify the areas that need to be improved by the bank to deliver superior quality.

1.5.Significance of the Study

The finding of this stated can be taken as an input for CBO managements to improve service quality in attracting more customers, retaining customers and increase the banking market share. It can be taken as a base to develop a business unit which is highly customer center which continuously monitors the service quality and the impact of it on customers.

The second significance of the study is identification of the customers' expectation from the bank and what is delivered by the bank. From this point, the bank can work towards meeting the customers demand. In this, the bank can use this outcome to prepare the guideline of investigating customers' expectation from time to time and devise a means of achieving their desire.

The third significance of this study is that it can be taken as a foundation for further study and investigation. In this regard, the bank research and development unity (if any) or other researcher can take it as an stepping stone to conduct an intensive study and develop customer satisfaction and service quality manual or procedure or model or anything.

1.6.Scope and Delimitation of the Study

This study is geographically limited to Cooperative Bank of Oromia in Addis Ababa City Administration, specifically in the central Finfine district five branches of customers namely Finfine Churchill, Qarsa Main, Merkato & Gofa Gebriel Branches. The findings of this study can't be generalized to other area branches of CBO. In addition to the five variables of service quality dimensions there are several variables affecting customer satisfactions like consumer behavior, environmental factors, etc. which this study does not cover. The research work is also exposed to shortage of time which limits further investigation to develop a whole set of understanding. Regarding the data collection tool, a recognized structured SERVQUAL questionnaire, which was developed by Parasuraman, et al (1988), was used for this particular study.

1.7.Organization of the Study

The study is organized into five chapters. Chapter one deals with the introduction. Chapter two deals with the review of the related literature, chapter three deals with the methodology of the study, chapter four deals with data analysis and interpretation and finally, chapter five contains summary, conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter presents the literature review part. In this, related works and theories of different authors are clearly explained. How these authors are addressing the stated problem and the finding of each researcher is presented. The first section is about the concept of service quality where we define the term, explain characteristics of service and customer service, and finally banking service is clearly elaborated. The next section is about quality where we start with the definition and end with explanation of service quality. After having a clear understanding of service and quality then we come to the service quality model explaining SERVQUAL and gap model. What is to mean by customer satisfaction and what are the major factors that affect customer satisfaction then follows. Finally, this chapter explains about customer retention/loyalty.

2.1. Concept of Service

2.1.1. Defining Services

A service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. The advance economies of the world are now dominated by services and virtually all companies view services as critical to retaining their customers today and in the future. Even manufacturing companies, in the past, have depend on their physical goods for their existence are now started to see and recognize the value of service provided as it is the key for surviving the competitive market. A service is the non-material equivalent of a good. Service provision has been defined as an economic activity that does not result in ownership and is claimed to be a process that creates benefits by facilitating either change in customers, a change in their physical possessions, or a change in their intangible assets. In general, different authors give different definitions for service. Kotler (2006) defines service as follows:

“Service is any act or performance 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.”

Gronroos (1983), on the other hand, defines service as:

An activity or series of activities of more or less intangibles nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and / or systems of service provider, which are provided as solutions to customer problems.

2.1.2. Characteristics of Service

Among the unique characteristics of service the following are the major ones.

A. Intangibility: - Service intangibility means that services cannot be readily displayed, so they cannot be seen, tasted, felt, and heard or smelled before they are bought. Because service offerings lack tangible characteristics that the buyer can evaluate before purchase, uncertainty is increased. To reduce uncertainty, buyers look for 'signals' of service quality. They draw conclusions about quality from the place, people, equipment, communication material and price that they can see. Therefore, the service provider's task is to make the service tangible in one or more ways. Whereas product marketers try to add intangibles (e.g. fast delivery, extended warranty, after-sales service) to their tangible offers, service marketers try to add tangible cues suggesting high quality to their intangible offers. Consider a bank that wants to convey the idea that its service is quick and efficient. It must make this positioning strategy tangible in every aspect of customer contact. The bank's physical setting must suggest quick and efficient service: its exterior and interior should have clean lines; internal traffic flow should be planned carefully; and waiting lines should seem short. The bank's staff should be busy and properly dressed. The equipment - computers, copying machines, desks - should look modern. The bank's advertisements and other communications should suggest efficiency, with clean and simple designs and carefully chosen words and photos that communicate the bank's positioning.

B. Inseparability: -Service inseparability means that services cannot be separated from their providers, whether the providers are people or machines. If a person provides the service, then the person is a part of the service. The other feature of the inseparability of services is that other customers are also present or involved. The implication for management would be to ensure at all times that customers involved in the service do not interfere with each other's satisfaction.

C. Variability: -As services involve people in production and consumption, there is considerable potential for variability. Service variability means that the quality of services

depends on who provides them, as well as when, where and how they are provided. As such, service quality is difficult to control. Even the quality of a single employee's service varies according to his or her energy and frame of mind at the time of each customer contact. For example, two services offered by the same solicitor may not be identical in performance. Service firms can take several steps towards quality control. First, they can select and train their personnel carefully. Second, they can motivate staff by providing employee incentives that emphasize quality, such as employee-to-the-month awards or bonuses based on customer feedback. Third, they can make service employees more visible and accountable to consumers - car dealerships can let customers talk directly with the mechanics working on their cars. A firm can check customer satisfaction regularly through suggestion and complaint systems, customer surveys and comparison shopping. When poor service is found, it is corrected. Fourth, service firms can increase the consistency of employee performance by substituting equipment for staff (e.g. vending machines, automatic cash dispensers), and through heavy enforcement of standardized as well as detailed job procedures.

D. Perishability:-Service perishability means that services cannot be stored for later sale or use. The perishability of services is not a problem when demand is steady. However, when demand fluctuates, service firms often have difficult problems. Service firms can use several strategies for producing a better match between demand and supply. On the demand side, differential pricing — that is, charging different prices at different times - will shift some demand from peak periods to off- peak periods. On the supply side, firms can hire part-time employees to serve peak demand. Peak-time demand can be handled more efficiently by rescheduling work so that employees do only essential tasks during peak periods.

E. Lack of Ownership: - Service products lack that quality of ownership. The service consumer often has access to the service for a limited time. Because of the lack of ownership, service providers must make a special effort to reinforce their brand identity and affinity with the consumer by offering incentives to consumers to use their service again.

2.1.3. What is 'Customer Service'?

Customer service can be defined as ‘a series of activities designed to enhance the level of customer satisfaction – the feeling that a product or service has met customer expectations.’ (Paul Penfold, 2014). To this end, customer service is the process of ensuring customer

satisfaction with a product or service. Often, customer service takes place while performing a transaction for the customer, such as making a sale or returning an item. Customer service can take the form of an in-person interaction, a phone call, self-service systems, or by other means. Customer service is an extremely important part of maintaining ongoing client relationships, which is a key for continuous revenue generation. For a customer focused company, one eye is on the profit while the other is concentrated on how best is the company serving the customers. In this approach, profits and market share are believed to be the outcome of listening to customers and acting upon their needs (**Karen Leland and Keith Bailey, 2006**). According to this book companies must focus on developing a customer-friendly attitude expanding your definition of service and reconsidering that your customers are. From this view point, many companies have worked hard to increase their customer satisfaction levels through maximizing their service quality. Most successful businesses recognize the importance of providing outstanding customer service. A courteous and empathetic interaction with a trained customer service representative can mean the difference between losing and retaining a customer. When problems arise, customers should receive timely attention to the issue. Prompt attention to customers is critical to maintaining good relations.

2.1.4. Banking Services

Banking is a business unit that registered to accept deposits from the public and pay out loans. Technically, banks mobilize funds from the surplus units and channel it to the deficit units of the economy (Lockett, 1994). The objective of this fund channeling is to earn profit. This function makes banks one of the most important financial intermediaries in every economy and also assists Central Banks in achieving their monetary policies. Banks earn money in servicing beyond selling money. Banks are the only intermediary that intermediates between all ultimate lender and borrower and all other non-bank financial intermediaries. The survival of banks (for large banks) is dependent on the interest of the country and is the most regulated and supervised intermediaries (Ap Faure, 2013). In general, banking service is all about money in different types and attributes like lending, depositing and transferring procedures. These intangible services are shaped in contracts. The structure of banking services affects the success of institution in long term. Besides the basic attributes like speed, security and ease in banking services, the rights like consultancy for services to be compounded are also preferred.

2.2. Concept of Quality

2.2.1. Meaning of Quality

The word “quality” is associated with conceptual understanding of quality as relating to one or more desirable characteristics that a product or service should possess. However, the definition of quality is different because the word is associated with different people and organizations, and therefore, lacks universal definition. Consequently, there have been numerous definitions of quality from literature in an attempt to establish a common understanding of the word. Different definition of quality is clearly explained hereafter.

- **Product or Service Features:** The British Standard BS 4778 defines quality as the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied need. In this regard, an organization is responsible in assessing the market need and word towards achieving the articulated need. When this ambiguous and intricate need of the market is satisfied, such organization is deemed quality organization. The question raised in this definition is related to the market need, it is argued that who describes the need limiting the need rather than generalizing it.
- **Fitness for Use:** Juran (1999) defines quality as “fitness for use” and in this definition, quality has two aspects namely; quality of design and quality of conformance. Different goods and services are intentionally delivered at different levels and this difference comes from quality of design. Quality of conformance, on the other hand, is all about how well the product conforms to the specifications required by the design. Conformance to the design spec is highly dependent on choice of manufacturing processes, the training and supervision of the workforce, the types of process controls, tests, and inspection activities that are employed, the extent to which these procedures are followed, and the motivation of the workforce (Douglas C. Montgomery, 2009). The only way a product is said to be “fit” is when it has been tried and tested or used by respective users. In this regard, based on the design spec and conformance, a company may declare that the given product is fit for uses after testing and approving the result. Although the company declared “fit for use” of a given product, customers (end users) may disapprove the product. According to Juran's definition, quality is all about meeting customer's expectations and anyone affected by the product is considered a customer. In general, when a product is tested, verified ad certified, it is described as “fit for use”.

