



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

**ASSESSMENT OF CUSTOMERS' SATISFACTION AND
SERVICE QUALITY OF AWASH INTERNATIONAL
BANK (S.C.)**

**BY
ELSABETH GIRMA MENGISTU**

**JUNE 2015
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO St. MARY'S UNIVERSITY SCHOOL OF
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ADDIS ABABA, ETHIOPIA**

**St. MARY'S UNIVERSITY SCHOOL OF GRADUATE
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DECLARATION

I, the under signed, declare that this thesis is my original work, prepared under the guidance of Aast.Professor, Tiruneh Legesse. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

Signature & Date

ENDORSEMENT

This is to certify that this project work, **“Assessment of Customers’ Satisfaction and Service Quality of Awash International Bank S.C.”**, undertaken by Elisabeth Girma for the partial fulfillment of Masters of Business Administration [MBA] at St. Mary University, is an original work and not submitted earlier for any degree either at this University or any other University.

Research Advisor

Signature & Date

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Acronyms/Abbreviations

AIB = Awash International Bank S.C.

NBE = National Bank of Ethiopia

SERVQUAL = Service Quality

SPSS= Statistical Package for Social Science.

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Abstract

Today competition is getting intense than before. So that companies need to start paying special attention to their service quality, competitors, development of new technological aspects ever after. Companies should constantly anticipate the customers unlimited needs and expectations and try to address the gap. The aim of this study is to assess customers' satisfaction and the service quality of Awash International Bank S.C. and to give an insight for the management for areas of improvement. A total of 363 respondents who have used AIB's service were participated in the study from 26 branches. The data has been analyzed using descriptive statistics. From the analysis made, it is found that 85 percent of the respondents are satisfied with the service quality of the bank but still looking for improvement in the cashless banking system of AIB. The five SERVQUAL dimensions (empathy, reliability and assurance) showed good rating but tangibility and responsiveness was found to be the areas that need special attention of the bank management. The overall service quality perceived by the customers is good and need improvement. For the attainment of its vision, "to be the strongest and most preferred bank of the People "and to maintain its competitiveness in the market the bank should work on the entire aspect of quality dimensions and especially on those with the higher gaps i.e. tangibles in introducing technologically advanced banking system.

Key words: Service Quality, Customer Satisfaction, SERVQUAL dimensions, AIB

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Chapter One: Introduction

1.1. Background of the Study

Customer service quality is a crucial source of distinctive competency and often considered as key success factor in sustaining competitive advantage in service industries. Service quality has become one of the key driving forces for business sustainability and is vital for firms' accomplishment (Palmer, 2001). Service quality in banking implies consistently anticipating and satisfying the needs and expectations of customers. Parasuraman et al., (1985) and Zeithaml et al., (1990) noted that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers. Provisions of high quality service results in higher customer satisfaction and enhance customer loyalty.

Customers are the sole judge of service quality; an organization can build strong reputation for quality service when it can constantly meet customer service expectations, Berry et al., (1990). Gefan (2002) defined Service quality as the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get. Similarly, customer satisfaction is crucial in the banking sector because of the special nature of the financial services which are characterized by intensive contacts with customers who have different needs and require customized solutions (Molina et al., 2007). In addition, customer satisfaction is known to be one of the most important and serious issues towards success in today's competitive business environment, as it affects company's market shares and customer retention (Ooi, et al., 2011).

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. Customer satisfaction is a collective outcome of perception, evaluation and psychological reactions to the consumption experience with a product/service Hansemark and Albinson (2004). Here customers' perception takes the major share towards customers' satisfaction because satisfaction is the result of what is perceived towards the specific service. For example, if the quality of service delivered is beyond expectation then customers will be delighted and if customer's perception is equal or under their expectation level with the delivered service quality the customers will be satisfied and dissatisfied

respectively. Customer satisfaction leads to repeat purchases, loyalty and to customer retention (Zairi, 2000). However, dissatisfied customers may try to reduce the dissonance by abandoning or returning the product, or they may try to reduce the dissonance by seeking information that might confirm its high value (Kotler, 2000).

Service quality is an important antecedent of customer satisfaction which is the result of the customer's perception and the quality of the service and it is a significant predictor of customer satisfaction using SERVQUAL instruments. Service quality and customer satisfaction have been identified as key elements of the service-profit chain (Heskett et al., 1997). As the perceived service quality is the key driver of perceived value, one of the determinants of success of a firm is how the customers perceive the resulting service quality, (Collart, 2000). It is the perceived value, which determines customer satisfaction. Many firms including banking industries begin to track customers' satisfaction through measuring level of service quality perceived by their customers. Customer satisfaction or dissatisfaction is considered to be the result of a comparison between the pre-use expectations that a customer has about the product or service and the post-use perception of product or service performance. The most widely used model to measure perceived service quality known as SERVQUAL was developed by Parasuraman et al. (1985, 1988).

Excellent service quality is vital to business profitability and survival, Newman and Cowling (1996). Thus, from the finding of Newman and Cowling, the researcher understands that if service quality is going down in the organization and doesn't meet the expectation of its customers, it will have negative effects on the organization's profitability. Thus, this study, therefore, will assess customers' satisfaction on the service quality of Awash International S.C..

1.1.1. Banking History in Ethiopia and Profile of the Study Bank

The establishment of banks in Ethiopia traces its origin to over 100 years. The agreement that was reached in 1905 between Emperor Minelik II and Mr. Ma Gillivray, representative of the British owned National Bank of Egypt, marked the introduction of modern banking in Ethiopia. Following the agreement, the first bank called Bank of Abyssinia was inaugurated on Feb. 16, 1906

by the Emperor. The Bank was totally managed by the Egyptian National Bank. (Sofia and Seid, 2005). Within the first fifteen years of its operation, Bank of Abyssinia opened branches in different areas of the country. In 1906 a branch in Harar (Eastern Ethiopia) was opened at the same time of the inauguration of Bank of Abyssinia in Addis Ababa. Another at Dire Dawa was opened two years later and at Gore in 1912 and at Dessie and Djibouti in 1920. Mac Gillivray, the then representative and negotiator of Bank of Egypt, was appointed to be the governor of the new bank and he was succeeded by H Goldie, Miles Backhouse, and CS Collier were in charge from 1919 until the Bank's liquidation in 1931.

Bank of Abyssinia was legally replaced by Bank of Ethiopia shortly after Emperor Haile Selassie came to power. The new Bank, Bank of Ethiopia, was a purely Ethiopian institution and was the first indigenous bank in Africa and established by an official decree on August 29, 1931 with a capital of £750,000. Bank of Egypt was willing to abandon its concessionary rights in return for a payment of Pound Sterling 40,000. The transfer of ownership took place very smoothly and the offices and personnel of the Bank of Abyssinia including its manager, Mr. Collier, were retained by the new Bank. (Giday B.1987:68-71).

¹ This section discussion is taken form National Bank of Ethiopia Website-<http://www.nbe.gov.et/History/history.htm>.

The National Bank of Ethiopia with more power and duties started its operation in January 1964. Following the incorporation as a share company on December 16, 1963 as per proclamation No.207/1955 of October 1963, Commercial Bank of Ethiopia took over the commercial banking activities of the former State Bank of Ethiopia. It started operation on January 1, 1964 with a capital of Ethiopian Birr 20 million. In the new Commercial Bank of Ethiopia, in contrast with the former State Bank of Ethiopia, all employees were Ethiopians.

There were two other banks in operation namely Banco di Roma S. and Banco di Napoli S.C. that later reapplied for license according to the new proclamation each having a paid-up capital of Eth. Birr 2 million. The first privately owned bank, Addis Ababa Bank Share Company, was established by Ethiopians initiative and started operation in 1964 with a capital of Birr 2 million in association with National and Grindlay Bank, London which had 40 percent of the total share. In 1968, the original capital of the Bank rose to 5.0 million and until it ceased operation, it had 300 staff at 26 branches. Following the declaration of socialism in 1974 the government extended its

control over the whole economy and nationalized all large corporations. Organizational setups were taken in order to create stronger institutions by merging those that perform similar functions. Accordingly, the three private owned banks, Addis Ababa Bank, Banco di Roma and Banco di Napoli were Merged in 1976 to form the second largest Bank in Ethiopia called Addis Bank with a capital of Eth. birr 20 million and had a staff of 480 and 34 branches. Before the merger, the foreign participation of these banks was first nationalized in early 1975.

Proclamation No.99 of 1976 brought into existence the Agricultural and Industrial Bank, which was formed in 1970 with a 100 percent state ownership, was brought under the umbrella of the National Bank of Ethiopia. Then it was re-established by proclamation No. 158 of 1979 as a public finance agency possessing judicial personality and named Agricultural and Industrial Development Bank (AIDB). It was entrusted with the financing of the economic development of the agricultural, industrial and other sectors of the national economy extending credits of medium and long-term nature as well as short-term agricultural production loans. (Belai Giday,1987).

Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector. Consequently shortly after the proclamation Awash International Bank was licensed in 1994 and started operation in February 13, 1995 and following Dashen Bank was established on September 20, 1995 as a share company with an authorized and subscribed capital of Birr 50.0 million. Afterward, currently there are nineteen banks in the country and three of the banks are state owned the remaining are private banks. Even though there is such a move in flourishing of private banks and branch expansion, Ethiopia remains one of the under-banked economies even by the standard of Sub-Saharan African countries.

