



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
ASSESSMENT OF SERVICE QUALITY AND
CUSTOMER SATISFACTION:
THE CASE OF COMMERCIAL BANK OF ETHIOPIA,
ADDIS ABABA BRANCH

BY
YALELET MESGANAW

JANUARY, 2016
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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
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**JANUARY, 2016
ADDIS ABABA, ETHIOPIA**

**ST. MARY'S UNIVERSITY
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DECLARATION

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

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December, 2016

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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January, 2016

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ABSTRACT

The purpose of this research was to assess service quality and customer satisfaction in Commercial Bank of Ethiopia, Addis Ababa branch so as to provide a solution to the problems found during the study. In doing so, primary data was collected from randomly selected 400 customers of the bank via questionnaire. The data collected was presented, analyzed and interpreted using descriptive statistical tools. The research had revealed that the quality of services in the bank is found to be good in the SERVQUAL model service quality dimensions of responsiveness, assurance and empathy. However, the service lacks tangibility (modern office equipment, attractive, comfortable and visually appealing service Center) and reliability where by customers can depend on it at all times. Customers' satisfaction with the overall quality of services is found to be more than the average score which can satisfy up to 77 % of service recipients. Hence, most of the respondents feel that the quality service they are getting from the bank is satisfactory and because of this majority of them were happy to continue working with the bank than shifting to/ searching for other banks having better quality of services. The research result shows that there is a positive and strong correlation between service quality and customer satisfaction where by the satisfaction level of customer' will rise as the quality of services is improved.

Key words: *Service Quality, SERVQUAL, Customer satisfaction*

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Customer service has become an integral part of the banking industry as it determines the future success or failure of any organization. In service industries globally, the subject of service quality remains critical as businesses strive to maintain competitive advantage in the marketplace (Zeithaml and Bitner, 2003). Hence, the current business environment is becoming competitive and challenging than ever before, Zeithaml et al, (1990) found that for business organizations in order to be successful and survive in the competitive environment, the most critical strategy is to deliver superior service quality to their customers.

With multidimensional challenges and demands of globalization, service giving organizations especially banks are required to redesign their products and systems so as to improve service quality and remain competitive in the industry (Yasin et al, 2004). As competition increases and environmental issues are become dynamic, the importance of service equality will be highly increased (Asubonteng: 1996).

Financial services, particularly banks are competing in the marketplace with generally similar products; service quality becomes a primary competitive weapon (Mohammed and Shirley, 2009). Therefore, banks should focus on service quality as a core competitive strategy because they are providing nearly undifferentiated products to the similarly targeted marketplace (Juan et al, 2006).

Service quality and customer satisfaction are very important concepts that companies have to understand in order to stay competitive and profitable in business. It is very important for companies to know how to measure these constructs from the consumers' perspective in order to better understand their needs and hence satisfy them. Service quality is considered very important because it leads to higher customer satisfaction, profitability, reduced cost, customer loyalty and retention (Zeithaml & Berry, 1994)

Service quality is defined as the degree of contradiction between customers' perceptions of service performance and their normative expectation for service (Parasuraman et al, 1985).

All the “definitions of service quality hold that it is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed” (Lehtinen&Lehtinen, 1982; Lewis & Booms, 1983; Parasuraman et al., 1985; 1988; Caruana, 2002).

In service industry, the concept of quality holds the main position. The relationship with the customer is based on the promise that customer satisfaction is achieved through providing standard quality of service. The high quality demands on customers end is becoming prominent due to the growing fact that high level of service quality leads to sustainable competitive advantage in the competitive business environment (Suresh chandar et al., 2002).

According to the widely accepted conceptualization, customer satisfaction is “a customer’s post-consumption evaluation of a product or service” (Mittal &Frennea (2010, p. 3). This only “occurs if the perceived performance of a product or service meets or exceeds customers’ prior expectations” Bearden & Teel, 1983; Oliver 1980, 2010).

Parasuraman P. (1988) has defined customer satisfaction as "a person’s feeling of pleasure or disappointment resulting from comparing a product’s perceived performance (outcome) in relation to his or her expectation". If the performance falls short of expectations, the customer will be dissatisfied. If it matches expectations, the customer will be satisfied, and if it exceeds expectations, the customer will be highly satisfied or delighted.

In similar terms, other scholars have pointed out that customers will always evaluate their level of satisfaction by comparing expected service quality and the ways that they think they have been served. That is satisfaction with services is highly related to conformation or disconfirmation of expectations (Smith and Houston 1982).

Focusing on customer satisfaction has been the key to increasing service quality according to customers’ expectations in the banking sector” (Zairi, 2000). Hanson (2000) suggested that the level of service quality is an indication of the organization's ability to meet customers' desires and demands. So, organizations must excel their services to meet the customers' needs and requirements. Managers depend on customers’ anticipation of service quality for the competition in the market (Hoffman and Bateson, 2002).

1.1.1 Background of the organization under study

The history of the Commercial Bank of Ethiopia (CBE) dates back to its establishment as state Bank of Ethiopia in 1942. CBE was legally established as a share company in 1963. In 1974, CBE had merged with the privately owned Addis Ababa Bank, and recently by the year 2016 it has also been merged with the previous construction and business bank.

The bank is playing significant roles in the development of the country by financing largest government projects (CBE's 2014/15 annual report).

The bank has a vision of becoming world class commercial bank by the year 2025. As of September 12, 2016 the bank had about 1,132 branches stretched all over the country.

Currently, the bank is providing the following banking services:-

- Accepting saving, demand and time deposits;
- Providing short, medium and long term loans;
- Buying and selling foreign exchanges;
- Buying and selling negotiable instruments and securities issued by the government, private organizations or any other person; and
- Engaging in other banking activities customarily carried out by commercial banks as per the directives of National bank of Ethiopia.

CBE is the leading bank in Ethiopia in terms of its market share which strives to excel customer satisfaction through continuous service quality improvements. The bank frequently undertakes customer satisfaction surveys to assess its service quality and create a linkage between service quality and customer satisfaction.

1.2 Statement of the problem

As practical manifestations reveal, most CBE's customers continuously complain over poor customer service, unsatisfactory new product development, less innovation, long process and or waiting time, bureaucratic way of getting banking products/services such as loan, international banking service, import and export letter of credit, insufficient information on products of the bank, employees inability to quickly adopt to the new technology, lack of employee skills to properly communicate, influence and sell products and the like. Keeping these points in mind, this study is aimed at assessing service quality and customer satisfaction at commercial bank of Ethiopia Addis Ababa branch.

Service quality and customer satisfaction concepts should be dealt continuously as the measurement standards and ways of satisfying customers are changing rapidly due to the fast changes in technology, government regulations, and customer relationship management practices which will change customer's expectation and satisfaction levels. This necessitates the researcher to undertake a study on the area of service quality and customer satisfaction so as to make up to date descriptions on the issue.

Even though, several researches have been done on the areas of service quality and customer satisfaction, only very few have been done on commercial bank of Ethiopia Addis Ababa branch. The researcher who has made his thesis work in this branch (Melese, 2014:46) has clearly announced research gaps and forwarded his recommendation for other researchers to undertake further study in this branch.

On the one hand, Commercial bank of Ethiopia is making aggressive promotions as if it is providing quality services to make its customers more satisfied than ever before. On the other hand, most of its customers are complaining against its services. This research will therefore be made to clarify such type of inconsistencies about service quality and customer satisfaction and justify the reasons for it.

CBE's customer satisfaction level had reached about 82% as of June 30, 2016 (CBE 2015/16 annual report the bank's annual customer satisfaction survey).

But it had nothing to say about how much quality of overall service had provided this level of customer satisfaction indicating the linkage between customer service quality and the level of customer satisfaction is left in short of studies in the bank. This research is therefore intended to clarify the influences of service quality on the satisfaction level of customers at Commercial bank of Ethiopia Addis Ababa branch.

Even though CBE had a practice of undertaking bank wide customer satisfaction surveys, branches do not make assessment of their own service quality and customer satisfaction on regular basis. Hence this study is aimed at undertaking a study at a branch level so as to provide information and recommendation in filling this gap.

There are lots of complaints on the service delivery system of CBE. Even though frequent network and power interruption are major ones, a number of reasons are behind these customer discontents. In this regard, a research should be carried out on the area to urge a major reform; to assess the impacts of service quality on customer's satisfaction and get the problems rectified which makes the researcher interested to make a study in this issue.

1.3 Research objective

1.3.1 General objective

The general objective of this research is to assess service quality and customer satisfaction at commercial bank of Ethiopia Addis Ababa branch.

1.3.2 Specific objectives

This research work had the following specific objectives.

- ◆ To assess the level of tangibility in the bank.
- ◆ To analyze the level of reliability in the bank.
- ◆ To identify the level of responsiveness in the bank.
- ◆ To assess the level of assurance in the bank.
- ◆ To find out the level of empathy in the bank.

- ◆ To describe the relationship between service quality dimensions and customer satisfaction.

1.4 Research Question

This research was made to provide possible answers to the following research questions:

1. How much is the level of service quality in the bank when measured using service quality dimensions?
2. How much customers are satisfied with overall services of the bank?
3. What is the dominant service quality dimension which highly affects service quality in the bank?
4. What is the relationship between service quality and customer satisfaction?

1.5 Significance of the Study

This research work had provided potential benefits to the researcher, the organization under study and its customers, employees and managers of the bank.

Through this study, the researcher had got new ideas and expands his knowledge of service quality and customer satisfaction in banking sector. This research work had also inculcated scientific, logical and inductive thinking in undertaking this research. In addition, this study had provided the researcher a chance to understand to what extent the theoretical knowledge of service quality and customer satisfaction concepts learnt are being implemented in practice by the organization under study.

This research work was also helpful to the Commercial bank of Ethiopia in providing up to date information about the quality of its services and its linkage to customer satisfaction. It had also helped the bank to improve the current practice of providing customer service and delighting its customers. The recommendations that the research had provided were also helpful to make new and/or adjustments in the bank's customer handling procedures so as to make them satisfied with the services.

Managers and the organization have been informed of the satisfaction level of their customers. This research had enabled managers and employees of the bank to make informed decisions regarding their customers' satisfaction. It was helpful to the organization in getting more customers by improving quality of its services and satisfying the existing customers to make them word of mouth promoters.

This research had also provide the basis for other reasearchers to undertake further studies on the areas of service quality and customer satisfaction by telling them the research gaps.

1.6 Scope and Delimitation of the study

For the Quality of analysis and manageability of data, this research work was geographically delimited to Commercial bank of Ethiopia Addis Ababa branch only. Hence, the findings of this research had not been used to generalize the study variables to commercial bank of Ethiopia.

This study was also delimited to 400 sample customers of the branch. Hence it is not a comprehensive survey which encompasses all branch customers.