- **Conformance to Requirements: Crosby (1979)** defines quality as conformance to requirements. Quality must be defined in measurable and clearly stated terms to help the organization take action based on tangible targets, rather than on bunch, experience, or opinions. In his definition, quality is either present or not presents, there is no as such different level of quality. The definition maintains that when a company sticks to the pattern provided by the customers which is continuously following the cost of doing things wrong, such product or service is deemed quality. It is the price paid by the company for nonconformance. Before the product or service is said to conform to requirement, it should be devoid of defects, meets all deadlines and ensures safe delivery. This definition is critiqued of its sufficiency; the “requirement” is seen as limited. The provider is likely to settle on just meeting the specification while another may come up with product or service which will better suit the underlying requirements of the customers.
- **Associated Features of Product or Service:** According to Feigebaum (cited in Rao et al., 1996), quality is the total composite product and service characteristics of marketing, engineering, manufacturing and maintenance through which the product and service in use will meet the expectation of the customer. The definition establishes that a product or service must be adequate in all aspect in order to meet the intended purpose or use.
- **Degree of customer satisfaction: M. Pradeep Kumar et al (2016)** defines quality as the degree of customer satisfaction. Products and services which doesn't satisfy customer are not going to stay in the market at all. Companies must give a due attention to technology sophistication, modernity, price, durability and customers' expectation so as to deliver to the level of expectation. For example, Nokia phone has a decline because the company lacks watching the customers' expectation. Previously, customers are concentrated on actual benefits of mobile phones such as battery life and cellphones' drop number due to the economic level limit; their purchase behaviors were generally more rational, objective and real. However, people's income increased significantly in twenty-first century, buying mobile phone was no longer as carefully as in the past, mobile phone was more considered as entertainment tools, and the purchase behavior is more emotional and initiative. However, Nokia adopted technology-oriented and product-oriented strategies to guide the innovation of products, continued to strengthen the inherent properties of Nokia mobile phone blindly; for example, Nokia was trying to make its cellphone hard to broken, then

exploited new ways to extend its battery's life span, and increased the pixel of mobile phones to reach the cameras' standard (Jianzhong Jia and Yuchan Yin, 2015).

2.2.2. Service Quality

In today's increasingly competitive business environment, service quality is essential for the success of any organization as it affects the competitiveness in the market. Banks should increase the quality of service constantly since there is no assurance that the current outstanding service is also suitable for future. Consequently, banks should "develop new strategy" to satisfy their customer and should provide quality service to distinguish themselves from rivalries (Siddiqi; 2011). As described by Lewis and Booms (1983) giving quality service implies meeting the requirements to customer expectations regularly. Also Parasuraman, et al (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.*" This definition clearly shows that service quality is what customers' assess through their expectations and perceptions of a service experience. Most of the service providers define service quality as the difference between customer's expectations for the service encounter and the perceptions of the service received meaning customers' perceptions of service quality result from a comparison of their before-service expectations with their actual service experience. Service quality is founded on a comparison between what the customer feels should be offered and what is provided (Parasuraman et al, 1985).

In general, at the pivotal point lies the gap model which stipulates that service quality is all about the difference in score between expectation and perception. In this regard, the gap between expectation and performance might be positive (satisfactory), when performance exceeds expectations or negative (dissatisfaction), when performance falls short of expectations (Anderson, 1973). Service quality is low, if what is perceived is below expectation, and is high, if what is perceived meets or exceeds expectation.

2.3. The Service Quality Model

2.3.1. The Gap Model

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

1st Gap: - Between Customer Expectation and Management Perception

(Knowledge Gap):- 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.

2nd 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.

3rd 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.

4th 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.

5th 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.

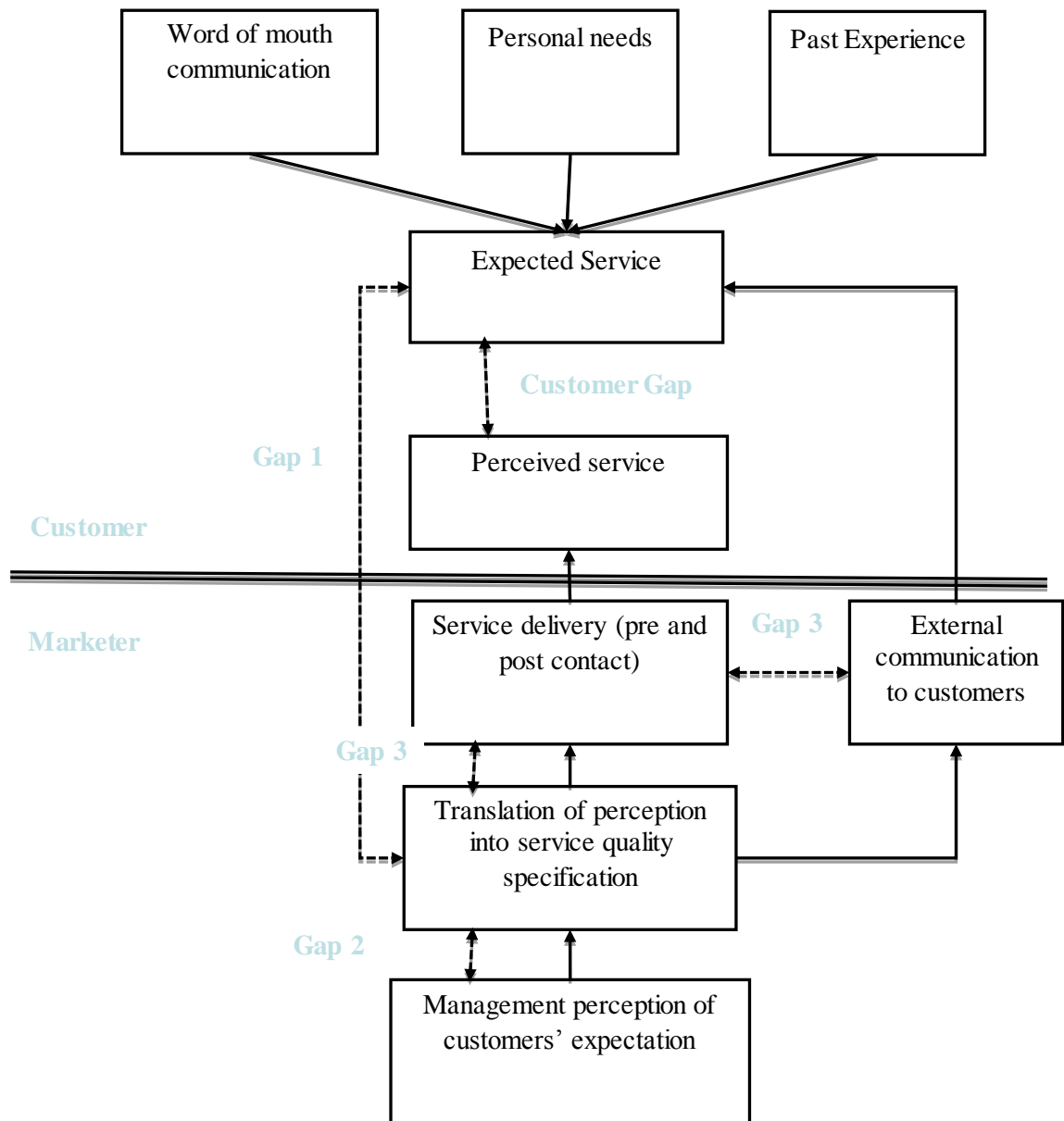


Figure 1: Gap Model in Service Quality (Parasuraman, Zeithaml and Berry, 2002)

2.3.2. The SERVQUAL Model

Though much has been done on the concept of service quality, there has been no general agreement on how to measure the concept. Simon Nyeck et al (2002) openly stated that “*even if certain researchers have only retained the concept of gap analysis as operationalization of perceived service quality, it appears that the SERVQUAL model remains the most complete attempt to conceptualize and measure service quality.*” Hence, this model is extensively and widely used to measure service quality in different literature. In this, satisfaction often plays a mediating role between customer perceptions of service quality and the creation of behavioral intentions. According to Anderson and Vincze (2000), customer expectations about the types and quality of services that should be offered and their criteria for performance of the services have a major impact on the level of satisfaction or dissatisfaction. This can be represented as:

$$\text{Service quality} = \text{Perceived service performance} - \text{Service expectations}$$

In modern times, service organizations are giving a due attention to deliver quality service and it is known that such an approach have a tremendous effect on building of loyalty among employee and customers. In this regard, satisfied employees are more keen and willing to improve their performance. This in turn can improve productivity, reduce staff turnover and enhance creativity and commitment (Prabha Ramseook-Munhurrun et al, 2010).

The SERVQUAL model is made up of five variables that are used to measure service quality measurement: tangibility, responsiveness, reliability, assurance and empathy (Parasuraman et al., 1988). The main aim of this study was identifying the impact of these dimensions on customer satisfaction. Therefore, the main frame of the study depicted in figure below explains that measuring service quality in the five dimensions based on customers' expectation and service performance, and having good performance, inevitably results in customer satisfaction. The final impact is customer loyalty and retention.



Figure 2:- Conceptual frame work of the study

The service quality measurement dimensions are clearly explained hereafter.

- **Reliability (Delivering on Promise):** is defined as the ability to deliver the promised service unfailingly and accurately. In general, reliability means that the company delivers the service to the level promised-promises about delivery process, delivery time, service provision, problem resolution, pricing and others. Customers want to do business with companies that keep their promises, particularly their promises about the service outcomes and core service attributes. It is all about
- **Responsiveness (Being Willing to Help):** is the willingness to help customers and to provide prompt service. This dimension emphasizes attentiveness and promptness in dealing with customer requests, questions, complaints, and problems. Responsiveness is communicated to customers by the length of time they have to wait for assistance, answers to questions, or attention to problems. Responsiveness also captures the notion of flexibility and ability to customize the service to customer needs.

To excel on the dimension of responsiveness, a company must be certain to view the process of service delivery and the handling of requests from the customer's point of view rather than from the company's point of view. To truly distinguish themselves on responsiveness, companies need well-staffed customer service departments as well as responsive front-line personnel in all contact positions.

- **Assurance (Inspiring Trust and Confidence):** Assurance is defined as employees' knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. This dimension is likely to be particularly important for services that the customer perceives as involving high risk and/or about which they feel uncertain about their ability to evaluate outcomes. Trust and confidence may be embodied in the person who links the customer to the company. In such service contexts the company seeks to build trust and loyalty between key contact people and individual customers. The personal banker concept captures this idea: customers are assigned to a banker who will get to know them individually and who will coordinate all of their banking services.