The Ethiopian government promulgated the Monetary and Banking proclamation No.83/1994 to liberalize the financial sector through reforms by bestowed banking laws that encourage the entry of private banks into the financial system in order to stimulate competition with the public banks which significantly promoted the development of the banking sector is tremendous. Accordingly, many private banks have already been established and their number is increasing from year to year. Due to this fact a fierce competition among banks has come to exist. Hence, it is vital for banks to improve on their service quality to be the most preferred bank. Banks that excel in quality service can have a distinct marketing edge since improved levels of service quality are related to

higher revenues, increased cross-sell ratios, and higher customer retention and expanded market shares. Through time the banking sector shows progress with respect to the country's development and the competition among the emerging private banks.

This research mainly focuses on the first private bank of Ethiopia after the military regime, Awash International Bank (AIB). Awash International Bank (AIB) was established as the first private commercial bank (post 1991) on November 10, 1994 by 486 founder shareholders with a paid up capital of Birr 24.2 million and started banking operations on February 13, 1995. It was named after the popular river "Awash" which is the most utilized river in the country especially for irrigation and hydroelectric power. As of June 2014, the Bank has 150 branches spread throughout the country. Over a period of years, the earnings per share, the number of branches and types of service provided by the bank increased. All city branches and almost half of the outlying branches are providing on-line services. (www.awashbank.com).

Vision of AIB

"To be the strongest and most preferred Bank of the People"

Mission

"To provide modern, efficient, competitive, diversified and profitable banking services at domestic and international banking levels, to a continuously growing number of customers in a socially responsible manner."

1.2. Statement of the Problem

The unique characteristics of service contribute to the complexities involved in assessing and managing service quality. Quality can be several things at the same time and may have various meanings, depending on the person. This complicates both the consumer's assessment of service quality and the provider's ability to control it. Most services involve a direct contact between the customers and the service provider. This means that, in addition to task proficiency, interpersonal skills like courtesy, friendliness, tolerance and pleasantness are important dimensions of quality, particularly in high contact service where frontline employees are the key to customer satisfactions (Mersha and Abdlakha, 1990). The financial services, particularly banks, compete in the marketplace with generally undifferentiated products; therefore service quality becomes a primary competitive weapon (Stafford, 1996).

Satisfaction and dissatisfaction information are important because understanding them leads to the right improvements that can create satisfied customers who reward the company with loyalty, repeat business, and positive referrals. Creating satisfied customers includes prompt and effective response and solutions to their needs and desires as well as building and maintaining good relationships. A business can achieve success only by understanding and fulfilling the needs of customers. From a total quality perspective, all strategic decisions a company makes are "customer-driven." In other words, the company must show constant sensitivity to emerging customer and market requirements. According to the study by Collart (2000), one of the determinants of success of a firm is how the customers perceive the resulting service quality, as this is the key driver of perceived value. It is the perceived value which determines customer satisfaction. Many firms including banking industries begin to track their customers' satisfaction through measuring their level of service quality perceived by their customers. The most widely used model to measure perceived service quality was developed by Parasuraman et al. (1985, 1988) known as SERVQUAL. According to this model, the five dimensions of service quality are: Tangibility, Reliability, Responsiveness, Assurance and Empathy. (A detailed discussion of the SERVQUAL model will be done in the literature review section of this paper.)

The industry is the back bone of the country economy. Modern banks are playing lots of new roles and making life of common consumer as well as business men easy. In the past decade, the

banking sector has undergone radical changes, resulting in a market place, which is characterized by intense competition, little growth in primary demand and increased deregulation. The government of Ethiopia increased deregulation, in order to encourage the investors to participate in the banking sectors, as a result the number of bank has been increased which further raises the competition and difficulty among the banks. In this competitive environment, each bank wants to attract new potential customers and retain the existing ones to ensure its survival and keep its own competitiveness in the market. This can be achieved through providing quality services to customers. Failure to do so will lead to bankruptcy or will make organizations out of competition.

Several studies have been done on service quality and customers' satisfaction which results to measure the satisfaction level of the customers on service organization in Ethiopia and all the studies used SERVQUAL to measure the service quality. However, most of these studies were conducted on non-banking service organization (Electric Power Corporation, insurance, hotels). Only a few studies have been done on banks, but many of the studies were conducted only at the government bank which is the Commercial Bank of Ethiopia. What makes this research different from the previous is that this research assesses the service quality and customers' satisfaction of one of the private banks, Awash International Bank S.C.

Awash International Bank has been the first private commercial bank since the year of 1994 and currently has 150 branches all over the country as of June 2014. As the preliminary interview showed customers are not happy with the bank's service despite its years of service in the market. In addition, it will not be sufficient to give generalization about other banks with a research made only in one bank, Commercial Bank of Ethiopia. Thus, identifying these gaps strived the researcher to assess customers' satisfaction and the service quality of the bank and give an insight for the management about customers' satisfaction on the service quality of the bank.

1.3. Research Questions

The research has the following key research questions:

- To what extent customers are satisfied with service quality of Awash International Bank S.C.?
- How are the five service quality dimensions ranked by AIB customers?
- Does Awash International Bank's service quality meet its customers' expectations?

1.4. Objectives of the study

1.4.1 General Objectives

The general objective of this study is to assess customers' satisfaction pertaining to quality of service at Awash International Bank S.C. on selected Addis Ababa branches and to give an insight for the management regarding the level of service quality of the service they rendered and to provide suggestions for their future actions.

1.4.1. Specific Objectives

- To assess the service quality of Awash International Bank S.C.
- To measure customers' satisfaction with each of the five dimensions of service quality using SERVQUAL instrument.
- Examine the bank's challenges in meeting quality standards and expectations.

1.5. Significance of the Study

The research provides some insight about service quality of Awash International Bank S.C. and the satisfaction level of customers towards the bank service with respect to the various services that the bank rendered. It can also be a good indicator for managers to identify the gap between management's perception of service quality and that of their customers and taking actions to close the gaps. It is also intended to help the company management to consider the level of service quality as per the view point of customers so that based upon customers feedbacks the managers might to divert their attention to this valuable essential function of the business and to attract new potential customers and enable them retain the existing customers.

The study has also the following importance:

- The findings of this research will help the bank's management to understand the role of good quality service.
- It provides literature for the bank industry under customer service quality.
- It helps to other researchers who want to conduct further study on the subject in the future.
- It provides solution for AIB service quality problems and it may give an insight for the management what they should do in the future.

1.6. Scope of the Study

The Study covers the theme of commercial banking service quality and customers satisfaction specifically the case of Awash International Bank S.C. The research methodology has deployed SERVQUAL model and customer Satisfaction Index through administering questionnaire to individual customers. The study is confined in the service provision of Addis Ababa branches of the bank.

1.7 Organization of the Thesis

The study report is organized in to five chapters. The first chapter dealt with Background of the study, Statement of the problem, Objective of the study, Significance of the study and delimitation of the study.

In the second chapter literature review of the topic which includes different perspective of different authors and various theoretical concepts that relates with service quality and its measurement and dimension of service quality and issues related with quality service were discussed.

The third chapter was dealt with the research design & methodology of the research briefly. The fourth chapter discussed the data analysis part of the research. The techniques used to analyze the data are also part the fourth chapter. Finally, the fifth chapter covered with cover Summary, Conclusion and Recommendation of the research.

Chapter Two: Review of Related Literature

The primary purpose of this chapter is to get the theoretical understanding of the concept of service quality, characteristics of service quality, dimensions of quality, what customer service and satisfaction means, and what Quality management is. The researcher believes that this part of the research gives a clear insight for readers about the components of service quality management and customers' satisfaction. In addition, in this chapter, literatures that are related and important for this research are reviewed and presented as follows.

2.1. Customer Service

According to Davidow and Uttal (1989) customer service means all features, acts and information that augment the customer's ability to realize the potential value of a core product or service. Customer service is concerned with establishing, maintaining and enhancing relationships between and/or among relevant business parties in order to achieve the objective of the relevant parties Osuagwu (2002). According to W.L. Robert (2005) customer service is defined as the ability of knowledgeable, capable and enthusiastic employees to deliver products and services to their internal and external customers in a manner that satisfies identified and unidentified needs and ultimately result in positive word-of-mouth publicity and return business.

2.2. Service Quality

Though quality is a much studied subject in manufacturing, as well as service sectors, there is no universally accepted definition to define quality. The definition of quality is subjective, personal and changes from person-to-person, place-to-place, organization- to- organization, situation- to- situation and time-to-time. However, "Conformance to Standards" and "Fitness for Use" is the classic definitions of quality, FEATHER [John] and STURGES Paul (2003). Quality research in the goods sector was established long before it was established in the service sector. (Bandyopadhyay (2003, 187-188) claimed that quality in goods sectors is commonly defined as the product's fitness for its intended use, which means how well the products meet the needs and the expectations of its customer. However, understanding quality in the goods sector is inadequate for understanding service quality because of the fundamental difference between the two terms.

Service quality is performance based rather than objects, therefore precise manufacturing specifications concerning uniform quality can rarely be set (Parasuraman, et al., 1985, 42). Service quality is more difficult for consumers to evaluate than product quality; this is due to a lack of tangible evidence associated with the service (Hong and Goo, 2004). However in the above definitions, the concepts of quality were mainly applied to tangible products in the manufacturing sector. Due awakening of consumerism in 1980s, the quality of service as a subject of academic interest caught the attention of marketing professionals and they attempted to define service quality from customers' perspective. Experts like Kotler, Levitt, Grönroos, Garvin, Cronin, Taylor, Teas, Rust, Parasuraman, Zeithaml, and Berry have contributed to the growth of the subject and many models were developed on its measurement.