Because of its academic nature, this research was delimited to the service quality and customer satisfaction results of commercial bank of Ethiopia, Addis Ababa branch for the period scheduled by St. Mary's university as data collection period which is from October 02-26, 2016. Hence the findings of this research can't be concluded to other periods other than the specified dates.

The research includes only private customers and it excludes government and public clients to avoid duplication of responses. If the researcher had used private and public clients, their representatives may fill the questionnaire double times (one as an individual customer & the other as company representative) which will create duplications.

As the concept of service quality is very broad and more complex, this study had assesses only the five service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy).

1.7 Organization of the study

This research work has been organized into five distinct chapters. Chapter one has dealt about introduction, problem statements, objectives, research hypothesis, significance, scope and limitations of the study. The second chapter had contained review of theoretical and empirical literatures stated about the subject matter under study. Chapter three had discussed the methodologies of doing this research paper. In chapter four, the researcher had presented and analyzed the research findings to investigate the stated problems. Finally, chapter five had incorporated summary of the findings, conclusion and recommendations of the researcher.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

This chapter provides a brief overview of different literatures wrote by specialists, practitioners, scholars and researchers on the areas of service quality and customer satisfaction.

2.1 Service

The concept of service is used and defined in various perspectives by many scholars. Some of which will be elaborated here below.

A service is a commodity with no physical existence, usually created and consumed at the same time. Gronroos (2001) described a service as a process resulting in an outcome in a partly simultaneous production and consumption process. This definition points to the fact that service provision and consumption are simultaneous activities.

Services are economic activities offered by one party to another. In exchange for money, time, and effort, service customers expect value from access to goods, labor, professional skills ,facilities, networks, and systems; but they do not normally take ownership of the physical elements involved(Lovelock &Wirtz, 2011).

A service occurs when an interaction is established between customers and service providers and/or the physical component of the service or the systems through which the service is delivered (Shahin&Janatyan, 2011).

Service is intangible in nature, it cannot be mass produced. It cannot be inventoried and stored after production. Due to the fact that services and consumers of services are inseparable, they cannot be produced until the consumer is ready to consume them. Providing consistent quality is difficult for service because of the characteristic of variability (Clow and Kurtz, 2003). When one puts it in the simplest term; services are deeds, processes and performances (Zeithaml and Bitner, 2004). It is apparent that services are produced not only by service businesses but also are integral to the offering of many manufactured goods producers.

Philip Kotler (2000) defines services as “ A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership or anything, it’s production may not be tied to a physical product.”

According to Zeithaml and Bitner (2004), services include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser. Lovelock and Wirtz (2007) indicated that, service is “time based” and the outcome of a service may result in desired change in consumer or any property of the consumer.

2.2 Characteristics of Services

In many literatures, it is commonly agreed that services have four distinct characteristics which will differentiate it from goods. These characteristics are: intangibility, inseparability, variability, and perishability (Armstrong & Kotler, 2011).

- I. **Intangibility**- refers to the fact that services cannot be seen, tasted, felt, heard, or smelled before they are bought. For this reason, customers try to evaluate the quality of a service by looking at tangible components such as the place, people, price, equipment, and communications apparent (Armstrong & Kotler, 2011).
- II. **Inseparability**- refers to the fact that services can't be separated from their providers, whether the providers are people or machines. This means that the employees providing the service becomes part of the service, in most cases, the customer is also present at the time of providing the service. Therefore, the provider-consumer interaction becomes important in determining the outcome of the service (Armstrong & Kotler, 2011)

This characteristic marked a clear distinction between physical goods and services in terms of the sequence of production and consumption. Whereas goods are first produced, then stored and finally sold and consumed, services are first sold, then produced and consumed simultaneously. The involvement of the customer in the production and delivery of the services will enable the service provider to exercise care in what is being produced and how it is produced. For the bank customer service officers (tellers) to show dignity and respect it is necessary that customers physically exist in getting the service.

- III. **Variability**- refers to the fact that the quality of services depends on who provides them as well as when, where, and how they are provided (Armstrong & Kotler, 2011). This means that the quality of a service provided is not just determined by the company but by

the service provider too. Companies may have designed excellent type of service, but it will not be effective unless they deploy interactive service providers/service sales persons.

Some banks may provide fast and efficient service while others may not and even within the same bank some branches may deliver excellent service while others may perform poor. This is also true for service variability between tellers of the same branch.

- IV. Perishability-** refers to the fact that services cannot be stored for later sale or use (Armstrong & Kotler, 2011). For instance, no body can't store excellent banking services received for later uses to be consumed at Sundays when banks will be closed.

2.3 Service Quality

Service quality is a concept that has aroused considerable interest and debate in research literature because of the difficulties in both defining and measuring it with no agreement emerging on either of the two notions (Wisniewski, 2001). This implies it is very difficult to measuring service quality because it is totally subjective and dependent on customers' expectation and prior experience.

Definition of service quality revolves around the idea that it is the result of comparison that customers make between their expectations about a service and their perception of the ways the service has been performed (perceived performance).

Service quality can thus be defined as the difference between customer expectations of service and perceived service performance. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman et al., 1985). By the same notion, Lewis and Booms, (1983) described that giving quality service implies meeting the requirements to customer expectations regularly.

The notion of service quality involves more than the outcome quality; the methods and manner by which the service is delivered are of great importance. The quest for service quality has been an essential strategic component for firms attempting to succeed or endure in today's competitive environment (Munusamy and Fong, 2008).

Bitner, Booms and Mohr 1994, define service quality as the consumer's overall impression of the relative inferiority /superiority of the organization and its services.

Lehtinen and Lehtinen (1982) defined service quality in terms of physical quality, interactive quality and corporate (image) quality.

- ✓ **Physical quality** is associated with tangible aspects of the service.
- ✓ **Interactive quality** involves the interactive nature of services and refers to the two-way flow, which occurs between the customer and the service provider, or his/her representative, including both automated and animated interactions.
- ✓ **Corporate /image quality** refers to the image attributed to a service provider by its current and potential customers, as well as other publics. They also suggested that, when compared with the other two quality dimensions, corporate quality tends to be more stable over time.

Since service quality is judgmental it can be seen from different point of views such as:

- ◆ **Customer point of view-** quality means fitness for use and meeting Customer satisfaction.
- ◆ **Process point of view-**quality means conformance with the process design, standards and specifications.
- ◆ **Product point of view-**quality means the degree of excellence at an acceptable price.
- ◆ **Cost point of view:**“quality means best combination between costs and features.

2.4 Measuring Service Quality

Conceptual service quality models are useful as they provide an overview of the factors which have the potential to influence the quality of an organization's service offerings. They facilitate our understanding and can help organizations to clarify how quality shortfalls will be properly filled out. However, human behavior significantly affects the quality service offerings as it is highly dependent on expectations and prior experience of the service recipients. That is a high quality service for somebody else (depending on his expectation and prior experience) may be a poor service to others. The most widely used standard for measuring service quality regardless of the sector is the SURVQUAL model.

2.5 Service quality Models

2.5.1 SERVQUAL Model

This model tries to measure the quality of services using the following five service standards:

- I. **Tangibility:** - refers the appearance of physical facilities, equipments, and personnel (Jabnoun and Al Tamimi, 2003). Indicated that customers choose tangibility factor of service quality in the banking industry “Banks could build customer relationships by delivering added tangible and intangibility elements of the core products” (Zineldin, 2005). This tells us that services will be in a better quality when service providers are equipped with appealing physical facilities and staff.
- II. **Reliability:** - refers to the 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” that most customers and managers should use every opportunity to build a “do-it-right-first” attitude” so as to build the necessary first time impression (Berry et al., 1990).
- III. **Responsiveness:** - refers to willingness to help customers and provide them prompt service. “Customers are very sensitive to employees' working environment in service organizations” (Brown and Mitchell, 1993). (Gollway and Ho, 1996) reported that proper balance between staff skills and customers' expectation resulted in superior service quality towards customers.
- IV. **Assurance:** - is a service quality measurement standard which indicates knowledge, courtesy and ability of employees to inspire trust and confidence at the minds of customers Parasuraman et al., 1988).

Assurance has “the strongest impact on customer satisfaction that leads to positive word of mouth outcome” (Arasli et al., 2005).
- V. **Empathy:** - refers to the provision of caring and individualized attention to customers. 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 will result satisfied customers for long term benefits” (Nelson and Chan, 2005).

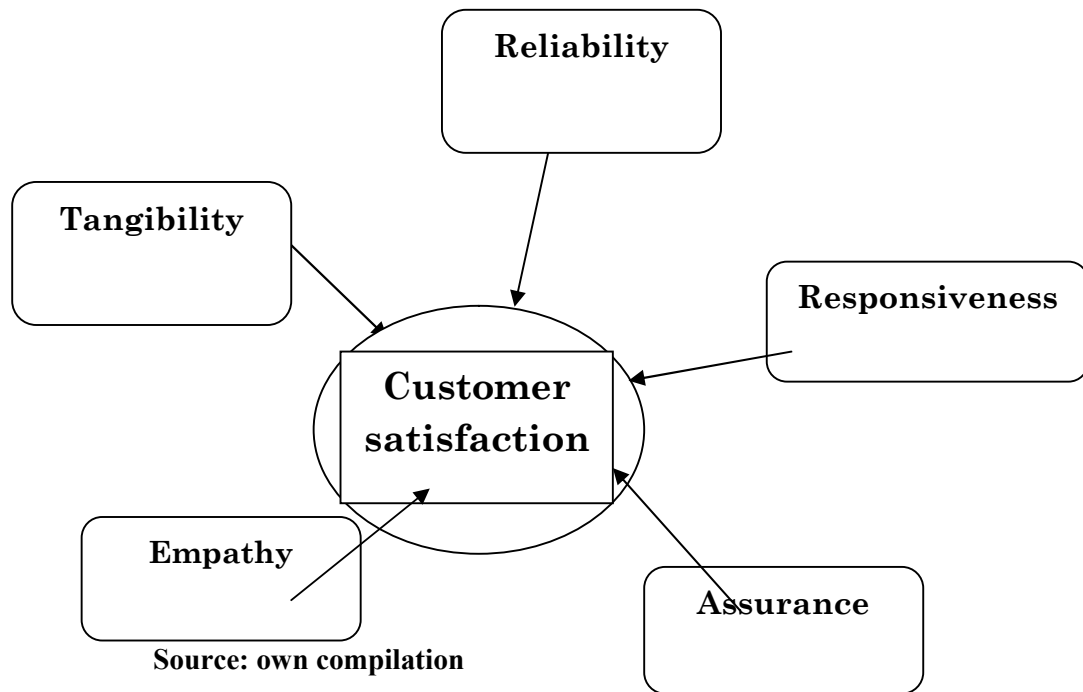


Figure 1: SERVQUAL model service quality dimensions

2.5.2 Criticisms of SERVQUAL Model

Notwithstanding its growing popularity and widespread application, SERVQUAL has been subjected to a number of theoretical and operational criticisms which are detailed below:

(1) Theoretical:

SERVQUAL model is theoretically criticized in the areas of being:

- **Paradigmatic objections:** SERVQUAL is based on a disconfirmation paradigm rather than an attitudinal paradigm; and SERVQUAL fails to draw on established economic, statistical and psychological theory.
- **Gaps model:** there is little evidence that customers assess service quality in terms of P – E gaps.
- **Process orientation:** SERVQUAL focuses on the process of service delivery, not the outcomes of the service encounter.
- **Dimensionality:** SERVQUAL's five dimensions are not universals; the number of dimensions comprising SQ is contextualized; items do not always load on to the factors which one would a priori expect; and there is a high degree of inter correlation between the five RATER dimensions.