- **Empathy (Treating Customers as Individual):** Empathy is defined as the caring individualized attention the firm provides its customers. The essence of empathy is conveying, through personalized or customized service that customers are unique and special. Customers want to feel understood by and important to firms that provide service to them.

- **Tangibles (Representing the Service physically):** Tangibles are defined as the appearance of physical facilities, personnel, and communication materials. All of these provide physical representations or images of the service that customers, particularly new customers, will use to evaluate quality.

2.4. Customer Satisfaction

Customer satisfaction is believed to be the company's key performance indicator (KPI), particularly when organizations compete for customers. Customers will always assess the services they experienced by comparing it with whatever they wish to receive. Hence, various researches using different methodologies and approaches have been done in various parts of the world to assess service quality and customers' satisfaction. According to Kotler (2000), satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his or her expectations. Pairot (2008) defined Customer's satisfaction as the company's ability to fulfill the business, emotional, and psychological needs of its customers. In the words of, customer satisfaction is "the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience." Customer

satisfaction has also been defined by Hunt (1977, p.459) as “an evaluation rendered that the (consumption) experience was at least as good as it was supposed to be.” Furthermore, Engel and Blackwell (1982, p.501) have opined it to be “an evaluation that the chosen alternative is consistent with prior beliefs with respect to that alternative.”

It is a well-researched fact that investments in customer satisfaction, customer relationships and service quality leads to profitability and market share (Rust and Zahorik, 1993). These show that there is a close relationship between service quality and customer satisfaction. As Julian and Ashen (1994) stated delivering quality services and products to customers had significant positive influence for success and survival of today’s competitive banking environment. Milbourn (1998) suggests that the economic success of companies fluctuates with the quality of service that is offered. Across industries, service organizations who deliver high quality service consistently receive repeat customers. Hallowell (1996) articulated that customer satisfaction leads to customer loyalty and this also leads to profitability. Thus having high quality service means satisfying our customers and this can lead to continuous engagement of customers to purchase and even try line extensions. This will intern improve their market share.

To achieve customer longevity in banking industry, the system must provide high quality service to the level of customers’ expectation (Berry et al., 1985; Anderson et al., 1994). Therefore, it is the duty of the bank to investigate and understand customers’ service requirements along with their attitude towards service quality and how it impacts the service delivery process (Gerrard & Cunningham, 2001). Bowen & Chen (2001) clearly identified that a small increase in customer satisfaction can lead to customer loyalty and retention.

Berli et al. (2004) explains that, in banking industry, customers’ satisfaction is the measure of the extent to which the given bank fulfills the general expectations. This means how far is the bank willing to go and reach to the customer’s ideal bank in the mind. According to Hansemark and Albinsson (2004), “satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire”. Hence, the bank needs to provide value (high quality service) to customers (Anderson & Jacobsen, 2000) so as to maintain and increase purchases. Nabiollah Dehghan and Kobra Dehghan (2000) stated that definite factors which can play a decisive role in improving customers’ satisfaction and their bank decision are: Customers access to banking

services, type and charm of services and benefits of the bank and sense of financial security and confidence of customers. In general, banks must work hard in understanding the customers' expectation and excel their demand. This way their market share can be improved and customer satisfaction leads to customer longevity and retention.

2.5. Customer Retention/Loyalty

Companies applying loyalty programs can enlarge customer loyalty as both consumers and companies can reap benefits from it. Retention marketing is a new wave of ecommerce marketing that focuses on keeping your existing customers engaged, happy, and most importantly coming back as drawing new customers is more expensive than keeping existing one (Roopa Singh & Imran Akhtar Khan, 2012). The terms customer retention and customer loyalty mean the same (Zeithaml et al., 1996). Gremler and Brown (1996) define service loyalty as “as the degree to which a customer exhibits repeat purchase behavior from a service provider, positive attitudinal disposition toward the provider, and ready to use the same provider when a need for the service arises”. Oliver (1997) also defines locality as “a deeply held commitment to rebuy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same-brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior”. Customers will remain loyal to a service organization if the value of what they receive is determined to be relatively greater than that expected from competitors (Zeithaml & Bitner, 1996).

According to Hoyer and MacInnis (2001), customer retention is “the practice of working to satisfy customers with the intention of developing long-term relationships with them”. Zineldin (2000), on the other hand, defines retention as a commitment to continue to do business or exchange with a particular company on an ongoing basis. Studies on customer retentions of companies, like banks, with number of branches showed that some branches have higher retention rates than the others. This is because branches which give much of an attention to customer's value will have higher retention rate. Branches that underperform lose more customers to competitors. Customer retention rates—and attraction rates—are driven by the customer's perception of the value of our offering relative to competitors (Bradley T. Gale, 2010). Competitors are not the only barrier to customer retention; unmet customer demand for both quality products and friendly and efficient service can also contribute to massive customer exits. Customer's positive emotions may lead to positive

word-of-mouth behavior, while negative emotions may result in complaining behavior. Emotions tend to have an influence on quality perceptions and customer behavior (Liljander and Strandvik, 1997).

2.6. Relationship between Satisfaction and Retention

Satisfaction enable a company to keep existing customers which costs substantially less to the company than acquiring new ones. Most customers leave a company because they feel they are not satisfied with the service or product offering (Rust and Zahorik, 1993). Hoyer and MacInnis (2001) said that satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight of a service. To achieve satisfaction and retention, customer needs and wants must be fulfilled (La Barbera and Mazursky, 1983). Bowen and Chen (2001) indicate that extremely customer satisfaction leads to customer retention/loyalty. Thus extremely satisfied customers are less prone to overtures from competition (Fornell, 1992).

Customer satisfaction has a strong positive correlation with customer retention in the retail banking (Siddiqi, 2010). The strong positive correlation means the customers will recommend the bank to other people (words of mouth) and the bank can be of repeat and stable customer base. Cohen et al. (2007) found that a loyal customer takes less of the company's time during transactions and are less sensitive to price changes. Reichheld (2006) states that companies with higher customer loyalty experience growth in revenue twice as much as their competitor. According to Clark (2000), long-term customer retention in competitive markets requires the provider going beyond basic satisfaction to creating loyalty in order to guard against competitor attack". Day (1994) contends that the identification and satisfaction of customer needs leads to improved customer retention. This will help the provider to formulate strategies and plans. The aforementioned explanations indicate that satisfaction is a determinant for customer retention to service organizations like bank. Therefore, an organization needs to ensure that customers are satisfied.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter is organized in six sections to explain about the research methodology applied by this paper. The first section is about research design which describes the research method used, the second is sampling techniques and the instruments employed in the data gathering, the third one explains about the data collection tools and procedures, the fourth one is about the questionnaires developed, the next is about measurement variables and the final is about data analysis procedures used.

3.1. Research Design

This paper used the descriptive research approach to get the picture of customer's perceived service quality offered by CBO with respect to five dimensions of SERVQUAL model. In collecting the essential data to address the stated objective, the researcher employed questionnaire as the research design. The study also adopted quantitative method as it allows explanation of a phenomenon by collecting numerical data that are analyzed using mathematical representation, particularly gap model. As the human mind cannot extract the full import of a large mass of raw data, descriptive statistics are very important in reducing the data to manageable form.

3.2. Population, Sample Size and Sampling Technique

Data collection of considering the entire population is not only expensive but also practically complex. Hence, smaller portions of a unit sample were taken to represent the relevant attributes of the whole units. There were 24 branches of in CBO Central Finfine district in Addis Ababa City as of September 2016; however, the researcher selected only five Branches namely Churchill, Finfine, Gofa-Gebriel, Merkato and Qersa Main Branches based on purposive sampling, as these branches have huge number of customers compared to the other branches of the district City.

The number of accounts in the district as of September 30, 2016 reached 250,000. Sample sizes of 100 respondents were selected based on a convenient sampling from the five branches considering time and cost constraints. The above data is obtained by the researcher

himself because of his access to the data while working in one of the branches of cooperative bank of Oromia S.C as branch manager.

By the virtue of accessibility, the researcher has applied a non-probability sampling strategy known as convenience sampling. Thus, a convenient sample of 100 respondents were selected and obtained the required primary data from the total number of customers in the district from five branches to assess the service quality of CBO and the level of customers' satisfaction. A self-administered questionnaire was developed to achieve the stated objectives of this study and it was personally administered to the valued customers in Amharic and English language for better understanding.

3.3. Sources of Data and Data Collection Tools

The primary data source is what the researcher originally collects from the sample or target population. Therefore in order to gain the required primary data the researcher himself goes to each branch where the target respondents existed and communicate them to fill the questionnaires. It is distributed to one hundred customer respondents and collected according to the time scheduled. All respondents were a customer of Cooperative Bank of Oromia S.C that have bank account and registered on the data base .it was distributed to the five ranches equally.

A questionnaire was used as an instrument for data collection .It was designed in three parts to collect the essential information in addressing the stated objective. The first part of the questionnaire deals about the demographic profile of the respondents, and the present usage of banking transactions. The second part focused on the 5 variables that are believed to impact customer expectation. The third part measures customers' perception. The services of the bank were assessed on the SERVQUAL variables: *Tangibles, Assurance, Responsiveness, Empathy* and *Reliability*, to determine the level of satisfaction derived from the services. Both expectations and perceptions are measured using a 5-point scale to rate their level of agreement or disagreement (1- strongly disagree and – 5 strongly agree), on which the higher numbers indicate higher level of expectation or perceptions. In short, a recognized structured questionnaire, SERVQUAL by (Parasuraman, et al 1988), was used for this research.

3.4. Data Analysis Method Used

The basic objective of this study is to assess customer expectation and perception on the service quality and assessing the level of customers satisfaction based upon the conceptual framework of this study. The study employed descriptive tools in analyzing the data. The descriptive analysis was chosen because of its simplicity and clarity to draw inferences. Thus, averages, percentages, frequency and tables were used for the analysis of the collected data. Inferential statistics (e.g. correlation and multiple regressions analysis) was also used to analyze the existing relationship between the study variables. The data collected was edited and coded. The coded data then be processed using Statistical Package for Social Sciences (SPSS version 20.0).