In the past decades, researchers (Carman 1990; Garvin 1983; Parasuraman et al, 1985, 1988) have defined and measured service quality by examining the attributes of service quality, while others (Bitner and Hubbert 1994; Iacobucci, Grayson, and Ostrom, 1994; Oliver, 1993; Oliver and DeSarbo, 1988; focused on the application in services to conceptualize the relationship between service quality and customer satisfaction. Therefore, a combination of the service quality and customer satisfaction literature has formed the foundation of service quality theory (Clemes et al., 2007; as cited in Wei 2010). The conceptualization and measurement of service quality is one of the most debated topics in service marketing literature. Several researchers pointed out that service quality is difficult to measure as it is an elusive and abstract construct (Carman 1990).

Parasuraman et al., (1985) argue that service quality involves not only the outcome but also the delivery process. And also, service quality relates to satisfaction but the two are not the same.

In addition, different researchers defined service quality in different ways. Lovelock and Wright (1999) define quality as the degree to which a service satisfies customers by meeting their needs, wants and expectations. On the other hand, other researchers like Bitner and Hubbert (1994) describe that the service quality as the customers' overall impression of the relative inferiority or superiority of the organization and its services. It is the evaluation process outcome, in which customers are involved and where a certain experience is always compared to the perceived service received. It cannot be objectively measured according to some technical standards but is subjectively felt by customers and measured relative to customer determined standards as per

Kwortnik, 2005. Berry et al., (1990) also defined service quality as the discrepancy between customers' expectations or desire and their perceptions.

The previous literature suggests that the evaluation of quality in services is more difficult than goods and that delivering quality services is increasingly recognized as the key to success for service providers (Cronin and Taylor, 1992 as cited in Wei 2010). But, perceived service quality has confirmed to be a complex concept to understand as per (Brady and Cronin, 2001, pp.34). Therefore, Rust and Oliver (1994) propose that it is essential for companies to develop the awareness of customers' perceptions of service quality. In the same taken the team of Parasuraman, Zeithaml and Berry (hereafter PZB) 1990 had conducted several research studies to define service quality and identify the criteria that customers use while evaluating the service quality in service organizations. They define service quality as "the extent of discrepancy between customers' expectations or desires and their perception of what is delivered" . In other words, it is the comparison of what customers expect before the use of product/ service with their experience of what is delivered. This definition has been widely quoted and referred in service marketing literature and the researcher chooses this definition as more appropriate for this research.

2.3 Total Quality Management

Total quality management (TQM) is different from the old concept of quality because its focus is on serving customers, identifying the causes of quality problems, and building quality into the production process. According to Heizer and Render (2006) TQM stress a commitment by management to have a continuing companywide drive towards excellence in all aspects of products and service that are important to the customer. Heizer and Render(2006) have also developed seven concepts for effective Quality Improvement (QI) program by modifying the 14 points developemd by Deming as follow: (1) Continuous Improvement, (2) Six Sigma, (3) Employee empowerment, (4) Benchmarking, (5) Just-in-Time, (6) Taguchi concept, and (7) Knowledge of TQM.

Gurus of Quality Management

The concept of quality has existed for many years, though its meaning has changed and evolved over time. In the early twentieth century, quality management meant inspecting products to ensure that they met specifications. In the 1940s, during World War II, quality became more statistical in nature. Statistical sampling techniques were used to evaluate quality, and quality control charts were used to monitor the production process. In the 1960s, with the help of so-called “quality gurus,” the concept took on a broader meaning. Quality began to be viewed as something that encompassed the entire organization, not only the production process. Since all functions were responsible for product quality and all shared the costs of poor quality, quality was seen as a concept that affected the entire organization. Quality gurus have put forth several approaches to improve company performance. These approaches are embodied in a set of quality management practices, known as total quality

2.4. Characteristics of Services

According to Bitner et al., (1993) service has four characteristics: intangibility, inseparability, heterogeneity and perishability.

Intangibility of Services

The idea of services being activities, benefits or satisfactions which are offered for sale, or are provided in connection with the sale of goods. The degree of tangibility has been suggested as a means of differentiating tangible products with services (Levitt, 1981). Most of the time, services are explained as being intangible since their outcome is considered to be an action rather than a physical product (Johns,1999). (Darby and Karni 1973 and Zeithaml 1981) highlight the fact that the degree of tangibility has implications for the ease with which consumers can evaluate services and products. Other researchers propose that intangibility cannot be used to differentiate clearly services with all products. (Bowen 1990 and Wyckham, Fitzroy and Mandry 1975) suggest that the intangible-tangible concept is difficult for people to grasp. Bowen (1990) provides empirical evidence to support this view feel that the importance of intangibility is over- emphasized.

Inseparability of Services

Inseparability is taken to reflect the simultaneous delivery and consumption of services and it is believed to enable consumers to affect or shape the performance and quality of the service (Grönroos, 1978; Zeithaml, 1981 as cited in Wolak et al., 1998).

Heterogeneity of Services

Heterogeneity reflects the potential for high variability in service delivery. This is a particular problem for services with high labor content, as the service performance is delivered by different people and the performance of people can vary from day to day and from time to time (Rathmell, 1966). Heterogeneity to offer the opportunity to provide a degree of flexibility and customization of the service. Heterogeneity can be introduced as a benefit and point of differentiation as per Wyckham et al., (1975).

Perishability of Services

In general, services cannot be stored and carried forward to a future time period (Rathmell, 1966; Donnelly, 1976; and Zeithaml et al., 1985 as cited in Wolak et al., 1998). Services are “time dependent” and “time important” which make them very perishable. Hartman and Lindgren (1993) also claim that the issue of perishability is primarily the concern of the service producer and that the consumer only becomes aware of the issue when there is insufficient supply and they have to wait for the service.

2.5. Service quality Dimensions

Service's unique characteristics of intangibility, heterogeneity, and inseparability lead them to possess high levels of experience and credence properties, which, in turn, make them more difficult to evaluate than tangible goods (Bitner 1990; Zeithaml 1981). Identification of the determinants of service quality is necessary in order to be able to specify measure, control and improve customer perceived service quality. The SERVQUAL is a concise multiple-item scale with good reliability and validity that researcher can use to better understand the service expectations and perceptions of consumers and, as a result, improve service. SERVQUAL was also selected since it is important when it is used occasionally to track the service quality trends,

and when it is used in combination with other forms of service quality instrument identify ten determinants for measuring service quality which are tangibility, reliability, responsiveness, communication, access, competence, courtesy, credibility, security, and understanding/knowledge of customers. Later “these ten dimensions were further purified and developed into five dimensions i.e. tangibility, reliability, responsiveness, assurance and empathy to measure service quality, SERVQUAL (Parasuraman et al., 1988). These five dimensions identified as follows:

Tangibility refers to physical facilities, equipment, and appearance of personnel. Jabnoun and Al-Tamimi, (2003) indicated that customers choose tangibility factor of service quality in the banking industry. Bank could build customer relationships by delivering added tangible and intangibility elements of the core products. According to Ananth et al. (2011) tangibility is measured by modern looking equipment, physical facility, employees are well dressed and materials are visually appealing.

Reliability means ability to perform the promised service dependency and accurately. Reliability is a significant factor of product quality in addition to good personal service, staff attitude, knowledge and skills (Walker, 1990). It is found that service reliability is the service “core” to most customers and managers should use every opportunity to build a “do-it-right-first” attitude (Berry et al., 1990).

Responsiveness means willingness to help customers and provide prompt service. Customers are very sensitive to employees' working environment in service organizations (Brown and Mitchell, 1993). It involves timeliness of services (Parasuraman et al., 1985). It is also involves understanding needs and wants of the customers, convenient operating hours, individual attention given by the staff, attention to problems and customers safety in their transaction (Kumar et al., 2009).

Assurance indicates knowledge and courtesy of employees and their ability to inspire trust and confidence. (Parasuraman et al., 1988) found that assurance is an important factor of service quality next to reliability and responsiveness towards customer satisfaction.

Empathy refers to caring, individualized attention the firm provides its customers (ibid). Jabnoun and Al-Tamimi, (2003) found that bank customers believed empathy as an essential factor of service quality. It is suggested that employees' commitment to deliver quality services,

skillfully handling of conflicts and efficient delivery of services resulted in satisfied customers for long term benefits (Nelson and Chan, 2005).