(2) Operational:

- **Expectations:** the term expectation is polymeric; consumers use standards other than expectations to evaluate SQ; and SERVQUAL fails to measure absolute SQ expectations.
- **Composition:** four or five items cannot capture the variability within each SQ dimension.
- **Moments of truth (MOT):** customers' assessments of SQ may vary from MOT to MOT. •
- **Polarity:** the reversed polarity of items in the scale causes respondent error.
- **Scale points:** the seven-point Likert scale is flawed.
- **Two administrations:** two administrations of the instrument cause boredom and confusion.
- **Variance extracted:** the over SERVQUAL score accounts for a disappointing proportion of item variances.

2.6 Managing Service Quality

Managing service quality is a big challenge to many organizations because it is very difficult to know expectations of customers. In service marketing, the quality of service is critical to a firm's success. Service providers must understand two attributes of service quality:

1. Quality is defined by the customer not by producer or seller.
2. Customers will assess the quality of services they received based on their expectations and prior experiences, Stanton; (1987).

In effectively managing the quality of services, service providing firms should:

- ✓ **Know their customers prior experience of the service:** so as to make customers satisfied with the service, knowing their prior experience will help the service provider to offer services better than ever before.
- ✓ **Help customers formulate expectation:** Expectations are based on information from personnel and commercial sources made by the service provider and experience with the particular service.
- ✓ **Measure the expectation level of target market:** A service firm must conduct research to measure expectations. Gathering data on the target market's past behavior, existing perceptions and beliefs and exposure of information can provide the bases for estimating expectation.

- ✓ **Strive to maintain consistent service quality at or above the expectation level:**Fluctuations and volatility in the quality of services will create inconvenience for customers. So, banks should provide consistent quality of services so as to make their customers satisfied and win the competition.

2.7 Customer Satisfaction

As Kotler et al, (2006) defined customer satisfaction as “the level of persons felt state resulting from comparing a product’s perceived performance or outcome in violation to his/her own expectations”. So, customer satisfaction could be considered as comparative behavior between inputs beforehand and post obtainments. Customer satisfaction conceptually has been defined as feeling of the post utilization that the consumers experience from their purchase Westbrook and Oliver, (1991).

Westbrook and Oliver, (1991) further suggest that customer satisfaction will drive firms to improve their reputation and image, to reduce customer turnover, and to increase attention to customer needs. Such actions will help firms create barriers to switching, and improve business relationships with their customers.

Researches, also suggested that customer satisfaction is considered to be one of the most important competitive factors for the future, and will be the best indicator of the firm’s profitability.

Many businesses are interested in maximizing customer satisfaction; it is not because customer satisfaction is the ultimate objective in itself. The underlying motive is that satisfied customers yield greater profits. Companies with more satisfied customers will be more successful and more profitable.

2.7.1 Importance of Customer satisfaction

Customer satisfaction is influenced by specific product or service features, perception of quality, customer's emotional responses, their attributions and their perception.

- **Product Service Features-** Customers satisfaction with a product or service is influenced by customer evaluation of product or service feature.(Zettmal et al.,1985)
- **Customer Emotion-** Customers emotion can also affect their perception of satisfaction with products and services. These emotions can be stable preexisting emotion. (Zettmal et al, 1985)
- **Attribution of Service Success or Failure-** Attribution influence perception of satisfaction when they have been surprised by an outcome, (the service is either much better or much worse than expected), customers tend to look for the reasons their assessments of the reasons can influence their satisfaction. (Zettmal et al., 1985)
- **Perception of Equity or Fairness-** Customer satisfaction is also influenced by perception of equity and fairness customers ask the service. Have I been treated fairly compared with other customers? Did other customers get better treatment, better prices or better quality service and the like? Notions of fairness are central to customer's perception of satisfaction with products and services. (Zettmal et al., 1985)
Organizations take different approaches to identifying customer service standards and they vary in detail. Robert-Phelps uses "SPECIAL" as a model to satisfy customers.
 - Speed
 - Personality
 - Exceed expectations
 - Competence
 - Courtesy
 - Information
 - Attitude
 - Long-term relationship

2.7.2 Factors Affecting Customer Satisfaction

Matzler et al., (2002) classify factors that affect customer satisfaction in to three factors structures:-

1. **Basic factors:** - these are the minimum requirements that are required in a product to prevent the customer from being dissatisfied. They do not necessarily cause satisfaction but lead to dissatisfaction if absent.
2. These are those factors that lead to the fulfillment of the basic requirement for which the product is produced. These constitute the basic attributes of the product or service.
3. They thus have a low impact on satisfaction even though they are a prerequisite for satisfaction. In a nutshell competence and accessibility
4. **Performance factors:** - these are the factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled. These include reliability and friendliness.
5. **Excitement factors:** - these are factors that increase customers' satisfaction if fulfilled but does not cause dissatisfaction if not fulfilled which include project management.

2.7.3 Reasons of Customer Dissatisfaction

Sometimes customers become dissatisfied with many reasons some of which includes the following (www.qualitygurus).

- ✓ **Not knowing the Expectations** Customer remains dissatisfied unless the company knows what the customer actually expects out of their product.
- ✓ **Not Meeting the Expectations:** a customer may become dissatisfied because the service does not live up to expectations. In addition to that as a result of the rapid improvement in the technology, customer may compare the services provided by a company with those of the competitors, which may lead to dissatisfaction and customers over expectations and their changing needs may lead them for dissatisfaction.

2.7.4 Things to Do When You Have a Dissatisfied Customer

If customers dissatisfied, the first step is to identify and define their dissatisfaction. Their wants and needs first must be uncovered and defined to see if the features and benefits of your company's product or services can satisfy those wants and needs.

Their dissatisfaction as well as their satisfaction should be measured and analyzed to get a better perception of their true level of dissatisfaction. Once the reason and level of their dissatisfaction is exposed then a system to improve that unhappiness can be instituted and a control can be implemented to insure continuation of that improvement in product or level of service. (www.qualitygurus.com, accessed on august 25, 2016)

2.8 The Relationship between Service Quality and Customer satisfaction

Several evidences found in literature that there is a significant correlation between service quality and customer satisfaction (Sureshchandar et al., 2002).

Service companies have since recently focused on customers in order to improve competitiveness. Customer satisfaction is one of the important outcomes of marketing activity Mick and Fournier; (1999). In the competitive banking industry, customer satisfaction is considered as the fundamental of success. Satisfying customers is one of the main objectives of every business.

The specific relationship between service quality and customer satisfaction has been the subject of a number of empirical studies. The relationship is often described as the ‘satisfaction mirror’ reinforcing the idea that business success results from employee satisfaction being ‘reflected’ in terms of customer satisfaction Schlesinger &Heskett, (1991); Norman & Ramirez, (1993); Whilst Silvestro and Cross, (2000) suggests that employee satisfaction is a key driver of service quality. Voss et al, (2004), for example, find that ‘employee satisfaction directly affects both service quality and customer satisfaction’, whilst Vilares and Coehlo, (2003) are so convinced about the fit that they recommend changes to one of the existing customer satisfaction indexes to recognize the ‘cause and effect relationship between employee behavior and customer satisfaction’.

As with customer surveys, staff surveys should be subject to due rigor with regard to their planning and execution. This means that objectives need to be clearly articulated, data sets specified and classification categories defined. It is particularly important to incorporate questions regarding aspects of customer service into staff surveys. For example, staff should be asked what they believe to be the appropriate expectations of customers with regard to the role that they and their department perform.

2.9 Empirical Literatures

An empirical study made by Navaratnaseelanand Elangkumaran (2012) reveals that, there is a significant positive correlation between service quality and customer satisfaction. In the same fashion, the study has found that service quality has significant impact on customer satisfaction. It add points that, maintaining high quality services in commercial bank will have excellent customer satisfaction where as low quality services will lead to a decline in customer satisfaction which also may result to loss of customers.

In relation to this finding, the researcher had come up with the recommendation that there should be improved communication between the management and customers in order to improve quality of services so as to satisfy their customers.

Finally, the researcher concluded that quality service is an important factor when one is to retain customers. The increase in the customer satisfaction in the bank is due to an increase in quality of services provided.

Another study made by Shanmugapriya G. Sethuraman R (2014) in service quality of commercial bank of Ethiopia Axum branch has found that the majority of the respondents responded that the banking services are excellent. The research had also exhibited that the 32 % of the respondents were told the banking service of the bank is very good and 40% of the respondents said commercial bank of Ethiopia Axum branch is providing excellent quality of service which had provide them high level of satisfaction.

The other empirical study made by MelesseAbebe (2014) had come up with the following findings on service quality dimensions at commercial bank of Ethiopia.

- ✓ The bank's employees are less responsive to customers as they are not able to provide prompt service and willing to help customers when the need arises.
- ✓ Limited knowledge of employees to answer customers' questions and lack of customer handling skills were results of the study associated with the dimension of assurance.
- ✓ Most of the respondents replied that, they do not consider working with CBE to their best interest at heart as because CBE's services lack empathy.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter discusses about the systems and methodologies which have been deployed in doing this research and the ways the research results have been analyzed, presented and interpreted.

3.1 Research Design and approaches

This study had applied descriptive research approaches where by the researcher had made generalization/conclusion about the target population by studying variables of the sample. This approach is chosen because the researcher was interested to describe the variables of service quality and customer satisfaction in the bank.

In doing this reasearch, the researcher had used explanatory type of research design to find out the assessment results of service quality and customer satisfaction and to explain thier relationships.

3.2 Sample Size and Sampling Techniques

3.2.1 Sample Size

In determining the sample size, the researcher used the formula which was developed by Taro Yamane in 1967 expecting 95 % level of confidence in the findings of this research. Commercial bank of Ethiopia Addis Ababa branch has 132,842 private and individual customers (excluding dormant / inactive accounts) as of September 15, 2016.