3.5. Validity and Reliability Assurance

3.5.1. Validity

Validity defined as the extent to which data collection method or methods accurately measure what they were intended to measure (Sounders et. al., 2003). Literature states that there is no single source has a complete advantage over all others. The different sources are highly complementary and good case study should use as many sources as possible. The validity of scientific study increases by using various sources of evidences(Sounders et. al., 2003).

The following steps were taken to ensure the validity of the study:

- The data was collected using SERVQUAL model questionnaires'
- data was collected from the reliable sources meaning from respondent who has experiences in using the bank service and
- The statement in the questionnaires is designed to address the objective of the research.

3.5.2. Reliability

Reliability analysis seeks to establish the internal consistency of the variables in a research instrument, and in other words, seeks to establish the overall reliability of any research instrument (George and Mallery, 2003). By convention, the Cronbach's Alpha is the best method to use for reliability analysis. The alpha statistic ranges between 0 and 1. According to Bryman and Bell (2007), a minimum threshold of 0.7 is acceptable for instrument reliability. To this end, the internal consistency of the SERVQUAL items was assessed by computing the total reliability scale. The total reliability obtained from this study is 0.784

signifying there is greater internal consistency of the items in the scale, and that the research instrument used was reliable.

Table 1: Reliability statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
.784	46

Source: field survey 2017

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

This chapter constitutes of the presentation, analysis and the interpretation of data gathered through self-administered questionnaires. The questionnaires were distributed among 100 customers of Cooperative Bank of Oromia (CBO). Out of these questionnaires distributed to customers, 100 questionnaires were collected. From these, only 98 were properly filled. The response rate was 100% and the analysis is based on the valid 98 questionnaires response from customers.

The researcher used descriptive statistics approach to summarize data that indicates the demographic characteristics of the respondents, age, sex, educational background to simplify the understanding of the data. SPSS version II is used to obtain the descriptive analysis. *The data considered in this chapter is obtained by using SERVQUAL model.* Under this section, result of reliability test, the relationship between the five service quality dimensions and customer satisfaction, the service quality gap score of CBO, the total gap score and the overall customer satisfaction rating were presented and analyzed.

4.1. Demographic Information of the Respondents

The first part of the questionnaire consists of the demographic information of the participants. This part of the questionnaire requested a limited amount of information related to personal and demographic characteristics of respondents. Accordingly, the following variables about the respondents were summarized and described in the subsequent table. These variables includes: age and sex and level of education of the respondents.

Table 2:-Sex and Age Group of the Respondents

AGE		
Characteristics	Frequency	Percent
18-30	22	22.4
31-40	41	41.8
41-50	20	20.4
51-60	10	10.2
61 and above	5	5.1
Total	98	100.0
SEX		
Characteristic	Frequency	Percent
Male	71	72.4
Female	27	27.6
Total	98	100.0

Source: Field survey 2017

As indicated in the above Table 1, the majority (72.45 percent) of the respondents are male while female respondents accounted for the remaining 27.55 percent. In terms of age grouping, the majority of the respondents' are under the age group of 31-40 which cover about 41.8 percent of the respondents. The next age group which is under the range of 18-30 is about 22.4 percent of the respondents. The age group of above 60 years constitutes 5.1 percent of the total respondents and the age group of 51-60 is about 10.2 percent and the remaining 20.4 percent of the respondents were constituted under the age group of 41-50. This clearly shows that the information gathered is from mature individuals with almost 77.6% of the respondents are above 30 years old and all the respondents are above 18 years old.

Table 3:- Education Background & Occupation Type of the Respondents

Educational Background		
Characteristics	Frequency	Percent
No formal education	8	8.2
Primary school	21	21.4
Secondary school	23	23.5
Diploma	25	25.5
First degree and above	21	21.4
Total	98	100.0
Occupation Type		
Characteristics	Frequency	Percent
Self employed	18	18.4
Privet organization employed	25	25.5
Government employed	34	34.7
NGO employed	9	9.2
Any other	12	12.2
Total	98	100.0

Source: Field survey 2017

As indicated in **Table 2**, the majority of the respondents (25.5 percent of the respondents) have Diploma and 23.5 of the total respondents managed to complete secondary school. Only 8.2 percent of the respondent customers are not taking formal education and 21.4 percent of the respondents have educated up to primary school. From the total respondent customers, degree and above holders accounted for 21.4 percent. This shows that the information collected is more reliable as majority of the respondent has an education level above high school.

The distribution of the respondents by occupation, on the other hand, shows that majority of (about 34.7 percent) the respondents are Government Organizations' employee followed by privet organization employees which accounts around 25.5 percent of the total. Self-employed respondents account for the balance of 18.4 percent, while NGO employed are 9.2

percent of the respondents. Those engaged in contract works and part time jobs accounted for the 12.2 percent.

Table 4:-Mode of Transaction used

	Frequency	Percent	Valid Percent
Using ATM	20	20.4	20.4
Personally in CBO branches	66	67.3	67.3
Any other	12	12.2	12.2
Total	98	100.0	100.0

Source: Field survey 2017

The above table indicates that majority of the respondents, about 67.3 percent of the total, gain the service of CBO through direct personal contact with the bank's branch. Only 20.4 percent of them uses ATM to transact with CBO and 12.2 percent of them uses other mechanisms to carry out transaction in Cooperative Bank of Oromia s.c.

Table 5:-The Types of Accounts That the Respondent Customers Used

Account Type	Frequency	Percent	Valid Percent
Saving account	60	61.2	61.2
Current account	14	14.3	14.3
Loan account	7	7.1	7.1
Special saving account	6	6.1	6.1
IFB account	9	9.2	9.2
Any other account	2	2.0	2.0
Total	98	100.0	100.0

Source: Field survey 2017

As indicted in Table 4, the majority of the respondents (61.2 percent) have saving account in CBO followed by 14.3 percent with current account. 7.1 percent of them have loan account, 6.1 percent of the respondents have special saving account, 9.2 percent of them have interest free account and the remaining 2.0 percent of the respondents have other type of account at CBO.

4.2. Statistics Indicating Service Quality Dimensions for Building Customer Satisfaction

After the collection of the questionnaires from the respondents, the researcher explored the level of customers' expectation and perception towards service quality of the CBO in five dimensions: tangibility, reliability, responsiveness, assurance and empathy.

Besides using descriptive statistics of means, gap analysis is used in comparing between expectation score and perception score of the respondents and the data are analyzed using SPSS program (Statistical software package). Descriptive analysis was performed in order to examine respondent perceived and expected satisfaction.

4.2.1. Level of Customers' Expectation and Perception on Service Quality in CBO

This section presents the customers' expectation and perception towards service quality of CBO. Service quality is composed of tangibility, reliability, responsiveness, assurance, and empathy. The respondents were asked to rate each statement concerning their expectation and perception of service quality of the CBO.

As stated in the research methodology, Likert scale was used to measure the contribution of service quality dimensions for building customer satisfaction. The researcher has explored customers' expectation and perception levels towards service quality of CBO. Both expectations and perceptions are measured using a 5-point scale to rate their level of agreement or disagreement (1- strongly disagree and – 5 strongly agree), on which the higher numbers indicate higher level of expectation or perceptions. Perceptions are based on the actual service they receive in CBO and expectations are based on past experiences and information received about CBO. The quality score measures the service gap or the degree to which expectations exceed perceptions. The more positive the P-E scores, the higher the level of service quality leading to a higher level of customer satisfaction. Satisfaction and service quality are both treated together as functions of a customer's perceptions and expectations. In most cases, when expectation and perception are equal, service quality is satisfactory. The translation of level ranking is analyzed based on the following criteria of customers' satisfaction designed by Best (1977: 174)

- The score between 1.00-1.80 mean lowest satisfaction (Lowest)

- The score between 1.81-2.61 mean low satisfaction (Low)
- The score between 2.62-3.41 mean average satisfaction (Average or Medium)
- The score between 3.42-4.21 mean good satisfaction (High)
- The score between 4.22-5.00 mean very good satisfaction (Highest)

Customer satisfaction is measured on expectation and perception of customers. It is measured on five dimensions and the result is explained hereafter.

Reliability Dimensions

Reliability dimension of a corporate entity is the ability to perform the promised service consistently and accurately. In this study, the researcher evaluated the ability of the excellent bank to provide the promised service, show sincere interest in solving the problem faced, performing its service right the first time, providing its services at the promised time and dedication on error-free recording.

Table 6: Customer satisfaction related to reliability

Reliability Dimension	Expectation	Perception	Gap
	Mean	Mean	(P-E)
The Excellent bank provides the promised service.	4.13 ⁵	4.49 ²	0.36
The Excellent bank shows sincere interest to solve the problem faced.	4.31 ²	4.53 ¹	0.22
Excellent bank performs its service right first time.	4.27 ³	4.29 ⁴	0.02
Excellent bank provides its services at the time it promises to do so.	4.14 ⁴	4.43 ³	0.29
Excellent bank insists on error-free records.	4.43 ¹	3.62 ⁵	-0.81

Source: Field survey 2017

Table 6 shows the reliability measurement variables and from expectation perspective, the dedication of the bank to achieve error free record (4.43). This variable has given a least attention as the perception of customers explains it to be the fifth one (3.62) among the stated variables. The next highest point in the view of customers' expectation is the motivation in showing sincere interest to solve the problem faced (4.31). To this variable, we find that the customer perception is at the top (4.49). Though we find a gap in between the two, it shows the bank is working good regarding this variable. In general, the only negative gap we

obtained is on error free record. Keeping the regards in the other variables, the bank must work on this dimension to gain customers trust and ascertain reliability of service quality.