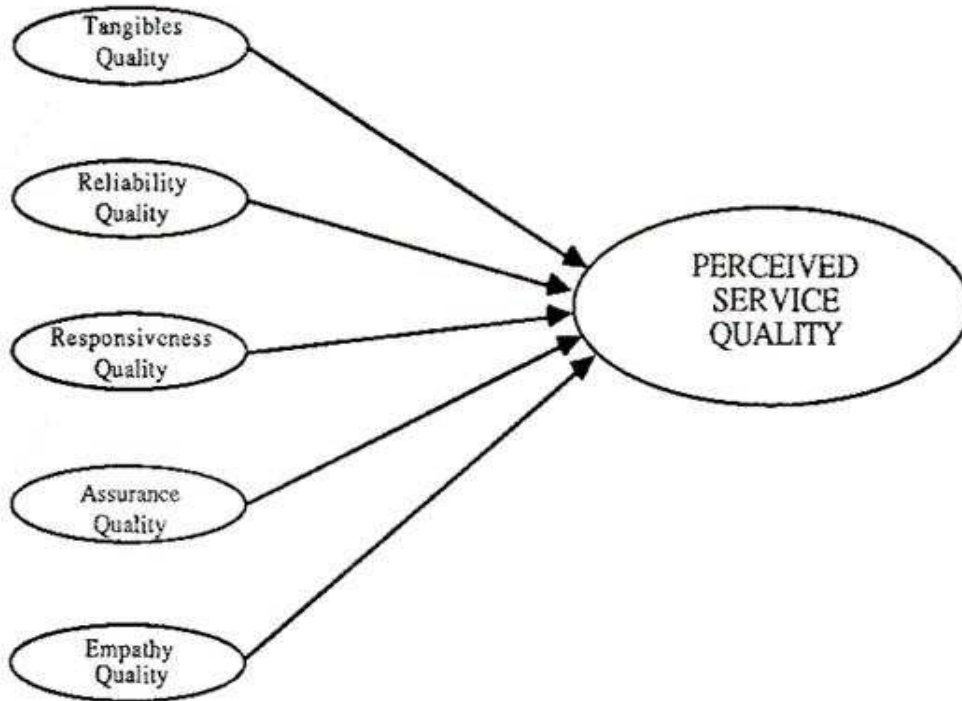


Figure 2.1. Source : The Parsuraman et al. (1988) Theory of the Determinants of Perceived Quality

2.6. Customer Perception

The other item that is highly correlated with customer satisfaction is perception. Perception is the process by which people select, organize, and interpret information, to form a meaningful picture of the world (Kotler & Armstrong, 2010). Customers perceive the quality of the service in these two dimensions, what they get and how they get it (Gronroos, 1982). Perceived quality is considered as good when the expectation becomes realistic. The perception level should be higher than the expectation level to create the positive perception and satisfaction. If the difference between expectation and perception is very significant, it can be said that the customers are satisfied highly. In the moderate level, the gap becomes zero which refers that the expectation level and perception level are the same. On the contrary, if the expectation becomes higher than the perception, the negative results come to show that the customers are not satisfied and the

company should improve their service more than before (Gronroos, 1990). The following table shows determinants of perceived quality.

2.7. Relation between Customers' perception & Customer Satisfaction

The principal purpose of a business is to create satisfied customers Drucker (1954). Increasing customer satisfaction has been found to lead to higher future profitability (Anderson, Fornell, and Lehmann 1994), lower costs related to defective goods and services increased buyer willingness to pay price premiums, provide referrals, and use more of the product (Reichheld 1996; Anderson and Mittal 2000), and higher levels of customer retention and loyalty. Increasing loyalty, in turn, has been found to lead to increases in future revenue and reductions in the cost of future transactions (Anderson, Fornell, and Lehmann 1994). A firm's future profitability depends on satisfying customers in the present – retained customers should be viewed as revenue producing assets for the firm (Anderson and Sullivan 1993; Reichheld 1996; Anderson and Mittal 2000 as cited in Malthouse et al., 2003). Empirical studies have found evidence that improved customer satisfaction need not entail higher costs, in fact, improved customer satisfaction may lower costs due to a reduction in defective goods, product re-work, etc. (Fornell 1992; Anderson, Fornell, and Rust 1997 as cited in Malthouse et al., 2003). Customer satisfaction and retention that are bought through price promotions, rebates, switching barriers, and other such means are unlikely to have the same long-run impact on profitability as when such attitudes and behaviors are won through superior products and services (Anderson and Mittal 2000).

Furthermore, Lin (2003) defined customer satisfaction as the outcome of a cognitive and affective evaluation of the comparison between expected and actually perceived performance, which is based on how customers appraise delivery of goods or services. Jamal and Kamal (2002) describes customer satisfaction as “a feeling or attitude of a customer towards a product or service after it has been used.” Therefore, any business, service or manufacturing industry's main motive is increasing profit from time to time and all the industries know that profit is generated only and only if they can satisfy their customer. Customer's satisfaction is the positive result of conformance to a specific service/product of their customers' perception. Hence customer satisfaction is the positive end result of customers' perception.

2.8. Distinction between Service quality and Customer satisfaction

The literature on services has made a distinction between service quality and customer satisfaction (Bitner, 1990; Bolton & Drew, 1991; Parasuraman et al., 1988). This differentiation is important for firms to concentrate on enhancing their capability to satisfy customers through providing high service quality. The position of scholars is that service quality involves an attitude and is an evaluation over several service encounters over time. It is also thought to be an overall assessment about a service category or an organization. In support of this, respondents in Parasuraman et al., (1988)'s study demonstrated satisfaction with specific service encounters but were not happy with the service quality of the firm.

Conversely, recent thoughts on customer satisfaction is summarized in the following definition of satisfaction by Oliver (1981) as a psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience. Furthermore, definitions by other scholars (Howard & Sheth 1969; Hunt, 1979 as cited in Harr, 2008) Support the thinking that it relates to a specific service encounter. Moreover, Oliver (1981) distinguished customer satisfaction from service quality in his definition of attitude as the consumer's relatively enduring affective orientation for a product, store, or process while satisfaction is the emotional reaction following a disconfirmation experience which acts on the base attitude level and is consumption-specific Therefore, service quality is "more stable and is situational oriented (Oliver, 1981, p. 42).

The two constructs are related in that service encounters of customer satisfaction over time result in perceptions of service quality (Oliver, 1981; Parasuraman et al., 1988). There is also a lot of argument regarding whether customer satisfaction is the antecedent of service quality or the outcome of service quality. Initially, scholars take the position that satisfaction is an antecedent of service quality since to reach an overall attitude (service quality) implies an accumulation of satisfactory encounters (Bitner, 1990; Bolton & Drew, 1991). However, other scholars take the opposite view that service quality is the antecedent of customer satisfaction (Cronin & Taylor, 1992; Ekinci, 2004; Rust & Oliver, 1994; Swan & Bowers, 1998 as cited in Harr, 2008). Empirical research by Cronin & Taylor (1992) showed that service quality has a significant effect

on customer satisfaction. Similarly, recent studies by (González & Brea, 2005; & Ekinçi 2004 using recursive structural models provided empirical support that service quality results in customer satisfaction. According to Zeithaml et al., (2006), customer satisfaction is a broader concept than service quality which focuses specifically on dimensions of service.

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, Hansemark and Albinson (2004). Regarding the fulfillment of some needs, goals or desire customer satisfaction is a collective outcome of perception, evaluation and psychological reactions to the consumption experience with a product/service (Yi, 1990). Here customers' perception takes the major share towards customers' satisfaction because their satisfaction is the result of their perception towards the specific service. For example, if the quality of service delivered is beyond their expectation then the customers will be delighted and if customer's perception is equal to their expectation level or under their expectation with the delivered service quality the customers will be satisfied and dissatisfied respectively. Customer satisfaction leads to repeat purchases, loyalty and to customer retention (Zairi, 2000). However, dissatisfied customers may try to reduce the dissonance by abandoning or returning the product, or they may try to reduce the dissonance by seeking information that might confirm its high value (Kotler, 2000).

Conceptual Framework on factors that contribute for on how customers' satisfaction or dissatisfaction.

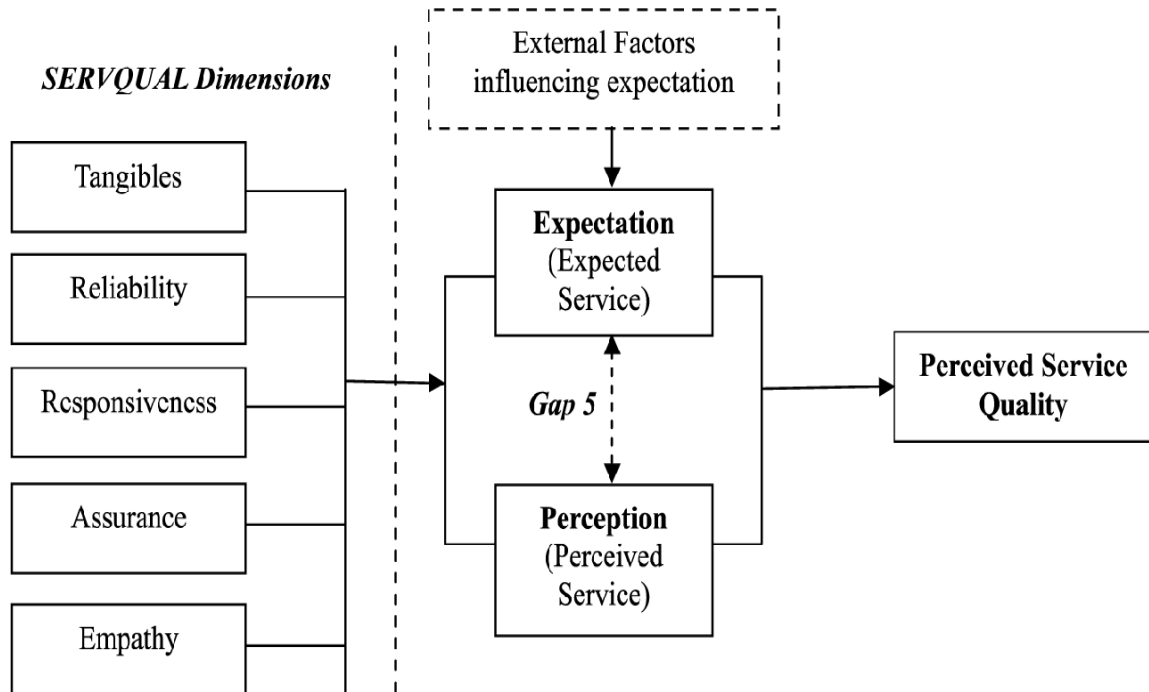


Figure 2.2 SERVQUAL Model: Adopted from the Journal of Marketing, Measuring Service Quality Using SERVQUAL Model (Kumar et al., 2009, p. 214)

Chapter Three: Research Methodology

3.1. Research Design

Research design constitutes the blue print for the collection, measurement and analysis of data. It helps the researcher in the allocation of limited resources by posing crucial choices. It is used as the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is the overall scheme or program of the research (cooper, 2003). This study will be conducted based on the descriptive research design using quantitative and qualitative method to analyze the data from customers.