So, sample size have been calculated as:

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

Where, n= sample size
N= population size
e= sampling error

$$n = \frac{132,842}{1+132,842(0.05)^2} = 400$$

Hence, the number of samples to be studies has been four hundred customers.

3.2.2 Sampling Techniques

Since there is a relative homogeneity in the customer service quality provided to clients of CBE Addis Ababa branch with regard to the study variables, the researcher had used convenient sampling method in selecting 400 samples to undertake this research.

3.3 Sources of Data

3.3.1 Primary sources of data

In order to achieve the research objectives, primary data have been collected from randomly selected customers of CBE Addis Ababa branch using questionnaire.

3.3.2 Secondary sources of data

Secondary sources of data have been obtained by referring to written documents concerning the subject matter and the organization under study. Books, previous studies on the area, the media, company reports, journals etc... have also been used in gathering the information helpful in achieving the research objectives.

3.4 Data collection Methods

Among others, questionnaire was the prominent method of collecting primary data which have been used in undertaking this research work. Standardized SERVQUAL model questionnaire have been prepared and distributed to sample customers to assess service quality dimensions and customer satisfaction levels at commercial Bank of Ethiopia Addis Ababa branch.

Review of documents like previous researches, company reports, the media etc... have also been used as methods of collecting the necessary data for doing this research.

3.5 Procedure of Data Collection

In collecting the necessary primary data, first questionnaire have been prepared and distributed to selected customers of the bank in the target population.

Finally, the distributed questionnaires have been collected back for analysis after it has been properly filled. Data collection via questionnaire had continued for a period of three weeks until sufficient number of questionnaire (400) has been returned back for analysis.

3.6 Data Analysis Methods

Statistical Package for Social Science (SPSS) software have been used to analyze and present the data through the statistical tools which were suitable for analyzing and presenting this study. Namely, descriptive analysis methods have been used in analyzing this research.

Descriptive analysis

The results of this research work have been analyzed and presented by using descriptive statistical tools such as tables, percentages, frequency distributions, pie charts, histograms and bar graphs to provide a solution to the problems stated and meet the research objectives specified. Mean and standard deviation values have also been dealt analyzed and presented for addressing some specific objectives of the research.

Summarized presentations of any comments, suggestions and concluding remarks forwarded by the respondents about the study variables which have been collected with open ended questionnaire had also been used to analyze and present the findings.

3.7 Validity and Reliability of the research

3.7.1 Validity of the research

Validity is defined as the extent to which data collection methods accurately measure what they intended to do. To ensure the validity of this study, data have been collected from reliable sources like respondents who have experiences in using the services of the bank.

Furthermore, this study have been tested, reviewed and commented by the research advisor and other colleagues.

3.7.2 Reliability of the research

To ensure reliability, standardized SERVQUAL model questionnaire have been used to assess the quality of services and its impacts on customer satisfaction.

In addition, proper sampling procedures have been employed in doing this research so as to enhance reliability with the findings of this research work.

3.8 Ethical considerations

While collecting data from customers of the bank via questionnaire, permissions were been asked and obtained from target respondents. To maintain confidentiality of the information provided, the respondents were instructed not to write their names on the questionnaire. In addition, the researcher had assured that the responses have not been used other than academic purposes and as it have been kept confidential.

The questionnaire had brief description of the central objectives and/or purposes of the study as well as the potential benefits of the research outcomes to the researcher, respondents and CBE have been clearly stated in the introductory part of the questionnaire so as to motivate them provide their genuine and relevant information. Respondents were included in the study based on their free consent.

Texts belonging to other authors have been fully acknowledged in the reference page of this research paper.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter consists of the presentation, analysis and the interpretation of data gathered through structured questionnaire. The data considered in this chapter is obtained by using SERVQUAL model. Under this section, result of reliability test, the relationship between the five service quality dimensions and customer satisfaction, and impact on the overall customer satisfaction of customers have been presented and analyzed using tables, charts and graphs.

In doing this research, 432 questionnaires were distributed of which 400 were returned back to the researcher after they have been completely filled.

4.1 Characteristics of the respondents

To find out the general backgrounds of respondents, selected customers were asked to describe their gender, age, educational qualification and length of customer relationship with the bank and presented as follows.

Table-1 Characteristics of the respondents

		Frequency	Percent	Cumulative Percent
Gender	Male	242	60.5	60.5
	Female	158	39.5	100.0
	Total	400	100.0	
Age of respondents	18-30 years	231	57.8	57.8
	31-40 years	91	22.8	80.5
	41-50 years	55	13.8	94.2
	Above 50 years	23	5.6	100.0
	Total	400	100.0	
Education	High school complete	55	13.8	13.8

Qualification	Diploma	57	14.2	28.0
	First Degree	207	51.8	79.8
	Second degree and above	81	20.2	100.0
	Total	400	100.0	
Length of customer relationship with the bank	Less than 1 year	49	12.2	12.2
	1-2 years	79	19.8	32.0
	3-5 years	125	31.2	63.2
	More than 5 years	147	36.8	100.0
	Total	400	100.0	

Source: Own survey compiled from SPSS

As indicated in the above table, among 400 respondents 242 (60.5%) were males while the rest 158 (39.5%) were females.

Figure 2: Gender of the respondents

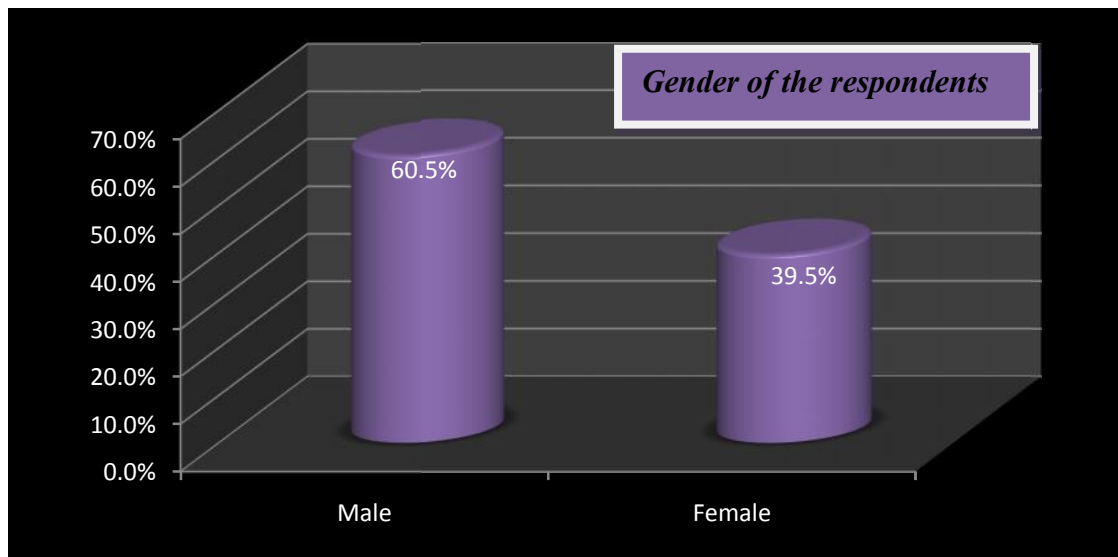
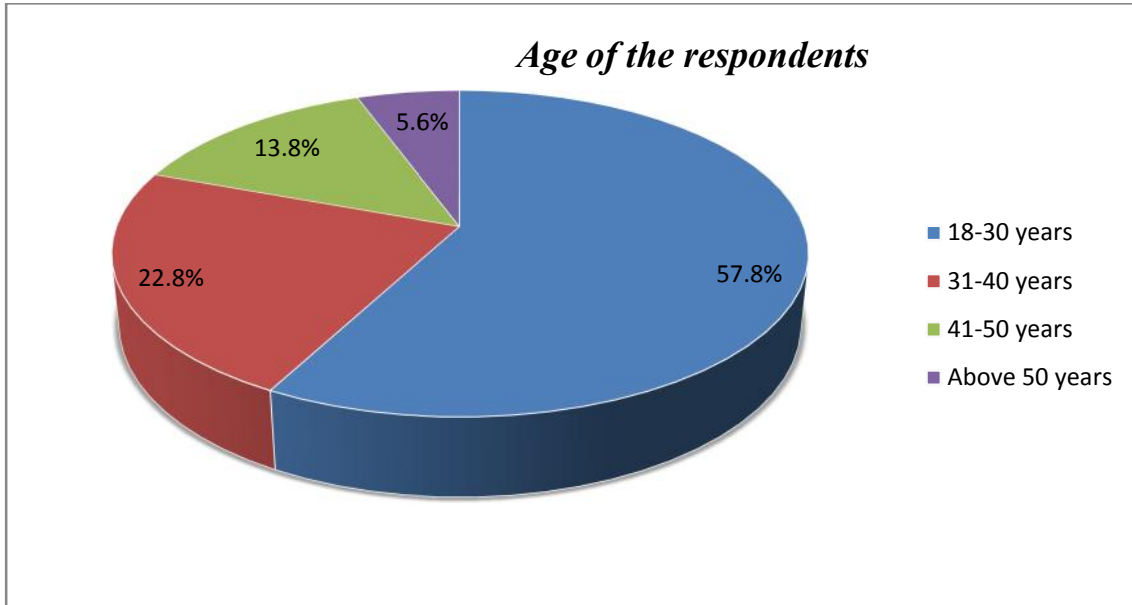
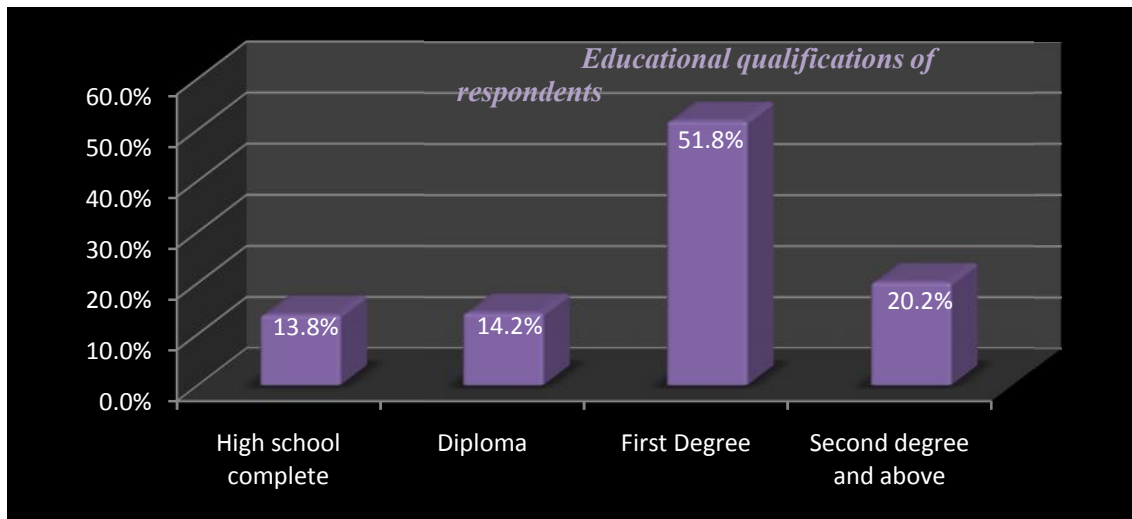


Figure 3: Age of the respondents



While analyzing the age of respondents, the research have found that the line share of respondents (80.6%) are in the ages of 18-40 years showing that the youth and adults are more active in using banking services than old aged individuals. In the same taken, only few respondents (5.6%) were categorized in the age group of more than 50 years.