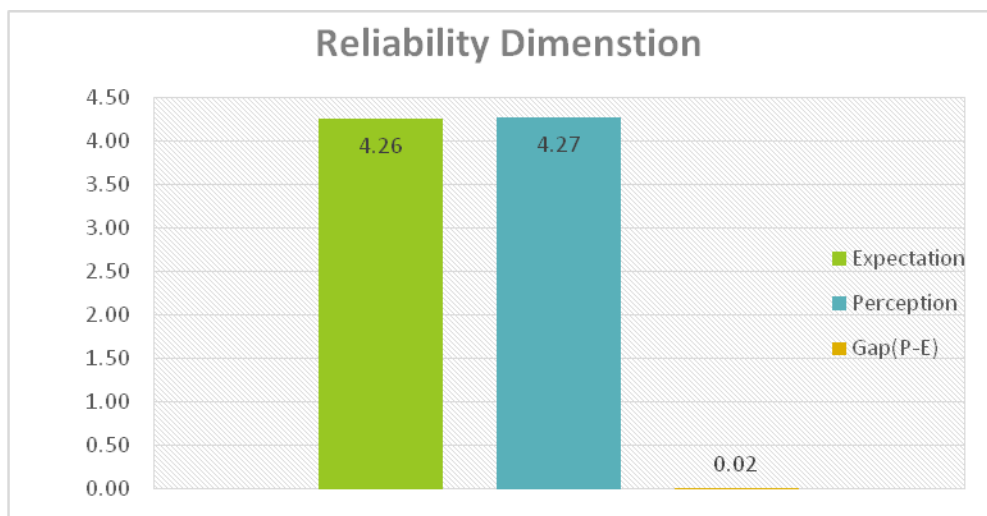


Figure 3: Reliability Dimension Analysis

In general, based on Best (1977: 174) explanation, with the exception of error free record which shows good customer satisfaction (high), all the other variables shows that there exist very good satisfaction (Highest). However, overall customer satisfaction is all about the difference between perception and expectation. In this regard, Figure 33, shows that the reliability expectation scores is 4.26 (85.2 %) and the reliability of perception is 4.27 (85.4%) leaving a positive gap of 0.02((0.4%) indicating a full customer satisfaction.

Responsiveness Dimension

Responsiveness by definition is the willingness to help customers and provide immediate and valuable service. In this regard, it may be related to providing essential information, making available oneself to solve the problem the willingness to help customers and provide prompt service and others such as making information available to customers, never too busy to respond to your requests, providing prompt reply for customers request and other.

To evaluate such a service quality dimension, four questions were distributed to customers at random selection and they were requested to fill it based on their perception and expectation.

The collected resulted is shown in the table 6 below.

Table 7: Customer satisfaction related to Responsiveness

Responsiveness Dimension	Perception	Expectation	Gap
	Mean	Mean	P-E
Employees of the excellent bank tell you exactly when the service will be delivered.	4.38 ⁴	3.66 ³	-0.71
Employees of the excellent bank give you a prompt service.	4.49 ³	3.52 ⁴	-0.97
Employees of the excellent bank are always willing to help you.	4.69 ²	3.69 ²	-1.00
Employees of the excellent bank are never too busy to respond to your requests.	4.82 ¹	3.70 ¹	-1.11

Source: Field survey 2017

From the table above, we can see that more gap between perception and expectation is related to “employees of the excellent bank are never too busy to respond to your requests” (-1.11) which means employees of the bank lacks readiness to help customers upon the requests availed. However, this dimension is the top both on perception and expectation, showing that the bank is working towards addressing customers’ expectation. The second highest in expectation is also the second highest in perception. From this, we can give a general conclusion that the bank gives more attention to the variable that the customers value more.

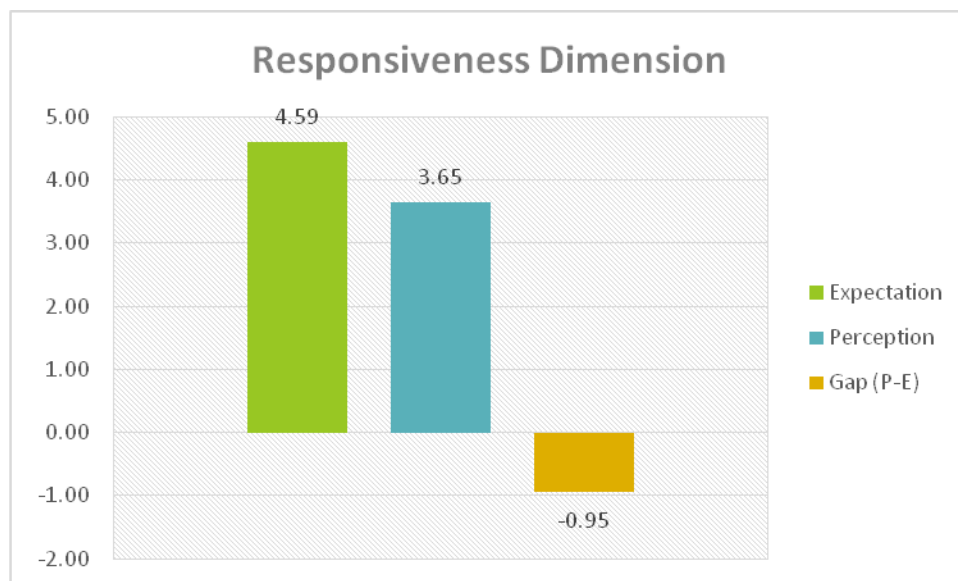


Figure 4: Responsiveness Dimension

In general, based on Best (1977: 174) explanation, based on perception, all the variables are under the range of good customer satisfaction (high). However, overall customer satisfaction towards the given service quality dimension is measured based on the gap between perception and expectation of the service delivered. In this regard, Figure 44, shows that customers' expectation of service quality (4.59: 91.8%) is higher than perception (3.65:73%) which leads to a negative gap of 0.95((19%). Hence, we can conclude that the service delivered by the bank doesn't lead to customer satisfaction.

Empathy Dimensions

This dimension represents the provision of caring and giving individualized attention to customers including access or approachability and ease of contact, effective communication, and understanding the customers.

Table 8: Customer satisfaction related to empathy

Empathy Dimension	Expectation	Perception	Gap
	Mean	Mean	P-E
The excellent bank gives an individual attention.	4.63 ²	3.85 ³	-0.79
The excellent bank operating hour is convenient to you.	4.53 ⁴	3.86 ²	-0.67
The excellent bank has employees who give a special attention to customers.	4.51 ⁵	3.87 ¹	-0.64
The excellent bank has your best interests at heart.	4.67 ¹	3.87 ¹	-0.81
Employees of the excellent bank understand your specific needs.	4.57 ³	3.76 ⁴	-0.82

Source: Field survey 2017

This table shows that “*The excellent bank has your best interests at heart*” and “*The excellent bank gives an individual attention*” are the most important measurement dimensions as it measures a mean of 4.67 and 4.63 respectively from expectation point of view whereas “*The excellent bank has employees who give a special attention to customers*” and “*The excellent bank has your best interests at heart*” are the top most important variable with a mean of 3.87 each from perception point of view. In all variables we found that expectation is higher than

perception, based on gap model, this leads to customer satisfaction. Therefore, the bank must work towards addressing customers' expectation.

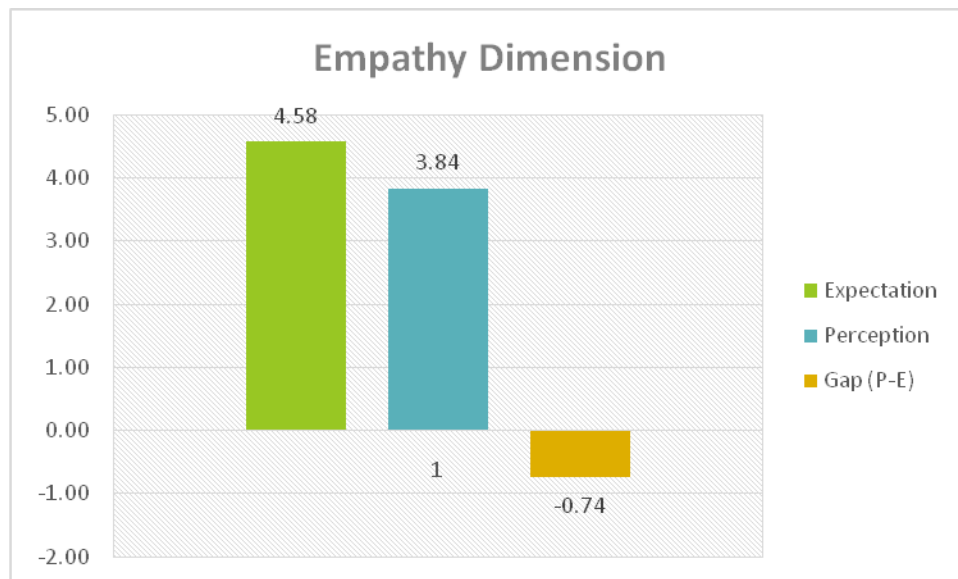


Figure 5: Empathy dimension analysis

In general, based on Best (1977: 174) explanation, based on perception, all the variables are under the range of good customer satisfaction (high). However, overall customer satisfaction towards the given service quality dimension is measured based on the gap between perception and expectation of the service delivered. In this regard, Figure 55 shows that the overall average expectation of service quality for responsiveness (4.58:91.6%) is higher than the perception (3.84:76.8) with a positive gap of 0.74 (14.8%). Therefore, it can be concluded that service delivered by the bank is dissatisfactory on responsiveness dimension of service quality.

Tangibility Dimensions

Tangibility deals with the appearance of physical facilities, equipment, and appearance of personnel, and communication materials. To investigate this dimension of service quality, the researcher introduced four major questions and the descriptive statistics is summarized in the table below.

Table 9: Customer satisfaction related to tangibility

Tangibility Dimension	Expectation	Perception	Gap
	Mean	Mean	P-E
The excellent bank has modern-looking equipment.	4.34 ⁴	3.97 ¹	-0.37
The excellent bank's physical facilities are visually appealing.	4.40 ²	3.51 ⁴	-0.89
The excellent bank's employees are well dressed and neat in appearance.	4.43 ¹	3.58 ³	-0.85
Materials associated with the service (such as pamphlets or statements) are clear and visually appealing at the excellent bank.	4.38 ³	3.93 ²	-0.45

Source: Field survey 2017

Table 8 clearly shows that the highest customers' expectation is obtained from "The excellent bank's employees are well dressed and neat in appearance" (4.43), meaning customers expect the employees to dress well and become presentable and this variable is the third from perception point of view (3.58). The next higher customer expectation point is obtained from the existence of visually appealing physical facilities (4.40) which is the fourth from perception point of view (3.51). Surprisingly, the fourth variable from customers' expectation point (4.34) is the first from perception point (3.97). This shows that the bank is not working towards customers' expectation. Therefore, much is expected from the CBO branches to consider what customers value more and what needs to be done must be identified. In this regard, while keeping the performance in modern locking equipment, the branches must also work on employees dressing style, preparation and a availability of visually appealing physical facilities (preparation of chairs for waiting, selection of branch areas and others must be considered.). In general, from Best (1977: 174) explanation which states that mean ranging between 3.42 and 4.21 can be considered as good satisfaction (high), since all the perceptions are in the range, we can say that there exist good customer satisfaction.