The objective of descriptive research is 'to portray an accurate profile of persons, events or situations' (Saunders et al, 2009). The descriptive research type describes data and characteristics about the population or phenomenon being studied. Descriptive research answers the questions who, what, where, when and how. It is mainly concerned with describing the nature or condition and the degree in detail of the present situation. In addition Creswell (1994) also states descriptive research design is a technique of gathering information about the existing condition. Descriptive studies are usually the best methods for collecting information that will demonstrate relationships and describe the world as it exists.

So this study used descriptive research approach to describe the customers' satisfaction towards the service quality of Awash International Bank S.C.. It will also use descriptive analysis to assess the service quality dimensions and the satisfaction level of the customers. In addition, it will help obtain an accurate profile of the situation under this study and thus the study will consist of quantitative and qualitative data types and sources.

3.2. Sampling Technique and Sample Size

Sample is the segment of the population that is selected for investigation (Bryman and Bell, 2003). Sample size is actually the total number of units which are to be selected for the analysis in the research study. However, it is not possible for researchers to get in touch with a big number of samples, as the sample size is critical question in practice. The decision about the size and the

sample needs to consider about time and cost, the need of precision, and a variety of further considerations (Bryman and Bell, 2003).

The population of the study is all Addis Ababa branches of Awash International Bank which are eighty eight and categorized in five grading system. Out of which a representative sample branches were drawn from the five branch categorization of the bank. Stratified sampling is a method of sampling from a population and it is a process of dividing members of the population into homogeneous subgroups before sampling. Stratified sampling ensures that at least one observation is picked from each of the strata, even if probability of being selected is far less than 1. Every element in the population must be assigned to only one stratum. Hence, based on the above the researcher used stratified sampling technique. For this study the strata are the different classification of the branches.

The number of branches drawn from each stratum was selected using proportionate stratified random sampling method and random selection was used to pick the number of branches within each stratum. The sample size of each stratum in this technique is proportionate to the population size of the stratum when viewed against the entire population. This means that each stratum has the same sampling fraction. Because all samples have the same size in their classification and have an equal chance of being selected. AIB branches are classified into four categories with the exception of one special class branch for the purpose of proper administration. The classification is made based on their profit making ability and the number of depositors of each branch has. The profit is either due to the location of the branch, proximity to the major market areas and the number of years of the branch since it is opened. First class branches are the highest profit makers and have the higher number of depositors next to the special class branch. Based on the above classification, the branch category and the number of branches in each category are summarized in the following table.

Table. 3.1 AIB Branch Categories

Category	Number of Branches	Sample Branches	Service Types/branch	Sample Respondents/service
Special Class	1	1	Loan	3
			Saving Account	7
			Current Account	3
			Foreign Banking	2
First Class	8	2	Loan	3
			Saving Account	8
			Current Account	2
			Foreign Banking	2
Second Class	15	4	Loan	3
			Saving Account	7
			Current Account	2
			Foreign Banking	3
Third Class	15	4	Loan	3
			Saving Account	7
			Current Account	3
			Foreign Banking	2
Fourth	49	15	Loan	3
			Saving Account	6
			Current Account	3
			Foreign Banking	3
Total	88	26		

Source: The bank business development department confidential document.

When we go up counting the classification numbers (1 - 2 - 3 - 4) the number of depositors and profit decreases. The target samples for the study was all the bank customers regardless of whether they are doing their banking transactions with domestic banking service, foreign banking service, loan service or other banking services of the selected branches. Of the total branches operating in Addis Ababa, the researcher selected twenty (26) sample branches. The researcher will take the

representative sample size by determining the total number of respondents as 390. The Research Advisors (2006) states that if the population size is large and known the researcher can use the table that will help the researcher in managing representative sample size. Hence, since the research population (customers of AIB in Addis) is known and the number is too large reaching up to 1,000,000 the table suggests to use 384 sample sizes. The researcher, therefore, used 390 for better accurate data gathering taking into account the non- returnable questionnaires. The number of respondent from each branch was determined disproportionately as 15.

The number of branches within each stratum was chosen proportionately. For example in 1st class branch there were 8 branches and total population is 88 and there will be 26 representative samples then the researcher manages to arrange a formula (No. of representative sample multiplied by the No. of first class branches and divided to the whole population $(26 \times 8 / 88) = 2$ By rounding up, two branches will be chosen using simple random sampling from first class branches. Using the same calculation four branches will be selected from 2nd and 3rd class branches since they are the same in number and 14 branches were considered from the 4th class branch. In general 26 branches were considered including the special class branch which is the head office branch. Respondents from each category were proportionately stratified from each service of the branch.

3.3. Method of Data Collection

There are several methodological approaches available to gather data and for the proper achievement of the objectives of the study; the researcher used primary and secondary data sources. Primary data was collected using questionnaires. Primary data is a data collected on source which has not been subjected to processing or any other manipulation which are collected by the investigator conducting the research. Secondary data is collected by someone other than the user. According to Saunders et al., (2009) the use of two or more independent sources of data or data collection methods helps to confirm findings in the study. Therefore, primary sources of data will be collected through the in-depth interviews and questionnaires. Secondary data will be obtained from different documents of the bank like service strategy documents, quality service control results and different literatures will be referred. In this research the original SERVQUAL model of Parauramna et al. (1985), (five dimensions, namely Tangibility, Reliability, Responsiveness, Assurance and Empathy) are used.

Questionnaire

The questionnaires are used as a primary data source for qualitative and quantitative data gathering. It was designed to enable the researcher obtain as detailed information as possible. A total of 390 questionnaires was prepared and distributed to fifteen customers for each of the twenty six branches (list of branches is attached). The numbers of respondents were determined proportionately using the number of customers from each service, Saving Account customer, Current A/C, Loan service and Foreign banking service customers of the bank. The questionnaires consist of open ended questions (qualitative data) where the questions provide a guideline for the respondent but it does not have to be followed strictly and closed - ended questions (quantitative data). The aim of the questionnaire was to research and gather information on the service quality of the bank and their level of satisfaction.

3.4. Method of Data Analysis

After collecting the data, the data was analyzed using a descriptive data analysis technique which was presented by tables, frequency distributions and percentages to give a condensed picture of the data. This will be achieved through summary of simple statistics, which includes the mean, mode, median and standard deviation values which are computed for each variable in this study. The researcher used Statistical Package for Social Sciences (SPSS version 20 software which helps to process, analyze and tabulate the data that enables to provide frequency table along with percentage employed to analyze the responses of customers.

Chapter Four: Results and Discussion

This chapter of the research illustrates the result of the fieldwork conducted by the researcher. It is organized based on the research questions. The results are obtained from questionnaires administered to customers of AIB, who are found to be in the twenty six branches of Addis Ababa. The chapter presents the data collected and their findings. Analysis is also made based upon the findings in collaboration with the literature reviewed.

A total of 390 questionnaires were administered while undertaking the research. However, out of these 390 questionnaires, only 363 questionnaires were correctly filled and returned.

4.1 Socio-demographic profile of the study participants

In the study both individual and business customers were considered and the majority of the study participants were individual customers, constituting around 71.3 percent and the remaining 28.7 percent were business customers.

Table 4.1 Customers Type

Type of Customer	Frequency	Percent
Individual	259	71.3
Business	104	28.7
Total	363	100.0

Source: (Own Survey, 2015)

Most of the customers (both individual and business) are in the age category of 35-44, comprising around 50 percent of the study participants, followed by the age category of 25-34 (23 percent). On the other hand, those in the age group of 18-24 and 45-64 were 11 percent and 15 percent respectively. This shows as most of the customers of the bank are adults of middle age.

Table 4.1.1 Age distribution of respondents

Age distribution of respondents		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-24 years	39	10.7	10.7	10.7
	25-34 years	85	23.4	23.4	34.2
	35-44 years	180	49.6	49.6	83.7
	45-64 years	56	15.4	15.4	99.2
	65 and above	3	.8	.8	100.0
	Total	363	100.0	100.0	

Source: (Own Survey, 2015)

All of the customers who participated in the study have attended formal school. Moreover, around 74 percent of the customers have diploma and above. Out of those who have professional qualification, around 28 percent have diploma, 35 percent have first degree and around 12 percent have second degree and above. It is only 26 percent of the customers who reported having a certificate level of qualification.

Table 4.1.2 Educational level of respondents

Educational Level of Respondents		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Certificate	93	25.6	25.6	25.6
	Diploma	101	27.8	27.8	53.4
	Degree	126	34.7	34.7	88.2
	Masters	42	11.6	11.6	99.7
	Above Masters	1	.3	.3	100.0
	Total	363	100.0	100.0	

All of the study participants had experience in using the banking services of Awash International bank for at least 12 months. Most of the customers (around 55 percent) have spent 13-18 years with Awash International Bank, 23 percent have spent 7-12 years and 9 percent have spent 19 years and above. Those who are young to the bank are around 13 percent of the study participants have spent 1-6 years with the bank. With regard to the type of banking service 52 percent of the participants are using, saving account, 29 percent of the respondents revealed that they are using current account and International banking services, 15 percent declared they are using International banking and loan service and 4 percent mentioned they are using loan provision service of the bank. This puts the respondents in the right position to evaluate the quality of service provision of the bank in respect with the different service types of the bank.