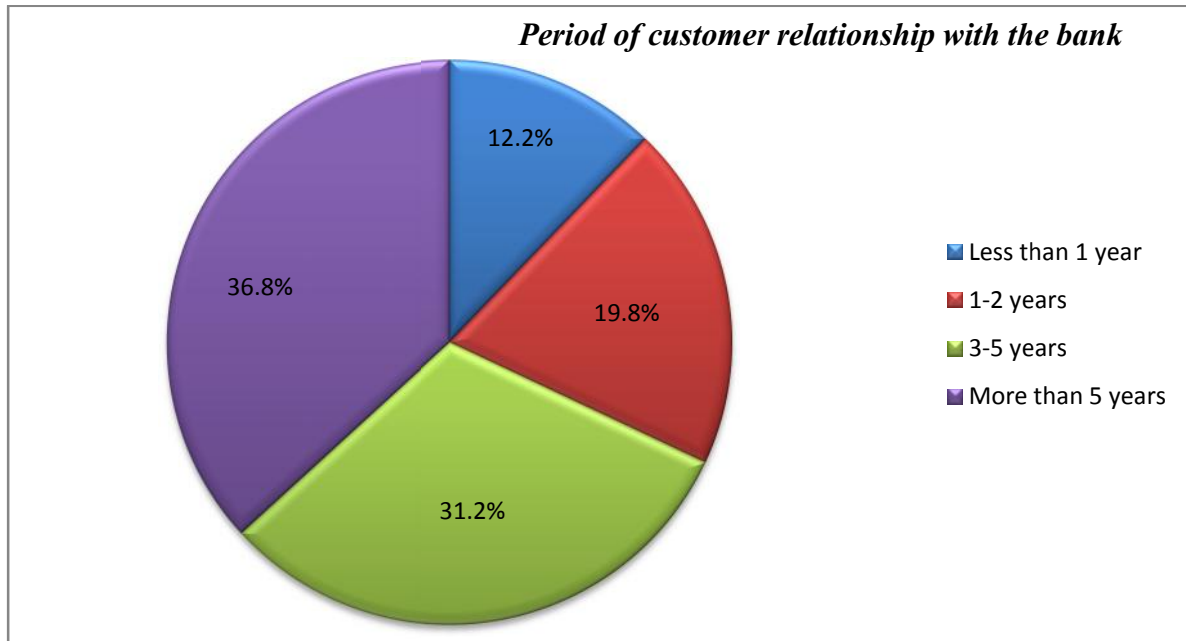
Figure 4: Educational Qualifications of the respondents



In analyzing educational qualifications of the respondents, the researcher had found that majority of the respondents (78%) were holders of first degree and above.

To add points, as indicated in the graph below only little shares of the respondents (13.8%) were high school complete in their educational qualifications.

Figure 5: Respondents period of customer relationship with the bank



As it is indicated in the above figure, significant proportions of the respondents (36.8%) have customer relationship with commercial bank of Ethiopia for a period of more than five years, followed by 31.2% who had relationship with the bank for the period of 3-5 years and only few of the respondents (12.2%) have customer relationship for a period of less than one year. In summing up, it is obvious that majority of the respondents (68%) had a customer relationship with the bank for a period of more than three years and 87.8% of the respondents have relationship with the bank for a period of one year and above.

4.2 Reliability Test

As stated by “Hair et al., (2007) reliability indicates the extents to which a variables or set of variables is consistent in what it is intended to measure” (cited by Siddiqi; 2011:20). Reliability analysis used to measure the consistency of a questionnaire.

There are different methods of reliability test, for this study Cronbach’s alpha is considered to be suitable. Cronbach’s alpha is the most common measure of reliability. For this study the Alpha coefficient for the overall scale calculated as a reliability indicator is 0.95. The individual Alpha

coefficients for the scales were presented on the following table. As described by Andy (2006) the values of Cronbach's alpha around 0.8 is good. The alpha values in this study are around 0.8 and above therefore it is good.

Table-2 Reliability Test of service quality dimensions

SERVEQUAL Dimension	Number of Attributes	Cronbach's Alpha of Perceived Performance	Cronbach's Alpha of Expectation
Reliability	4	0.827	0.878
Responsiveness	4	0.771	0.850
Assurance	4	0.818	0.867
Empathy	4	0.850	0.911
Tangibles	4	0.769	0.865

Source: SPSS reliability result out put

4.3 Analysis of Service Quality Dimensions

4.3.1 Analysis of Tangibility

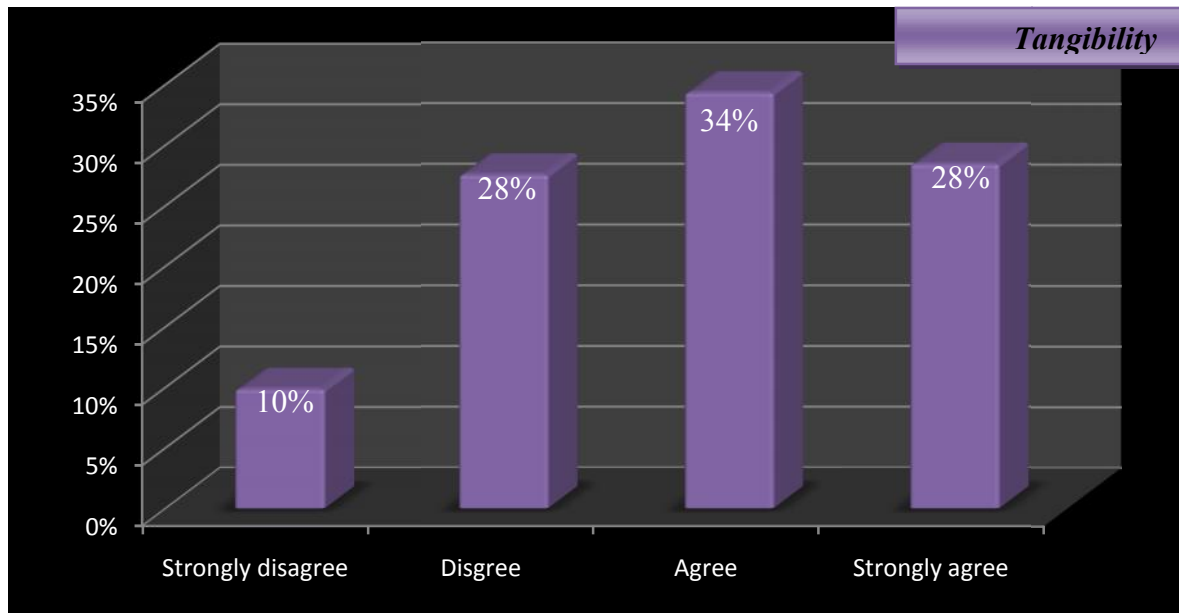
Table -3 Tangibility of services

Tangibility		Response	Frequency	Percent	Cumulative Percent
		Modern looking office equipment	Strongly disagree	79	19.8
Disagree	173		43.2	63	
Agree	77		19.2	82.2	
Strongly agree	71		17.8	100	

		Total	400	100	
Neat and well-dressed branch staffs	Strongly disagree	46	11.5	11.5	
	Disagree	98	24.5	36	
	Agree	161	40.2	76.2	
	Strongly agree	95	23.8	100	
	Total	400	100		
Attractive and comfortable branch layout (service center)	Strongly disagree	22	5.5	5.5	
	Disagree	57	14.2	19.8	
	Agree	193	48.2	68	
	Strongly agree	128	32	100	
	Total	400	100		
Visually appealing service center	Strongly disagree	11	2.8	2.8	
	Disagree	112	28	30.8	
	Agree	117	29.2	60	
	Strongly agree	160	40	100	
	Total	400	100		

Source: Own survey compiled from SPSS

Figure 6- Tangibility of service



As presented in the above graph, most of the respondents (34%) agreed followed by 28 % strong agreement with the tangibility of banking services in commercial bank of Ethiopia, Addis Ababa branch. On the other way round, 10% of the respondents have strong disagreement with the tangibility of services.

In general, the research had revealed that greater numbers of the respondents (62%) provide their agreement to the tangibility of CBE services as compared to 38 % disagreement.

4.3.2 Analysis of Reliability

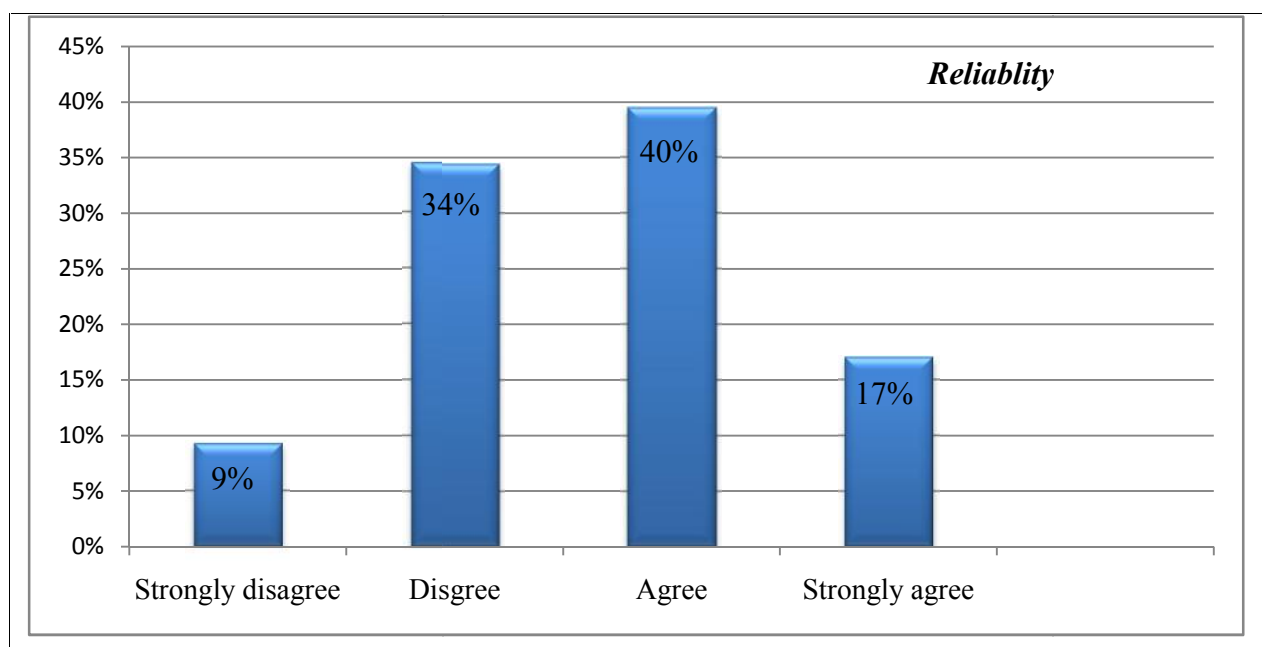
Table -4 Reliability of services

		Frequency	Percent	Valid Percent	Cumulative Percent
<i>Dependable network</i>	Strongly disagree	24	6	6	6
	Disagree	135	33.8	33.8	39.8
	Agree	139	34.8	34.8	74.5
	Strongly agree	102	25.5	25.5	100
	Total	400	100	100	
		Frequency	Percent	Valid Percent	Cumulative Percent
<i>(err or free)</i>	Strongly disagree	34	8.5	8.5	8.5