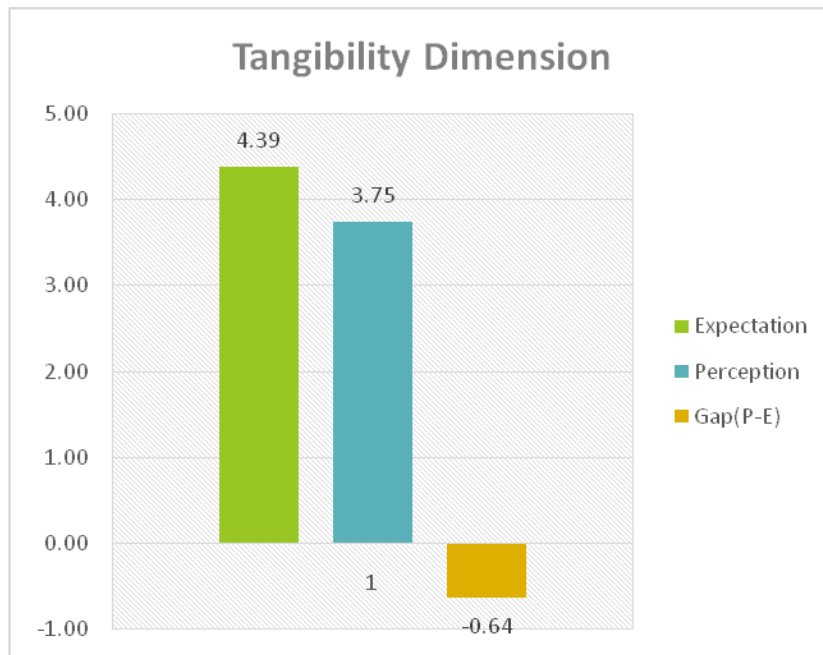


Figure 6: Tangibility dimension analysis

From the gap analysis, the overall customer satisfaction is based on the difference between perception and expectation of service delivered. **Figure 6** shows that, customers' expectation of tangibility is of 3.75(75%) and perception is of 4.39 (87.8) which leaves a negative gap of 0.64 (12.8%). This shows that there exists a general dissatisfaction of customers on tangibility dimension of service quality.

Assurance Dimension

Assurance Dimension is about the knowledge and courtesy of employees and their ability to instill trust and confidence. To analyze this dimension, the researcher used four questions and the result obtained is summarized in the table below.

Table 10: Customer satisfaction related to reliability

Assurance Dimension	Expectation	Perception	Gap
	Mean	Mean	(P-E)
The behavior of CBO'S employees instills confidence in you.	4.73 ³	3.74 ²	-0.99
You feel safe in your transactions with CBO.	4.76 ²	3.79 ¹	-0.97
Employees of CBO are consistently courteous with you.	4.67 ⁴	3.63 ³	-1.04
Employees of CBO have the knowledge to answer your questions.	4.86 ¹	3.55 ⁴	-1.31

Source: Field survey 2017

From perception point of view, we can clearly notice that “*The behavior of CBO'S employees instills confidence in you*” (3.79) and “*You feel safe in your transactions with CBO*” (3.74). Based on **Best (1977: 174)** explanation, mean ranging between 3.42 and 4.21 has a meaning of good satisfaction (High). Since all the assurance variables lies in this range, we can say that the customers are satisfied with the service deliver. However, customer satisfaction is all about the difference between the perception and expectation of the service delivered. From this point, all the gaps are negative and it is clear that the service delivered by the bank in the dimension of assurance is not customer satisfactory. What the customer’s value more in this dimension is about the knowledge of the employees to answer questions raised (3.86) and it is the least that the bank works on (3.55). The second variable that the customer value more is feeling safe about the transaction process in CBO (4.76)and this is also the dimension that CBO give more attention and customers’ perception to this variable is the highest one (3.79).

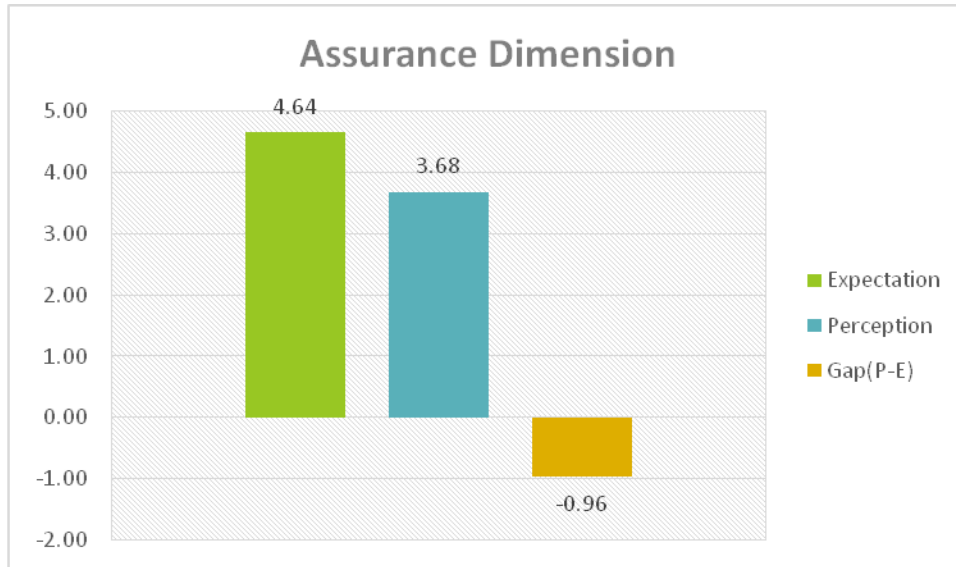


Figure 7: Assurance dimension analysis

Figure 77, on average, shows that customers’ expected to have 4.64 (95.2%) service quality and they feel that they actually receive a service quality of 3.86 (73.6%) which leaves a negative gap of 1.08 (21.6%). This shows that there exists a general dissatisfaction of customers on assurance dimension of service quality.

4.2.2 Customers Loyalty

Customers are asked to give their perspective on their loyalty to the bank and the final result is summarized in the table below.

Table 11: Descriptive Statistics on Customer loyalty

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Customer loyalty	98	1	5	2.30	1.096

Source: Field survey 2017

From this table, we can clearly see that the mean of customer loyalty is 2.30 and according to **Best (1977: 174)**, this value lies between 1.81 and 2.61 with a meaning of low customer loyalty. Bradley T. Gale (2010) customer retention rates—and attraction rates--are driven by the customer’s perception of the value of our offering relative to competitors. Zeithaml & Bitner (1996) also stated that customers will remain be loyal to a service organization if the value of what they receive is determined to be relatively greater than that of expected. Hence, the bank should work on addressing customer’s interest and create trust on customers.

4.3. Overall Customer Satisfaction Level

According to Anderson and Vincze (2000), customer satisfaction is measured by looking at the difference between service quality perception and expectation of customers using the five dimension of SERVAQAL model. Positive gap between perception and expectation has information of customers' satisfaction on the service delivered. To this end, the researcher has conducted an intensive study on individual service quality dimensions and the overall customer satisfaction is summarized in Figure 8.



Figure 8: Overall customer satisfaction

From this, we can clearly see that customers' perception of each dimension is higher than 3.65 which are in the range of good satisfaction (High) (Best (1977: 174)). As the main objective is to assess customers' satisfaction and service quality, looking in to the gap, we can see that, with the exception of reliability dimension, the other dimensions of service quality have negative gap between perception and expectation of service quality.

Beerli et al. (2004) describes customer satisfaction as the measure of the extent a bank fulfills the general expectations of a customer and how far and/or close does the existing bank come to the customer's ideal bank in his mind. To this end, we can say that the bank is not working towards achieving customers' expectation. The overall customers' satisfaction taking the average of the five service quality dimensions is 4.46 (89.9%) for expectation and 3.84(76.8%) for perception leaving a negative gap of 0.68(13.2%). Parasuraman et al., (1985) suggested that when perceived service quality is high, then it will lead to increase in customer

satisfaction. Based on this argument, since customer perception of the service quality is lower than perception, it can be concluded that customers are dissatisfied. This argument is also supported by customers' response on their satisfaction. The mean value of this is 2.97 which signify low customer satisfaction.

Table 12: Descriptive statistics of Customer satisfaction

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Customer Satisfaction	98	1	5	2.97	.936

Source: Field survey 2017

As service quality is an antecedent of customer satisfaction, which has been proven by Negi, (2009), since consumers are expecting highest service quality (4.51 mean) and they are receiving high service quality (3.84) with a negative gap of 0.68 which signifies that customers of the bank are dissatisfied by the service offered. As Yi (1990) stated that customer satisfaction is the result of good interaction between the consumer and service provider, from our results, it can be argued that the bank has a gap in delivering a service with greater interaction.

4.4. Critical Factors of Customer Satisfaction of the Bank

Identifying the most critical factor that affects customer satisfaction can be obtained by using Multiple Regression Analysis. This method was suggested by Bryman and Bell (2007) as the most befitting method to address this issue. Coefficient of determination – R^2 is the measure of proportion of the variance of dependent variable about its mean that is explained by the independent or predictor variables (Hair et.al, 1998). Hence, this approach was applied and the outcome analysis is depicted in the table below.

Table 13: Regression Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.955 ^a	.912	.908	.284

a. Predictors: (Constant), Responsiveness, Tangibility, Assurance, Reliability, Empathy

Interpretation of the above table is that 91.2% variation of customer satisfaction in CBO is obtained from the variation of the five SERVAQUAL dimensions. The unexplored variables may explain the variation in service quality which accounts 8.8 % percent.