Table 4.1.3 Respondents years of relation with the bank

Years of relation with the bank	Frequency	Percent	Valid Percent	Cumulative Percent
1-6 years	48	13.2	13.2	13.2
7-12 years	83	22.9	22.9	36.1
Valid 13-18 years	200	55.1	55.1	91.2
19 years and above	32	8.8	8.8	100.0
Total	363	100.0	100.0	

Around 46 percent of the respondents are using the service of other private and government banks, 23 percent of the respondents declared they are using other government banks apart from AIB services and 20 percents of the respondents are also customers of other private banks. It is only 12 percent of the respondents are loyal customers of AIB.

Table 4.1.4 Customers Relationship with Other Banks

Customers relationship with other	Frequency	Percent	Valid Percent	Cumulative %
No, I am not	45	12.4	12.4	12.4
Yes, Other private banks	71	19.6	19.6	32.0
Valid Yes, Government banks	81	22.3	22.3	54.3
Both, Other private & Gov.	166	45.7	45.7	100.0
Total	363	100.0	100.0	

4.2 Service Quality of AIB using SERVQUAL

The mean score of the overall level of satisfaction by the tangibility domain was 3.8 ($SD=1$). This shows as the customers' satisfaction is good as the mean is closer to the highest point on the scale. The calculation of the means of the dimensions of tangibility indicated that the neat appearance of the staff ($M=4$, $SD=0.8$) and visually appealing physical equipment are the satisfaction drivers for the domain. The satisfaction of the customers by convenience of the branches location ($M=3.8$, $SD=1$) and the modern looking equipment ($M=3.8$, $SD=1$) were also good. Though the mean score of customers satisfaction by the visually appealing nature of the material attractiveness associated with the services was reasonably high, in relative terms the dimension appear to be the key dissatisfaction driver in relation to the domain.

Table 4.2 Service Quality using Tangibility Dimension

Tangibility	<i>N</i>	<i>Minimum</i> <i>Maximum</i>	<i>M</i>	<i>SD</i>
Modern looking equipment	363	1-5	3.75	1.12
Visually appealing physical equipment	363	1-5	4.40	.89
Neat appearance of staffs	363	1-5	4.02	.84
Materials associated with z service are visually appealing	363	1-5	3.33	1.28
Location Convenience of Branches	363	1-5	3.75	1.02

Source: (Own Survey, 2015)

The satisfaction of the customers by the reliability of the bank is good. The mean score of the sub scale as rated by the customers participated in the study was 4 ($SD=0.9$). Insistence on error free records ($M=4.7$, $SD=0.6$) and sincere interest to solve the problems of customers' ($M=4$, $SD=0.8$)

were the dominant aspects of reliability by which higher level of customer satisfaction was reported. The next high customer satisfaction driver was noting that staffs performed the right service on the first encounter of the customers with the bank service (M=3.9, SD=1), followed by the staff integrity in keeping their promises (M=3.7, SD=1) and the staff ability to provide services they promised to do so (M=3.7, SD=1).

Table 4.2.2 Reliability

Reliability	N	Minimum- Maximum	M	SD
Staff keeps promises	363	1-5	3.74	1.12
Sincere interest in solving customers problem	363	1-5	4.02	.84
Staffs performing right the first time	363	1-5	3.85	1.03
Provide service they provide to do so	363	1-5	3.74	1.15
Insist on error free records	363	1-5	4.73	.56

Source: (Own Survey, 2015)

Responsiveness is willingness to help customers and provide prompt service. A firm is known to be responsive when it communicates to its customers how long it would take to get answers or have their problems dealt with (Zeithaml et al., 2006). The customers regard the responsiveness of the bank as good. The satisfaction level of the customers who participated in the research declared that they are happy by the responsiveness of the bank staff in the service delivery process. The mean score of the sub scale was 4 (SD=1). As can be seen from table 4.2.3 below three of the sub scale was above 4, affirming that the customers are highly satisfied by the responsiveness of the staff. These include the staff willingness to help, promptness of the staff in providing service to customers and informing customers as when service will be performed. On the other hand, the

satisfaction of the staff by the availability of the staff to respond to customers is lower in relative terms. Yet, it is good in absolute terms - when seen against the rating scale.

Table 4.2.3 Responsiveness of AIB to Customers

Responsiveness	N	Minimum- Maximum	M	SD
Staff telling customers when service will be performed	363	1-5	4.09	1.10
Prompt Service to Customers	363	1-5	4.09	1.10
Staff willingness to help	363	1-5	4.13	.95
Staffs are never be busy to respond to customers	363	1-5	3.60	.97

Source: (Own Survey, 2015)

As assurance explained by Zeithaml et al., (2006) is knowledge and courtesy of employees and their ability to inspire trust and confidence. This dimension includes willingness to instill confidence in customers, being consistently courteous with customers, knowledgeable to answer customers' questions and feel safe in transactions with the bank. The customers who participated in the study demonstrated high level of satisfaction by the staff knowledge, courtesy, as well as their ability to instill trust and confidence in the employees of the bank. The score of the domain was 4.1($SD=0.8$). The key driver of satisfaction for the domain was the staff knowledge in addressing the concerns and questions of the customers followed by the degree of security (safety) the customers enjoy in their transaction. The customers also stated their high level of satisfaction by the friendliness and courtesy of the staff as well as the behaviors of the staff that instill confidence. Table 4.2.4 shows the score of each of the elements of the sub scale. As can be inferred from the score in the table, staff knowledge to answer the customers question and the degree of safety the customers enjoy stands as the two major satisfaction drivers for assurance.

Table 4.2.4 Assurance

Assurance	N	Minimum- Maximum	M	SD
Behavior of Staffs instill confidence to customers	363	1-5	3.73	.77
Customers feel safe in their transactions	363	1-5	4.37	.84
Friendliness and courtesy of staff	363	1-5	3.87	.91
Staff having knowledge to answer questions	363	1-5	4.46	.86

Source: (Own Survey, 2015)

Among the five domains of the constructs of customer satisfaction, empathy was found to be the major driver of the customers' satisfaction. Zeithaml et al., (2006) described empathy as caring individualized attention the firm provides to its customers and the customer is treated as if he is unique and special. The mean score of the sub scale was 4.2 ($SD=0.8$), which is higher than from all of the sub scales. The level of the customers' satisfaction by the individual attention they are given by the staff ($M=4.2$, $SD=0.9$), the individual attention they get from the staff ($M=4.4$, $SD=0.8$), as well as the understanding of their specific needs by the staff ($M=3.8$, $SD=1$) were found to be high. Moreover, the customers are highly satisfied by the convenience of the operating hours of the bank ($M=4.4$, $SD=0.8$). On the basis of the level of satisfaction by the dimension of the domain, it is possible to note that getting personal attention from the staff and convenience of the operating hours are the primary drivers of customer satisfaction for the sub scale.

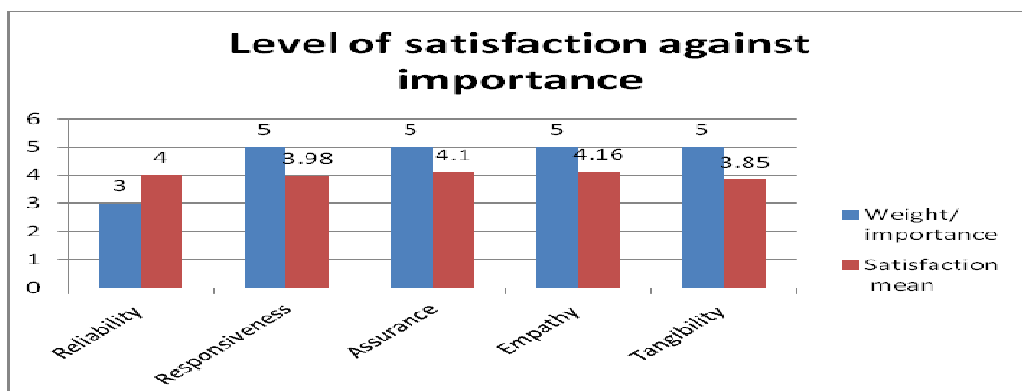
Table 4.2.5 Empathy

Empathy	N	Minimum- Maximum	M	SD
Individual attention given by staff	363	1-5	4.19	.86
Convenient operating hours	363	1-5	4.42	.82
Staff giving customers personal attention	363	1-5	4.42	.82
Understand the specific needs of customers	363	1-5	3.81	1.03

Source: (Own Survey, 2015)

4.3. Overall level of customer satisfaction

The issue of customer satisfaction whether being antecedent of service quality or the outcome of service quality is widely debated across existing literatures. Recent studies by (González & Brea, 2005; & Ekinci 2004 using recursive structural models provided empirical support that service quality results in customer satisfaction. The overall customer satisfaction of the customers was found to be high ($M=4$, $SD=0.9$). This was measured as the mean of all the five domains indicated below.



The use of indices is standard practice in state-of-the-art modeling, and brings advantages to any survey. All survey measures consist of two components the true information and error. Combining

a number of measures into a single index increases the proportion of true score to error, and provides a better picture of the true score, the common element in each measure. A customer satisfaction index is the best single measure of how satisfied your customers are overall, in relation to what matters most to them. To calculate a satisfaction index, the importance of the parameters and satisfaction scores were combined in this study so as to produce a weighted average score, presented as a percentage of the theoretical maximum.