	Disagree	151	37.8	37.8	46.2
	Agree	147	36.8	36.8	83
	Strongly agree	68	17	17	100
	Total	400	100	100	
		Frequency	Percent	Valid Percent	Cumulative Percent
<i>Promised quality of service provision without fail</i>	Strongly disagree	33	8.2	8.2	8.2
	Disagree	138	34.5	34.5	42.8
	Agree	184	46	46	88.8
	Strongly agree	45	11.2	11.2	100
	Total	400	100	100	
		Frequency	Percent	Valid Percent	Cumulative Percent
<i>Service provision at the right time as per promises</i>	Strongly disagree	56	14	14	14
	Disagree	126	31.5	31.5	45.5
	Agree	161	40.2	40.2	85.8
	Strongly agree	57	14.2	14.2	100
	Total	400	100	100	

Source: Own survey compiled from SPSS

Figure 7: Reliability of CBE services



As it is presented in the above diagram, it is clear that more respondents (40%) have agreed that CBE services are reliable on which they can depend on. In addition, 17 % of the respondents had strongly agreed that the service they are getting from the bank is reliable.

On the other hand, 137 of 400 respondents (34%) disagree with the reliability of services. In addition, few of the respondents (9%) had strongly agreed that the service is reliable.

In summing up, the research had revealed that the reliability of CBE services is agreed by 57% of the respondents and disagreed by 43 % of the respondents.

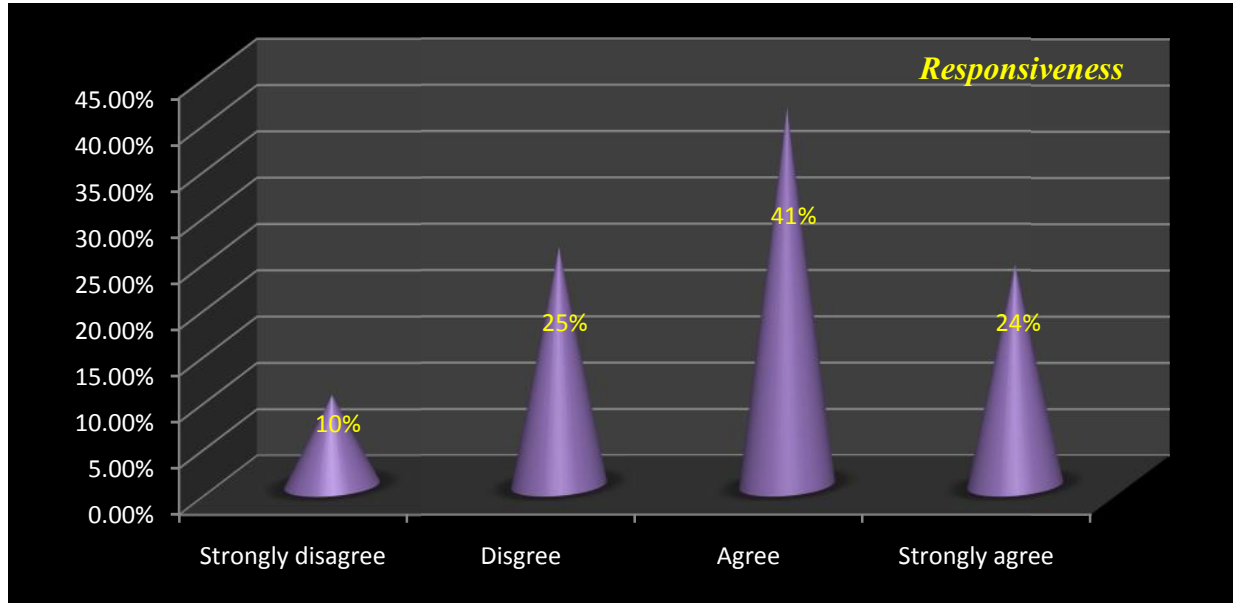
4.3.3 Analysis of Responsiveness

Table -5 Responsiveness of CBE services

		Frequency	Percent	Valid Percent	Cumulative Percent
Employees ability to provide quick response to all customer requests	Strongly disagree	34	8.5	8.5	8.5
	Disagree	114	28.5	28.5	37
	Agree	183	45.8	45.8	82.8
	Strongly agree	69	17.2	17.2	100
	Total	400	100	100	
Employees readiness and willingness to help customers at the right time	Strongly disagree	33	8.2	8.2	8.2
	Disagree	68	17	17	25.2
	Agree	138	34.5	34.5	59.8
	Strongly agree	161	40.2	40.2	100
	Total	400	100	100	
Fast and satisfactory responses of employees to customer requests	Strongly disagree	33	8.2	8.2	8.2
	Disagree	113	28.2	28.2	36.5
	Agree	172	43	43	79.5
	Strongly agree	82	20.5	20.5	100
	Total	400	100	100	
Timely resolution of customer complains	Strongly disagree	56	14	14	14
	Disagree	116	29	29	43
	Agree	159	39.8	39.8	82.8
	Strongly agree	69	17.2	17.2	100
	Total	400	100	100	

Source: Own survey compiled from SPSS

Figure 8: Responsiveness of CBE services



As it can be seen in the above table and/or diagram, majority of the respondents (65%) agreed that employees of the bank are responsive while providing banking services.

4.3.4 Analysis of Assurance

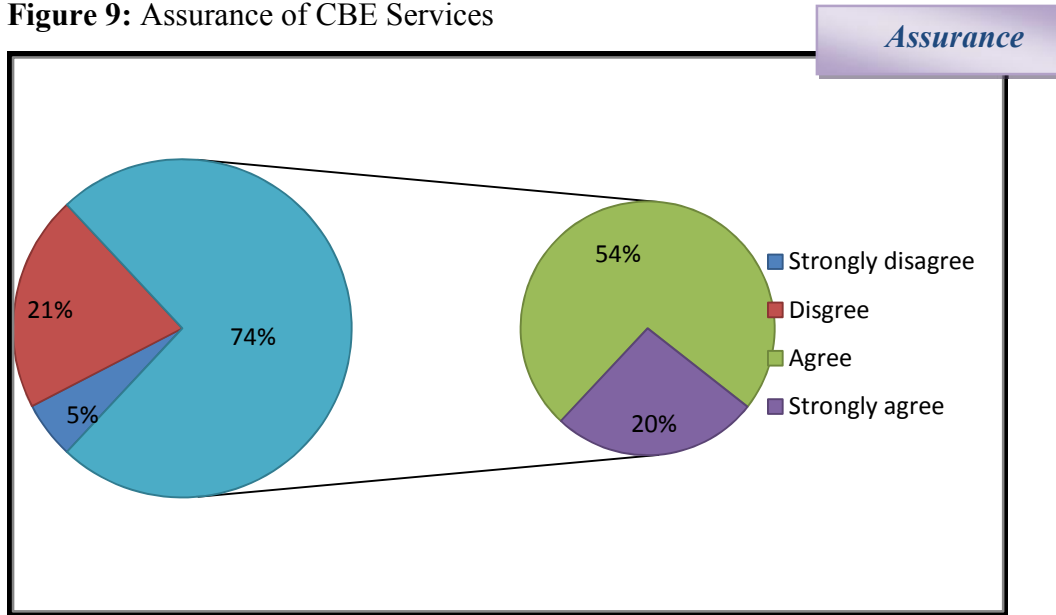
In analyzing assurance of services in the bank, respondents were asked to provide their level of agreement/disagreement and it has been summarized as follows.

<i>Response Codes</i>	<i>Frequency</i>	<i>Percent</i>
Strongly disagree	22	5%
Disagree	82	21%
Agree	218	54%
Strongly agree	78	20%
Total	400	100%

Table -6 Assurance of CBE services

As it is shown in table above, more respondents (218) replied that they agree with assurance of services they are getting from the bank. On the other hand, 82 of 400 respondents (21%) disagree with the assurance of the bank's services.

Figure 9: Assurance of CBE Services



As depicted in the picture above, only few of the respondents (5%) strongly disagree and 21% disagree with the assurance of CBE services. On the other side, majority of them (54%) do have agreement and some of them (20%) do strongly agree with assurance of services in the bank.

To sum up, as shown on the above figure, 74% of the respondents had agreed that the service in the bank had assurance.