The contribution level of each factor can be obtained from the respective regression Beta (B) coefficient. The B coefficient output (at 99 percent confidence level ($p < 0.01$)) is shown in table 14. Since the significance level is less than 0.05 which makes all the dimensions including the constant plays a prominent role on variation of customer satisfaction. The highest contribution is from empathy (0.304) followed by assurance (0.268), responsiveness (0.245), tangibility (0.271) and finally reliability (0.222). From this, we can conclude that the most critical factors are Empathy and Assurance. This has clear information for CBO central braches to work towards assurance and empathy. The level of importance is therefore; Empathy, Assurance, Responsiveness, Tangibility and Reliability in descending order.

Table 14: Regression Analysis – Coefficients

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.857	.043		88.837	.000
	Reliability	.222	.035	.219	6.300	.000
	Assurance	.268	.025	.353	10.540	.000
	Tangibility	.271	.029	.320	9.313	.000
	Empathy	.304	.033	.325	9.111	.000
	Responsiveness	.245	.025	.349	9.753	.000

a. Dependent Variable: Customer Satisfaction

4.5. Interrelationship between Service quality, customer satisfaction and customer locality

A correlation coefficient is a very useful means to summarize the relationship between two variables with a single number that falls between -1 and +1 Field (2005). If the Sig. value (p

value) $p \leq 0.05$, then there is a statistically significant correlation. To identify the correlation between service quality dimensions and customer satisfaction, we conducted a correlation analysis with Pearson's correlation coefficient (r). Fields (2005) suggested that the correlation between to variables can be classified as per the following format.

- 0.1– 0.29 is weak;
- 0.3 – 0.49 is moderate; and
- > 0.5 is strong.

Table 15: correlation analysis between service quality and customer satisfaction

Correlations	
	Customer Satisfaction
Reliability	.423**
Assurance	.586**
Tangibility	.447**
Empathy	.696**
Responsiveness	.697**
*. Correlation is significant at the 0.05 level (2-tailed).	
**. Correlation is significant at the 0.01 level (2-tailed).	

Source: field survey 2017

From table 15, we can clearly see that there is a correlation coefficient of greater than 0.29 with a meaning of moderate correlation. Responsiveness, Assurance and Empathy has a strong correlation with 0.697, 0.5586 and 0.696 values respectively. To understand further, we can take the square of correlation coefficient which measures the amount of variability one variable due to the change in the other (Andy, 2005). From this point, 17.89 percent of the variability customer satisfaction is resulted from reliability, 34.34% is from Assurance, 22.75% is from Tangibility, 48.44% is from Empathy and 48.59% is from Responsiveness dimension of SERVAQUAL model. In conclusion, service quality and customer satisfaction has a strong correlation.

Correlation between customer satisfaction and loyalty can also be understood from the Pearson's correlation analysis. The outcome of this analysis shows (table 16) that there exist a high correlation between customer satisfaction and loyalty (0.622).

Table 16: Correlation between Customer Satisfaction and Customer Loyalty

Correlations		
	Customer Satisfaction	Customer loyalty
Customer Satisfaction	1	.622**
Customer loyalty		1
**. Correlation is significant at the 0.01 level (2-tailed).		

Source: Field survey 2017

CHAPTER FIVE

SUMMARY OF THE FINDING, CONCLUSION AND RECOMMENDATION

This chapter starts with summary of the key finding in each service quality dimensions and also customer satisfaction level. The next part is about conclusion where we give the final conclusion about the thesis finding. The final section is about recommendations.

5.1. Finding the Summary

5.1.1. Perception and Expectation of the Five Dimension of Service Quality

The researcher conducted a descriptive analysis on the five dimensions of service quality and the finding of the study is explained hereafter.

Reliability Dimension

The performance of CBO based on customers' perception revealed that it is greater than 3.65 signifying the achievement of good customer satisfaction (high). As per definition of Best (1977: 174), we conclude that Customers' perception on reliability is in very good satisfaction (highest), responsiveness is good satisfaction, empathy is good satisfaction, tangibility is good satisfaction and assurance is good satisfaction.

The reliability dimension of service quality, as examined by the researcher, the highest perception is obtained from the bank showing a sincere interest in solving the problems faced which denotes highest customer satisfaction. This proves that the bank is keen and ready to solve problems that may face on the service delivery process. The next highest perception is on delivery of the promised service which is also in the range of highest customer satisfaction. Selected branches for this study prove their readiness in delivering the promised service to the customers. The lowest perception is obtained from the bank's dedication to achieve error-free records which implies high customer satisfaction. The bank should work hard on this variable of reliability dimension.

Looking into the customer expectation, we found that the highest expectation is obtained from the bank's dedication towards achieving error-free records. It means the customers are expecting the bank to be the first in error free recording. This explains that the bank must take this variable as a primary area to work on. The next highest is related to the bank

showing a sincere interest to solve the problem faced. It is the customers expectation that the bank to value their expectation on solving the problem that they may face during service receiving process. The least expectation is obtained from the delivery of the promised service. This means customers can tolerate whether the bank delivers the promised service or not compared to the other variables of the reliability dimension.

Responsiveness Dimension

The highest perception of service quality is obtained from the willingness of the bank towards being never too busy to respond for the requests raised by customers which is in the range of high customer satisfaction. This indicates that it is the variable that the bank values more to address customers in answering the questions raised during service delivery process. The last variable that the bank values more is related to the willingness of the employees to give a prompt service with the meaning of high customer satisfaction.

The highest customers' expectation is from employees of the bank is never too busy to respond for requests raised. This indicates that what customer's value more is receiving a positive response for the requests they raised. The next variable that customers value more is on willingness of the employees to help customers. Customers need to receive valuable help from employees of the bank. The variable that the customers value least is related to conveying clear and concise information about when the service will be delivered.

Empathy Dimension

"The excellent bank has your best interests at heart" is the highest measurement and *"The excellent bank operating hour is convenient to you"* is the lowest expectation variable measured. This indicates that what customer's value more is about the bank to have the best interest of them and work towards addressing this very interest whereas can tolerate the bank's operating time compared to the other variables.

"The excellent bank has employees who give a special attention to customers" and *"Employees of the excellent bank understand your specific needs"* are the highest and the lowest variable with a mean of 3.87 and 3.76 respectively. Customers' perception on employees of the bank giving special attentions for customer is in the range of good satisfaction. However, according to their perception result employees of the bank are not feeling that the bank understands their very need compared to the other variables.

Tangibility Dimension

“*The excellent bank’s employees are well dressed and neat in appearance*”, meaning customers expect the employees to dress well and become presentable. The lowest expectation is from whether the bank has modern looking equipment or not. This indicates that customers can tolerate this variable compared to the other variables.

From perception point of view the highest service quality is obtained from existence of modern looking equipment and the lowest service quality is from availability of visually appealing physical facilities.

Assurance Dimension

From perception point of view, we can clearly notice that “*The behavior of CBO’S employees instills confidence in you*” measures high customer satisfaction regarding the behaviors of employees of the bank to instill confidence on customers. The lowest perception is from the knowledge of employees to answer all questions raised by customers.

From expectation side, we can understand that what customer’s value more is the ability of employees to answer question raised and what they value least is about the consistency and courteousness of employees to serve them.

5.1.2. The Service Quality Gaps and Overall Customer Satisfaction

In the reliability dimension it has been identified that the gap between perception and expectation is positive which implies customer satisfaction in this regard is achieved. However, there exist negative gaps if we look into the five variables used to measure the service quality related to reliability. This is mainly related to dedication of bank to achieve error free records.

In responsiveness dimension of service quality we obtained that there exist negative gap between perception and expectation of service quality signifying customer dissatisfaction. The entire variable used to measure service quality also shows that the gap between perception and expectation is negative.

Empathy dimension also had a negative gap with customer dissatisfaction. All the variables considered to measure this dimension of service quality is negative indication customer dissatisfaction.

Tangibility and assurance had a negative gap of 0.64 and 0.96 respectively. In the same way to responsiveness and empathy, here we found also a negative gap to all the variables used to measure service quality.

Summarizing the above service quality measurement dimension, we found that customers' expectation on service quality is 4.49 (89.9%) and 3.84(76.8%) for perception leaving a negative gap of 0.66(13.2%). The total measurement direction indicates that customers' satisfaction, based on the gap analysis, is not achieved.

5.1.3. Determinant Factor of Customer Satisfaction

To determine the determinant factor, we conducted a regression analysis and the outcome clearly shows that CBO central branch should work towards addressing Empathy, Assurance, Responsiveness, Tangibility and Reliability in this order.

5.1.3. Relationship between Service Quality, Customer Satisfaction and Loyalty

Parasuraman, et al (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.”* It is this that the customer watch about the service delivered. According to **Kotler (2006)**, satisfaction is a person’s feelings of pleasure or disappointment resulting from comparing a product’s perceived performance in relation to his or her expectations. This leads to the final concept of loyalty *to* a service organization is based on the difference between what the customer receives and what is they expects (Zeithaml & Bitner, 1996). Based on this appealing information, we can look at our finding in figure 8. The finding indicates that there is a positive gap with respect to reliability which leads to customer satisfaction on this dimension. If we look at the other dimensions, the gap between perceived and expected service quality is negative implying customer dissatisfaction. If we look at the overall customer satisfaction we find that customers’ expectation is higher than customers’ perception leaving a negative gap. As per the previous argument, this outcome indicates that customer satisfaction is under question. This intern will have a negative impact

on customer loyalty. To support this we conducted a correlation between the service quality dimensions, customer satisfaction and customer loyalty. The outcome indicates that there exists strong correlation between the service quality dimension and customer satisfaction and also customer satisfaction and customer loyalty has also strong correlation. That is why we have low customer loyalty due to low service quality and customer satisfaction.

5.1.5 Customers' Requirement or Expectation

The researcher has investigated the five SERVAQUAL dimensions of service quality by preparing questionnaires. The data received has two parts: customers' perception on service quality and customers expectation on service quality. From figure 6, we can clearly understand that assurance is the service quality dimension that the customer value more followed by responsiveness and then comes empathy. The least to customer expectation is from tangibility and reliability. In general, all the customers' expectation is above 4.0, meaning the bank is expected to do more in addressing this very high expectation.