4.4 Ranking the five quality dimensions

From the five domains empathy, assurance and reliability of the bank were found to be the drivers of the customer satisfaction. On the other hand, tangibility, was identified an area that needs improvement with particular emphasis on the drivers of customers satisfaction for the sub scale. See table 4.2.6 below for the score of each of the major domains.

Table 4.2.6

Tangibility	N	Minimum Maximum	M	SD
Tangibility	363	1-5	3.84	.99
Reliability	363	1-5	4.02	.91
Responsiveness	363	1-5	3.98	.99
Assurance	363	.1-5	4.11	.78
Empathy	363	1-5	4.16	.80

Source: (Own Survey, 2015)

4.5. Service quality with respect to technological advancement, waiting time and Responsiveness

The evaluation of the service quality of the bank in terms of the utilization of modern technologies like using mobile banking or E-banking in advancing the services of the bank rated by the customers participated (52 percent) consider it as good. Looking at the degree of the customers' appreciation of the bank of using modern technologies, around 16 percent rated it as satisfactory, 17 percent rated it as good, 19 percent rated it as very good and excellent. On the other hand,

around 48 percent of the respondents indicated as the service quality with regard to use of technological advancements is poor.

Table 4.3.1 Rating Modern banking system, mobile banking

	Frequency	Valid Percent
Poor	173	47.7
Satisfactory	57	15.7
Good	63	17.4
Very Good	62	17.1
Excellent	8	2.2
Total	363	100.0

The customers' comparison of the banks' service with other private banks on the bases of the utilization of modern technologies by the customers revealed that the relative position of the bank as perceived by the customers is not good. Around 80.8 percent of the customers who took part in the study reported as the position of the bank is low (53.8 percent rated it as very low while 27 percent rated as low) in comparison with other private banks. Contrary to this, around 19 percent of the customers indicated as the bank is better in this regard.

Table 4.3.2 AIB modern banking compared to other banks

	Frequency	Percent
Very Low	171	53.8
Low	86	27.0
Moderate	52	16.4
High	5	1.6
Very High	4	1.3
Total	318	100.0

The rating of the bank by its relative position with other private banks in terms of waiting time by the customers participated in the study also revealed as the bank is in a good position. Around 95 percent of the customers expressed as the bank is performing better than other banks. Out of this, around 53 percent rated the service as good compared to other banks, 20 percent rated it as very good, and 12 percent rated it as excellent, and 10 percent of the customers rated as satisfactory. Yet, around 5 percent of the customers think that the bank is poorly performing than other banks with regard to waiting time.

Table 4.3.3 Measuring waiting time of AIB

	Frequency	Percent
Poor	18	5.0
Satisfactory	35	9.6
Good	194	53.4
Very Good	72	19.8
Excellent	44	12.1
Total	363	100.0

The customers also expressed as their level of satisfaction by the banks' ability to meet their service needs is good. More than 85 percent of the customers reported as they are satisfied by the bank with respect to the bank's ability to meet their specific needs of services. They state some of the satisfactory drivers like employee's manner in welcoming customers, helping or guiding customers with much patience, the availability of branches and convenient working hours. On the other hand around 39 percent of the customer who were participated in the research was not satisfied with the bank service. Some of the dissatisfaction drivers were revealed as the waiting time and lack of E-banking in AIB's services. Among the administered dissatisfied customer in the study majority of the customers suggest some way outs for AIB's service quality progress.

4.6. Meeting customers' expectations and complaints handling

As it is discussed in the literature review the perception level should be higher than the expectation level to create the positive perception. As to the responses of the customers participated in study, the gap between the expectation of the customers while considering to be the customers of the

bank and the extent to which their expectations were realized was found to be wide. The majority of the study participants indicated as there degree of the difference between their expectations and the reality was low (41 percent) and 58 percent as moderate. On the other hand, around 0.6 percent of the study participants reported that the gap was very wide.

Table 4.4.1 The deviation between customers expectation and performance

Gap	Frequency	Valid Percent
High deviation	2	.6
Moderate	209	57.6
Low deviation	118	32.5
Very low deviation	29	8.0
No deviation	5	1.4
Total	363	100.0

Regarding the effect of the variation, more than half of the participants reported the difference in their expectation and quality of service they got did not affect them negatively. While around 40 percent expressed as they were not affected by the difference, around 14 percent reported as they were stayed positive. On the contrary, 46 percent reported as the gap did affect them negatively. This will have a negative effect on the bank image and customers base in the long term and needs to be tackled early.

Table 4.4.2 The gap between customers expectation and actual performance of AIB effect on their relationship with the bank

Effect of the gap	Frequency	Valid Percent
Yes, it affects negatively	166	45.7
No, I stayed neutral	146	40.2
Yes, it affects positively	51	14.0
Total	363	100.0

Source: (Own Survey, 2015)

In view of the above, the respondents were asked whether they had presented their complaints to the bank management in relation to their expectations. Around 45 percent responded as they do so while a significant percentage of the customers (54 percent) indicated as they did not report their complaints to the management. The low level dissatisfaction and complaint by the customers to the management may influence the customers' satisfaction negatively and hinders the management capacity to improve the quality of the service they rendered.

Table 4.4.3 Did customers put complaints to the management

	Frequency	Percent
Yes	166	45.4
No	197	53.8
Total	363	99.2

Source: (Own Survey, 2015)

4.7. Complaint handling process of the bank

Complaint is one way of getting feedback for management and handling complaints on time very wisely is one of the management responsibilities. In view of this, around 84 percent of the study participants expressed as they did get response in time. Moreover, most of those who got the responses reported as the response were satisfactory, in time and positive. In connection to this, 23 percent of the customers indicated as the response was quick and positive, 39 percent indicated as the response was satisfactory in addressing their concern, and 23 percent indicated as the response was quick. Nevertheless, around 2 percent of the customers reported as they did not get response while around 14 percent complain about the delay in giving the response.

Table 4.4.4 Rating AIB's complaint handling process & time of response

	Frequency	Percent
No response at all	8	2.2
Late response	49	13.5
Satisfactory response with reasonable	143	39.4
Quick response	81	22.3
quick and positive response	82	22.6
Total	363	100.0

Source: (Own Survey, 2015)

As a proxy indicator of the customers' satisfaction as well as a measure of the customers' commitment, the customers who participated in the study were asked if they are intending to continue being the bank's customers. Most of the study participants (76 percent) asserted as they will continue being the customers of Awash International Bank. 35 percent of the respondent customers indicated as they will be limited to AIB in their use of banking services out of which, 12 percent of the respondent declared their loyalty for AIB banking service and 23 percent declared that they will stay with AIB and wait for changes in the service quality aspect while around 41 percent of the customers indicated as they will also be using other banks though will remain customers of Awash International Bank and 24 percent of the respondents confirm that they will be moving to other banks to get the service that they are looking for.

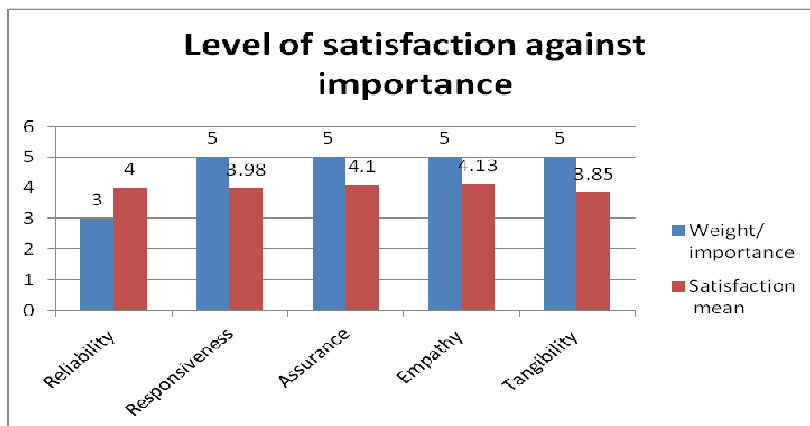
Table 4.4.5 Willingness to continue being customer of AIB

Customers willingness to continue with AIB	Frequency	Valid Percent
No, I will not	88	24.2
Yes, but will work with others too	149	41.0
Yes, I will wait and see for changes	82	22.6
Yes, I will keep my loyalty	44	12.1
Total	363	100.0

Source: (Own Survey, 2015)

Gap Analysis

With the aim of areas where to focus for improvement the satisfaction gap was analyzed. The answer is not necessarily to concentrate on the areas where satisfaction is lowest. In order to make sure that maxim ‘Doing Best What Matters Most’ is observed, the gaps between importance and satisfaction were analyzed for each domain. The key to customer satisfaction is ‘Doing Best What Matters Most’ to customers. In other words satisfaction should be highest in the areas that are priorities for customers. In light of this, the gap between the customers satisfaction level and their importance to the customers is indicated below.



As can be seen from the above figure, the gap for Empathy is the highest followed by Assurance and reliability and the lowest scores goes to Tangability followed by Responsiveness. Effective way to target improvement is to focus initially on areas that have large satisfaction gaps, but are relatively easy and cheap to address. These 'quick wins' are an excellent way to bring rapid improvement in customer satisfaction.

Chapter Five: Summary, Conclusion and Recommendation

The chapter presents summary of findings, the conclusion finally drawn and recommendations based on the presented data, analysis made and reviewed literatures.