4.3.5 Analysis of Empathy

Table-7 Empathy of CBE Services

		Frequency	Percent	Valid Percent	Cumulative Percent
<i>Care and individual attention to customers</i>	Strongly disagree	12	3	3	3
	Disagree	44	11	11	14
	Agree	230	57.5	57.5	71.5
	Strongly agree	114	28.5	28.5	100
	Total	400	100	100	
<i>Staffs correctly</i>	Strongly disagree	11	2.8	2.8	2.8

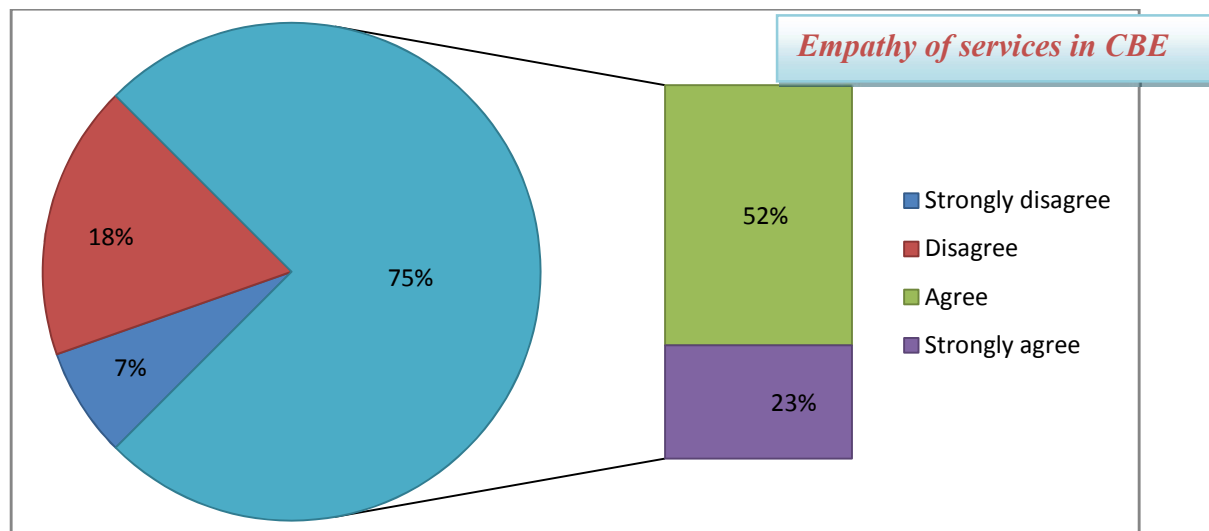
<i>know customers' needs while providing services</i>	Disagree	92	23	23	25.8
	Agree	218	54.5	54.5	80.2
	Strongly agree	79	19.8	19.8	100
	Total	400	100	100	
<i>Convenient working hour</i>	Strongly disagree	34	8.5	8.5	8.5
	Disagree	68	17	17	25.5
	Agree	220	55	55	80.5
	Strongly agree	78	19.5	19.5	100
	Total	400	100	100	
<i>Best interest at heart by branch staffs</i>	Strongly disagree	57	14.2	14.2	14.2
	Disagree	82	20.5	20.5	34.8
	Agree	168	42	42	76.8
	Strongly agree	93	23.2	23.2	100
	Total	400	100	100	

Empathy	Frequency	Percent
Strongly disagree	29	7%
Disagree	72	18%
Agree	209	52%
Strongly agree	91	23%

Source: Own survey compiled from SPSS

As depicted in the table above, large numbers of respondents (209) have agreed with the empathy of services that they are getting from the bank. In addition, 91 (23%) had strong agreement in this variable.

Figure 10: Empathy of CBE services



As it is shown in the figure above, empathy of services had agreement by 75% of respondents and only few of them (25%) had disagreed with service empathy in the bank.

Table -8 Mean and Standard deviation Values of Service quality dimensions

<i>Service Quality dimension</i>	<i>N</i>	<i>Mean</i>	<i>Std.Deviation</i>
Tangibility	400	3.44	1.32
Reliability	400	3.21	1.32
Responsiveness	400	3.43	1.33
Assurance	400	3.62	1.14
Empathy	400	3.66	1.18

As it can be depicted in the table above, the quality of service in the bank is above the average score in all service quality measurement parameters. Hence the mean value is highest (3.66) in empathy indicating that the service is much better in its quality in terms of empathy followed by assurance (3.62 mean score). The research has found out that, even though it is above the average, the bank had scored low quality of services in reliability as compared to other service quality measurements.

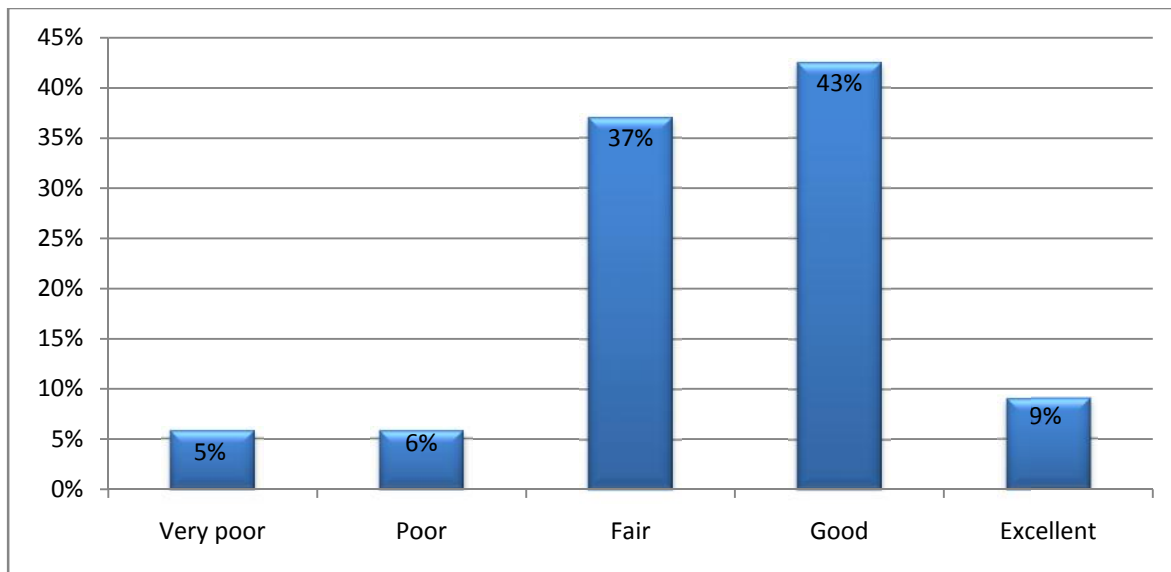
The standard deviation of responses is highest (1.33) in responsiveness dimension of service quality and it is minimal (1.14) at assurance of service in the bank.

4.4 The Quality of Overall Services in CBE

To analyze the overall quality of services that the bank is providing to its customers, selected customers were asked to provide their judgment to categorize it to very poor, poor, good or excellent and it has been summarized as follows.

Table -9 the quality of overall services

The quality of overall services				
	Frequency	Percent	Valid Percent	Cumulative Percent
Very poor	23	5.8	5.8	5.8
Poor	23	5.8	5.8	11.5
Fair	148	37.0	37.0	48.5
Good	170	42.5	42.5	91.0
Excellent	36	9.0	9.0	100.0
Total	400	100.0	100.0	



As depicted in the graph above, the quality of overall services in the bank found to be good. From all of the respondents, more of them (37%) have judged that the service quality is fair and 37% rated is as good and it is only 9% of the respondents who have replied the overall quality of the service in the bank is excellent.

In summing up, most of the respondents (89%) have rated the overall quality of the service in the bank as more than the average (fair). On the other way, it is only few (11%) of the respondents who have rated the service as poor and very poor.

To addition, the mean score for the overall quality of services in the bank is 3.43 (above average). It indicated that the overall quality of services in the bank is good and above average.

4.5 Analysis of Customer Satisfaction

Table- 10 Analysis of customer satisfaction

1. Satisfaction with the bank's complete range of services				
	Frequency	Percent	Valid Percent	Comm.percent
Highly dissatisfied	35	8.8	8.8	8.8
Dissatisfied	92	23	23	31.8
Satisfied	237	59.2	59.2	91
Highly satisfied	36	9	9	100
Total	400	100	100	
2. Satisfaction with employees professional competence				
Highly dissatisfied	22	5.5	5.5	5.5
Dissatisfied	103	25.8	25.8	31.2
Satisfied	174	43.5	43.5	74.8
Highly satisfied	101	25.2	25.2	100
Total	400	100	100	
3. Satisfaction with the bank's way of treating its customers				
Highly dissatisfied	23	5.8	5.8	5.8
Dissatisfied	111	27.8	27.8	33.5
Satisfied	172	43	43	76.5
Highly satisfied	94	23.5	23.5	100

Total	400	100	100	
4. Satisfaction with the bank's service delivery time				
Highly dissatisfied	11	2.8	2.8	2.8
Dissatisfied	79	19.8	19.8	22.5
Satisfied	277	69.2	69.2	91.8
Highly satisfied	33	8.2	8.2	100
Total	400	100	100	
5. Satisfaction with the bank's complain handling system				
Highly dissatisfied	0	0	0	0
Dissatisfied	91	22.8	22.8	22.8
Satisfied	253	63.2	63.2	86
Highly satisfied	56	14	14	100
Total	400	100	100	
6. Satisfaction of being a customer of this bank (branch)				
Highly dissatisfied	11	2.8	2.8	2.8
Dissatisfied	46	11.5	11.5	14.2
Satisfied	229	57.2	57.2	71.5
Highly satisfied	114	28.5	28.5	100
Total	400	100	100	

As it has been depicted in the table above, most of the respondents (59.2%) have suggested that they are satisfied while few of them (9%) were highly satisfied with the bank's complete range of services. In adding up them, the research had revealed that 68.2 % of the respondents were satisfied with the complete range of services which infers the bank is providing different products to its customers.

In reviewing the satisfaction of customers with regard to the employees' professional competence of providing services, the research had found that most (68.7%) of the respondents were satisfied. Hence it is only few customers who are dissatisfied or highly dissatisfied with the employees' professional competence.

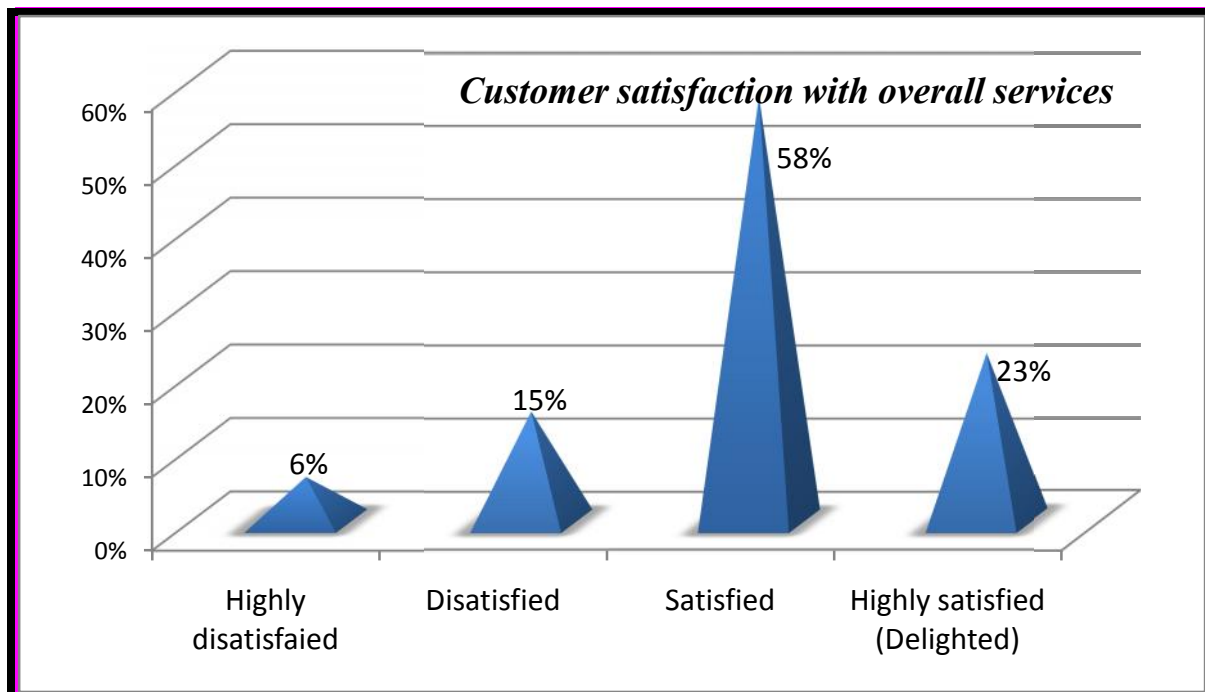
In the same fashion, the research had disclosed the fact that the bank's service delivery time is satisfactory as 77.4 % of the respondents were satisfied and highly satisfied with the current waiting time to get banking services.