5.2. Conclusion

The purpose of the research was to assess the quality of service and customer satisfaction in Cooperative Bank of Oromia in the case of central Finfine district five branches of customers namely Finfine Churchill, Qarsa Main, Merkato & Gofa Gebriel Branches

From the findings above, the result of reliability showed a positive difference between customer's perception and expectation implying customer satisfaction. Digging deep inside to the variables of this dimension, we found that the highest positive gap between perception and expectation is on the ability of the bank to keep the promise bestowed upon the customers (0.36). This results instills confidence on customer to believe that when the bank promised to do something on a certain time, by that time the peoples will be there to receive their very promise. However, customers are dissatisfied on the variable of error free recording. They expected more (highest expectation: 4.43) and they receive high service (3.62) leading a negative gap of 0.81.

If we look into the other dimensions, the overall customer satisfaction is not achieved due to a negative gap between perception and expectation. Customers are expecting more and the bank is delivering a service below this expectation which leads to customer dissatisfaction. Responsiveness dimension has expectation of 4.59 and perception of 3.65 leaving a negative gap of 0.95. When we look at the empathy dimension, customers are expecting to have a

service quality of 4.58 and they are receiving a service quality of 3.84 leaving a negative gap of 0.74. By the same fashion, tangibility shows expectation of 4.39 and perception of 3.75 leaving a negative gap of 0.64. The final dimension but not the least is assurance. Customers' expectation of service quality to this dimension is 4.64 which is the highest of all and is receiving a service quality of 3.68 which leaves the highest negative gap of all (0.96).

Summarizing the above service quality measurement dimension, we found that customers' expectation on service quality is 4.49 (89.9%) and 3.84(76.8%) for perception leaving a negative gap of 0.66(13.2%). This indicates that customers are dissatisfied due to the existence of negative gap. This also supported by an independent question distributed on customer satisfaction. The outcome of this question shows that a mean of 2.97 which indicates low customer satisfaction.

From perception point of view, it can be concluded that customers are receiving high service quality (3.84). This is because; customers are tolerating their expectation and wishing that the bank can overcome the shortcomings in the future.

In concluding, CBO must work towards addressing the customers' expectation as it has an impact on customer satisfaction and which in turn has an impact on customer retention and loyalty. It has been identified that 13.2 % of service quality gap is existed between perception and expectation which must be minimized by continuous effort in improving the service quality. To ensure customer retention, CBO's selected branch needs to revise their quality strategy giving particular attention to the expectations of the customers, improve all the SERVQUAL dimensions to exceed what the customers expect. By this, there will be a guarantee to retain the customers.

5.3. Recommendation

The finding of this paper is expected to help management personnel of CBO and based on the finding the following improvement recommendations are suggested.

5.3.1. Service Quality Dimensions Improvement

With the exception of reliability, all the other service quality dimensions have a negative gap between perception and expectation which leads to a total negative gap. Therefore, much must be done to improve the performance of the bank to these dimensions. Assurance, responsiveness and empathy are the service quality dimensions showing the highest negative

gap between perception and expectation in that order. Hence, the bank requires to a pragmatic strategy to circumvent the scenario and attract more customers while keeping the loyal ones.

5.3.2. Regular Assessment of Service Delivery

As per the outcome of this thesis, the central Finfine district of CBO will be informed on which area that the bank must engage on improving its performance so as to ascertain service quality and customer satisfaction.

5.3.3. Emphasize More on What Customers Value More

It has been identified that what the CBO branches focus on is not in different direction of customers' expectation. If we take the service quality dimension, the bank works on reliability and customers' value assurance more which results in huge negative gap leading customer dissatisfaction. If we look deep in to the variable used to measure each dimension, we can also notice similar scenario.

5.3.4. Further study

It is open for other to consider a wholesome study to obtain the whole picture of service quality and customer satisfaction. To this end, others can consider two or more districts and can conduct cross-quality relationship.

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APPENDIX: QUESTIONNAIRES

St. Mary's University

School of graduate studies

Questionnaires

To be filled by customer of cooperative bank of oromia s.c.

Dear respondent,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic, "an assessment of service quality and customer satisfaction in cooperative bank of oromia s.c. :the case of central finfine district" for the partial fulfillment of the masters of business administration (MBA) program at St. Mary's university. I kindly request you to provide me reliable information. Your responses will be kept confidential.

Thank you in advance for your cooperation

N.B: *No need of writing your name*

Put (✓) inside the box or table for an alternative you think is right.

PART I. PERSONAL INFORMATION

Gender	Male	
	Female	
Age group	18-30 years old	
	31-40	
	41-50	
	51-60	
	60 and above	

Educational Level	No formal education	
	Primary school	
	Secondary school	
	Diploma	
	First degree and above	
Employment type	Self employed	
	Privet organization employee	
	NGO employee	
	Government employee	
	Any other	
What type account do you use In CBO?	Saving Account	
	Current Account	
	Special Saving Account	
	Loan Account	
	IFB Account	
	Any Other _____	
Which channels do you prefer to carry out banking transactions in CBO?	Using ATM	
	Using Internet Banking	
	Using Mobile Banking	
	Personally At CBO Branch's	
	Any Other	

PART II. CUSTOMERS’ EXPECTATIONS

Directions: this is based on past experiences and information received as a customer of bank services; please think about the kind of bank that would deliver an excellent quality of service. Please show the extent to which you think such a bank would possess the feature described by each statement. If you feel a feature is not at all essential for excellent bank such as the one you have in mind, circle the number 1. if you feel a feature is absolutely essential for excellent bank circle 5(1=strongly disagree, 2= disagree, 3= Neutral 4= agree and 5= strongly agree. if your feelings are less strong, circle one of the numbers in the middle. there is no right or wrong answers – all i am interested in is a number that truly reflects your feelings regarding companies that would deliver excellent quality of service.

	Variables	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	Reliability					
1.1	When excellent bank promises to do something by a certain time, it does so.	1	2	3	4	5
1.2	When you have a problem, the excellent bank shows a sincere interest in solving it.	1	2	3	4	5
1.3	Excellent bank performs its service right first time.	1	2	3	4	5
1.4	Excellent bank provides its services at the time it promises to do so.	1	2	3	4	5
1.5	Excellent bank insists on error-free records.	1	2	3	4	5
2	Responsiveness					
2.1	Employees of excellent bank tell you exactly when the service will be performed.	1	2	3	4	5
2.2	Employees of excellent bank give your prompt service.	1	2	3	4	5
2.3	Employees of excellent bank will always willing to help you.	1	2	3	4	5
2.4.	Employees of excellent bank are never too busy to respond to your requests.	1	2	3	4	5
3	Assurance					
3.1.	The behavior of excellent bank employees instills confidence in you.	1	2	3	4	5
3.2.	You feel safe in your transactions with excellent bank	1	2	3	4	5

3.3	Employees of excellent bank are consistently courteous with you.	1	2	3	4	5
3.4	Employees of excellent bank have the knowledge to answer your questions.	1	2	3	4	5
4	Empathy					
4.1	The excellent bank gives you individual attention.	1	2	3	4	5
4.2	The bank has operating hours convenient to you.	1	2	3	4	5
4.3	Excellent bank has employees who give your personal attention.	1	2	3	4	5
4.4	The excellent bank has your best interests at heart.	1	2	3	4	5
4.5	Employees of excellent bank understand your specific needs.	1	2	3	4	5
5	Tangibles					
5.1	Excellent bank has modern-looking equipment.	1	2	3	4	5
5.2	The excellent bank's physical facilities are visually appealing.	1	2	3	4	5
5.3	Excellent bank's employees are well dressed and neat in appearance.	1	2	3	4	5
5.4	Materials associated with the service (such as pamphlets or statements) are clear and visually appealing at excellent bank.	1	2	3	4	5

PART III. CUSTOMERS PERCEPTIONS

Directions: The following set of statements relate to your feelings about Cooperative Bank of Oromia S.C. while you are served. For each statement, please show the extent to which you believe CBO has the feature described by the statement based on the actual service you receive. Circle 1 if you strongly disagree that CBO has that feature, and circle 5 that if you strongly agree. You may circle any of the numbers in the middle that show how strong your feelings are (2= Disagree 3= Neutral and 4= Agree). There is no right or wrong answer – all I am interested in is a number that best shows your perceptions about cooperative bank of Oromia s.c.

	Variables	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	Reliability					
1.1	When CBO promises to do something by a certain time, it does so.	1	2	3	4	5
1.2	When you have a problem, the bank shows a sincere interest in solving it.	1	2	3	4	5
1.3	CBO performs its service right first time.	1	2	3	4	5
1.4	CBO provides its services at the time it promises to do so.	1	2	3	4	5
1.5	CBO insists on error-free records.	1	2	3	4	5
2	Responsiveness					
2.1	Employees of CBO tell you exactly when the service will be performed.	1	2	3	4	5
2.2	Employees of CBO give your prompt service.	1	2	3	4	5
2.3	Employees of CBO are always willing to help you.	1	2	3	4	5
2.4.	Employees of CBO are never too busy to respond to your requests.	1	2	3	4	5
3	Assurance					
3.1.	The behavior of CBO’S employees instills confidence in you.	1	2	3	4	5
3.2.	You feel safe in your transactions with CBO.	1	2	3	4	5
3.3	Employees of CBO are consistently courteous with you.	1	2	3	4	5
3.4	Employees of CBO have the knowledge to answer your questions.	1	2	3	4	5
4	Empathy					

4.1	The bank gives you individual attention.	1	2	3	4	5
4.2	The bank has operating hours convenient to you.	1	2	3	4	5
4.3	CBO has employees who give your personal attention.	1	2	3	4	5
4.4	The bank has your best interests at heart.	1	2	3	4	5
4.5	Employees of CBO understand your specific needs.	1	2	3	4	5
5	Tangibles					
5.1	CBO has modern-looking equipment.	1	2	3	4	5
5.2.	The bank's physical facilities are visually appealing.	1	2	3	4	5
5.3	CBO's employees are well dressed and neat in appearance.	1	2	3	4	5
5.4	Materials associated with the service (such as pamphlets or statements) are clear and visually appealing at CBO.	1	2	3	4	5
General Questions						
1	Are you satisfied by the service delivered?(Customer Satisfaction)	1	2	3	4	5
2	Are you feeling loyal to the bank? (Customer loyalty)	1	2	3	4	5

In addition to the points mentioned above if you have any suggestion that need to be improved please mention below.