5.1 Summary

From the data collected, analysis made and reviewed literatures in order to meet the objective of the study which was: To measure the level of customer satisfaction with service quality in Awash International Bank S.C. using SERVQUAL model, To clearly asses the gap between customer expectation and perception in the service quality provided by AIB and other related objectives mentioned earlier, the study put the following as its summary of findings.

After analyzing the information gathered through structured questionnaires, the following major findings are presented:-

- About 85 percent respondents are satisfied with AIB's service quality while the remaining was not satisfied.
- As revealed in the analysis customers ranked the five service quality dimensions as empathy, assurance and reliability of the bank were found to be the drivers of the customer satisfaction and the bank should work more on tangibility and responsiveness dimensions respectively.
- The gap analysis of the five dimensions were rated as good. But improvement in all the five dimensions is needed, especially on the two service quality dimensions: While tangibility and responsiveness have shown up to be less; thus requiring concerted effort for improvement from the Bank.
- The customers of the bank have higher expectations than what they actually receive from the bank even though the gap is not very high.

- As seen from the analysis around 46 percent of the respondents are customers of other private and government banks, so that they can compare the service of one bank from the other.
- Around 46 percent of the respondents confirm that if there are no changes with the service quality of the bank that they will move to other banks.

5.2. Conclusion

Satisfied customers are a good work of mouth communicators for an organization and will stay longer. In the contrary customers are difficult to retain and create a negative impact in attracting the new ones. From the overall findings in relation with the literature review in this research it can be concluded that AIB's customers perceived the bank's service quality below their expectation especially in tangibility aspect of materials associated with the service which is related to cashless banking service of the bank. We can infer from the findings that around 80 percent of the customers are satisfied with the service quality of AIB. But the remaining 20 percent are not satisfied with the service quality. Which in turn has a negative impact on the banks competitiveness in the market.

Since AIB is the first private commercial bank in Ethiopia, customers have high expectation from the bank to be the leading bank in every aspects of the service delivery process. The findings of the research also indicate that should work in all the service quality dimensions and in addressing customer's feedback to be competitive in the market. Despite the differences in the result of the dimensions the bank management should give attention to all the five SERVQUAL dimensions and tangibility and responsiveness needs special attention of the management.

Generally, to outreach the markets it is very important to the bank to improve in all the five service quality dimensions and provide quality service that will satisfy its customers in order to keep its values and attain its vision to be the strongest and most preferred Bank of the People.

5.3 Recommendations

- ✓ AIB should make the necessary investments to improve its Tangibles such as, in using introducing E-banking or cashless banking systems and updating the materials associated with the service because it will be difficult for the bank to cope-up with its current status in this dynamic world.
- ✓ AIB should improve the Responsiveness dimension of AIB's service quality and to narrow the gap between perceptions and expectations, a training initiative should be made focusing on fast response from management to customers' requests, swift reply to complaints.
- ✓ The banks should attempt to remain competitive by providing attractive and prompt banking service that earns by customers' confidence and trust.
- ✓ A great attention and effort in closing the gap is expected from AIB. The bank needs to develop a strategy to target and retain the dissatisfied customers. This can also be helpful to attract the new one at the same token. The strategy could be the one which can clearly point out the reasons why the customers are not satisfied with regard to the dimensions. Then a strategy that could help to eliminate or at least decrease these dissatisfactions and that can measure the results and take corrective actions should be implemented. Or it can be considered as a strategy that works for the service excellence of the bank.
- ✓ AIB should also give attention to the services it promises to customers versus what the bank can actually deliver and address its deficiencies. The bank have to take in to consideration the resource that it actually has at hand, some of them are: human resources, technological capacity, capacity of the stake holders in providing services to the bank and other factors that have a correlation with its service giving
- ✓ As Human resources is the core element in achieving organizational objectives, before. Human resource is a base for providing a quality service due to the nature of the service delivery process. Therefore, AIB should keep working on developing the knowledge of its employees on customer service and other operational areas than before. In addition to this continuous assessment of customer service excellence should be implemented.

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ST. MARY'S UNIVERSITY
School Of Graduate Studies
Master of Business Administration Department
Questionnaire to be filled by Awash International Bank S.C. Customers

Dear Respondent,

This questionnaire is prepared to gather data to be used as an input for the research entitled “Assessment of Customers’ Satisfaction and Service Quality of Awash International Bank S.C.”. It’s prepared in partial fulfillment of Masters of Business Administration at Saint Mary’s University. According to the responses of the customers the bank management and staff would have an opportunity to improve the service quality provided in order to meet your expectations in a better way. The expected respondents of this questionnaire will be actual customers of the bank. The study focuses on the customer service quality so that the respondents will be expected to give accurate data to make a proper analysis. The data will be kept confidentially and it will be used only for research purpose.

I would like to thank you in advance for your kind cooperation.

Elsabeth Girma
Tel. 0911 89 00 57

Part I. General Information

1. General Profile

- a. Type of Customer Private Customer Business Customer
- b. Age 18-24 years 45-64 years
 25-34 years Older than 64 year
 35-44 years
- c. Educational Status: Certificate and below Diploma Degree
 Masters Above Masters
- d. How long have you been the customer of Awash International bank S.C.?
1-5 years 6-11 years 12-17 years 19 years & above

e. What type of services are you frequently using from the bank? You can select more than one item.

Saving deposits Current account Borrower International Banking

f. Are you customers of other private or government banks?

No, I am not Yes, other private banks Yes, Government banks

Yes, Both government & other private banks

Part II. Information Related to Assessment of the Service Quality of AIB using SERVQUAL, five dimensions.

1 stands for "Poor", 2 is "Satisfactory", 3 stands for "Good", 4 stands for "Very Good", 5 stands for "Excellent".

	Dimensions	1	2	3	4	5
A	Tangibility					
	Modern looking equipment					
	Visually Appealing physical facilities					
	Neat appearance of staff					
	Materials associated with the service are visually appealing					
	Convenience Location of Branches					
B	Reliability					
	Staff keeping promise					
	Sincere interest in solving customers' problems					
	Staff performing service right the first time					
	Provide services at the time they promise to do so					
	Insists on error free records					
C	Responsiveness					
	Staff telling customers exactly when services will be performed					
	Prompt service to Customers					
	Staff willingness to help					
	Staffs are never be too busy to respond to customers' requests					
D	Assurance					
	Behaviors of staff instill confidence in customers					
	Customers feel safe in their transactions					
	Friendliness and courtesy of staff					
	Staff having knowledge to answer questions					
E	Empathy					
	Individual attention given by staff					
	Convenient operating hours					

	Staff giving customers personal attention					
	Staff giving customers best interest at heart					
	Understand the specific needs of customers					

III. Assessment of service quality in respect with technological advancement, waiting time and responsiveness

1. How do you rate AIB’s modern banking service in relation with technology like, core banking system, mobile banking etc?

Poor Satisfactory Good Very Good Excellent

2. To what extent do you believe that AIB banking system is advanced in modern technology utilization compared with other banks in the country?

Very Low Low Moderate High Very High

3. How do you rate the waiting time of AIB’s service?

Poor Satisfactory Good Very good Excellent

4. Are you satisfied with the service of the bank in respect to your specific needs of service, like loan service, domestic banking & foreign banking service?

Yes No

a) If your answer is ‘YES’ for the previous questions how do you explain its quality? You can measure the quality in terms of its speed, employee’s manner, technology usage, internal policy, terms & tariffs and others, if any.

b) If your answer is ‘No’ what makes you dissatisfied?

c) How do you think that AIB can bring change on its service quality?

IV. Assessing customers expectation towards AIB service

1. What was your expectation/perception towards AIB's service quality before you became customer of the bank?

2. If there is a deviation, how do you rate the gap between your expectation and the actual performance of AIB's?

High deviation Moderate Low deviation Very low deviation

- a) Based on your answer for Question (a) does it affect your relationship with the bank?

Yes, it affects negatively No, I stayed neutral Yes, it affects positively

3. If your answer for the above question is yes, it affects negatively, where do you think that the gap lies between your expectation and AIB's performance? Like technology, waiting time, employees manner and others if any,

4. Did you take any step to put in complaints with management for any dissatisfaction?

Yes No

- a) If your answer is 'Yes' for the previous question what was the response?

- b) How do you rate the response of the banks' management for your complaint?

No response at all Late response Respond at reasonable time

Quick response Quick & positive response

5. How do you rate the total service quality of AIB?

Poor Satisfactory Good Very Good Excellent

6. How do you rate your satisfaction level with the overall service of the bank?

Highly Unsatisfied Unsatisfied Neutral
Satisfied Very satisfied

7. How do you measure AIB's service quality compared to other banks?

Poor Satisfactory Good Very Good Excellent

8. Are you willing to continue being customer of the bank?

No, I will move to other banks Yes, I will stay as a customer

Yes, I will wait & see for changes Other comment if any, _____

Thank you for your willingness and precious time.

List of Selected Branches

1. Addis Ketema Branch
2. Africa Andinet Branch
3. Arada Giorgies Branch
4. Arat Killo Branch
5. Bisrate Gebriesl Branch
6. Bole Branch
7. Dilgebeya Branch
8. Gerji Branch
9. Gofa Sefer Branch
10. Gurdsholla Branch
11. Hayahulet Branch
12. Head Office Branch
13. Jemmo Branch
14. Kazanchis Branch
15. Kirkos Branch
16. Kolfe Branch
17. Legehar Branch
18. Megenagna Branch
19. Mehal Arada Branch
20. Mehal Arada Branch
21. Merkato Branch
22. Mesalemiya Branch
23. Piazza Branch
24. Sebategna Branch
25. Temenjayaz Branch
26. Urael Branch