This may be the results of the bank's effort to aggressively expand branch networks and installment of more and more automatic teller machines to reduce long queue in most branch of the bank.

While investigating the satisfaction of customers by being customer of Commercial bank of Ethiopia (Addis Ababa) branch, the research had found out that majority customers (85.7%) were satisfied of being a customer of this bank and it is only 14.3% of the respondents who were dissatisfied or highly dissatisfied by being a customer of commercial bank of Ethiopia.

4.5.1 Customer satisfaction with overall services of the bank

Figure 10: Customers' satisfaction with overall services of the bank



As shown in the above graph, majority of the respondents (58%) are satisfied while 23 % remain highly dissatisfied with the overall services of the bank. In summing up, the research have found that 81 % the respondents are satisfied with the overall services of the bank and it's only 21% of the respondents who were dissatisfied with the overall services of the bank that they are getting.

To conclude, the satisfaction level of customers by the overall services of the bank is good as most of the customers (81%) have responded that they are satisfied with the banking services.

In addition the bank’s annual customer satisfaction survey report of the year 2015/16 declared that the bank’s customer satisfaction had reached about 82% as of June 30, 2016.

4.6 Customers’ opinion to work with the bank

To find out, the customers’ opinion to work with the bank, respondents were asked to provide their choice of working with the bank and their responses have been presented as follows.

Table -11 Customer’s opinion to work with the bank

Opinion to with the bank b/c of its service quality defects					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Stop working	80	20.0	20	20
	Continue working	220	55.2	55.2	75.2
	Search for other banks with better service	100	24.8	24.8	100.0
	Total	400	100.0	100.0	

As shown in the table above, majority of the respondents (55%) had the opinion to continue working with the bank because they are satisfied with the service they are getting from the bank.

On the other hand, 20 % of the respondents have the opinion to stop working with the bank because of its quality defects and the rest 25 % have the opinion to search for other banks having better quality of services than commercial bank of Ethiopia.

This shows the fact that, even though there are service quality defects in the bank, most customers prefer to continue working with the bank rather than shifting to/searching for other banks having better quality of services. This may be the result of good image and reputation that the bank had built in the minds of customers.

4.7 Relationship between Service Quality and Customer satisfaction

In analyzing the relationship between service quality and customer satisfaction in the bank, correlations have been presented as follows.

Table 12- Correlation between service quality and customer satisfaction

Correlations			
		Satisfaction with the overall services	The quality of overall services
Pearson Correlation	Satisfaction with the overall services of the bank	1.000	.237
	The quality of overall services	.237	1.000
Significance	Satisfaction with the overall services of the bank	.	.000
	The quality of overall services	.000	.
N	Satisfaction with the overall services of the bank	400	400
	The quality of overall services	400	400

Coefficients				
	Unstandardized Coefficients		Standardized Coefficients	t
	B	Std. Error	Beta	
The quality of overall services	.286	.059	.237	4.876
(Constant)	2.715	.209		13.002

As indicated in the table above, service quality and customer satisfaction have positive and strong correlations. Hence the beta coefficient for correlation 0.286 entails positive and strong relationship between the variables.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 CONCLUSIONS

Based on the findings of the research, the researcher had drawn the following conclusions.

- Regarding the gender of respondents, majority of them were males constituting about 60.5 % of the total respondents.
- While analyzing the age of respondents, lion shares (80.6%) were in the ages of youth and adults categorized in the age group between 18-40 years.
- The research had revealed that, majority of the respondents included in this research were holders of first degree and above in their educational qualifications.
- It has been seen that majority of the respondents (68%) had a customer relationship with the bank for a period of more than three years and 87.8% of the respondents had relationship of dealing with the bank for a period of one year and above.
- Tangibility dimension of service quality in the bank seems to be good as it had about 62% agreement from the total of respondents. This means the bank had modern looking office equipment, neat and well-dressed staffs, attractive, comfortable and visually appealing service Centre for its customers.
- The research had disclosed that the service provided by commercial bank of Ethiopia, Addis Ababa branch is 57% reliable on which customers can depend on. This implies that the bank is making error free records, providing the promised quality of service at the right time.
- Employees' ability and willingness to provide fast and satisfactory responses to customer requests seems to be good in the bank as 65% of the customers are getting timely support to their service requests.
- Assurance dimension of service quality is found to be in a position where most of the customers can get polite, friendly and respectful treatment.
- Empathy of services in the bank is found to be good as 75% of the respondents were getting care, individual attention and best interest at heart while receiving banking services.

- Hence most of the respondents responded that the working hours of the bank is convenient to them and the staffs correctly know customers' needs while providing services
- The overall quality of services provided by the bank is found to be good which can satisfy 77% of its customers.
- In reviewing the satisfaction of customers with regard to the employees' professional competence of providing services, the research had found that most (68.7%) of the respondents were satisfied. Hence it is only few customers who are dissatisfied or highly dissatisfied with the employees' professional competence.
- In the same fashion, the research had disclosed the fact that the bank's service delivery time is satisfactory as 77.4 % of the respondents were satisfied and highly satisfied with the current waiting time to get banking services. This may be the results of the bank's effort to aggressively expand branch networks and installment of more and more automatic teller machines to reduce long queue in most branch of the bank.
- While investigating the satisfaction of customers by being customer of Commercial bank of Ethiopia (Addis Ababa) branch, the research had found out that majority customers (85.7%) were satisfied of being a customer of this bank and it is only 14.3% of the respondents who were dissatisfied or highly dissatisfied by being a customer of commercial bank of Ethiopia.
- The research has shown the fact that, even though there are service quality defects in the bank, most customers prefer to continue working with the bank rather than shifting to/searching for other banks having better quality of services.

5.2 RECOMMENDATIONS

Based on the research findings, the researcher had forwarded the following recommendations so as to alleviate the problems which were identified during the study.

- Since service quality is the key for customer satisfaction and loyalty, the bank had to improve its quality of services so as to attract more new customers, retain the existing customers, expand customer base and stay profitable in the banking industry. This can be done by strongly working on the quality dimensions on which the bank had scored low.
- The bank's employees should be responsive, polite, friendly, respectful and very supportive while providing services to their customers. They should exactly know what their customers really need from them and provide care and individual attention. The bank can ensure this by providing continuous customer service trainings to its staff.
- Hence delivering the service as per the promises contributes a lot for customer satisfaction, the bank has to pay due attention at meeting customer expectations by providing the promised quality of service at the right time without fail.
- Even though the bank's service quality is currently good, it has to improve the quality of its service in all dimensions especially on reliability and tangibility aspects so as to stay competitive in the ever changing environment.
- The bank has to strongly strive for improving the current customer satisfaction level by providing better quality of services than its competitors. In doing so, the bank has to evaluate customer satisfaction regularly than annually that is doing by now.
- The bank has to work on improving employees' professional competence and ways of dealing with customers by providing them trainings so as to excel the current level of customer satisfaction.

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Appendixes

St. Mary's university

School of graduate studies

Department of Business Administration

Dear Respondent,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic "The impact of service quality on customer satisfaction: A case study in Commercial bank of Ethiopia Addis Ababa branch" for the partial fulfillment of Masters of Business administration (MBA). I kindly request you to provide me your genuine and reliable response to all of the questions as it is very helpful for the outcome of research. All the information collected through this questionnaire will be used only for academic purposes and I will assure you that it will be kept secret/ confidential.

Thank you very much in advance for your kind cooperation in taking your precious time in filling the questionnaire.

General Instruction

- 1. No need of writing your name*
- 2. Put a thick (√) mark inside the box or table for the alternative you think is right.*
- 3. If you have any question or anything not cleared you can contact me by phone +251912660525 or email- yaleletemesganaw@cbe.com.et before responding to questions.*

Part I. Personal information

1.1 Gender: 1) Male 2) Female

1.2 Age (in years): 1) 18-30 2) 31-40 3) 41-50 4) above 50

1.3 Educational qualification: 1) Read & write 2) High school complete 3) Diploma
4) 1st degree 5) 2nd degree and above

1.4 Length of your customer relationship with the bank:

1) Less than 1 year 2) 1-2 years 3) 3-5 years 4) More than 5 years

Part II- Service quality (SQ)

Please indicate your level of agreement to the following service quality questions by circling your choice.

1=strongly Disagree, 2= Disagree, 4= Agree, 5= strongly agree

II. Service Quality (SQ) questions:		Response codes			
Tangibility	TA1. The branch has modern looking office equipments.	1	2	4	5
	TA2. Branch staffs appear neat and well dressed.	1	2	4	5
	TA3. The branch has attractive and comfortable layout (set up) for service.	1	2	4	5
	TA4. The branch has visually appealing service center.	1	2	4	5
Reliability	RL1. The branch has dependable network that I can always relay on it.	1	2	4	5
	RL2. Branch staffs always make accurate (error free) records of transactions.	1	2	4	5
	RL3. The branch provides the promised quality of service without fail.	1	2	4	5
	RL4. The branch provides its service at the right time it has promised to so.	1	2	4	5
Responsiveness	RS1. Employees have ability to provide quick response to all of your requests.	1	2	4	5
	RS2. Employees are ready & willing to help you at the right time.	1	2	4	5
	RS3. Employees provide fast and satisfactory response to your requests.	1	2	4	5
	RS4. Staffs provide timely resolution to customers complains.	1	2	4	5
Assurance	AS1. Employees are able to inspire trust and confidence on you.	1	2	4	5
	AS2. Employees have adequate knowledge to provide services.	1	2	4	5
	AS3. Employees are very polite and friendly while treating you.	1	2	4	5
	AS4. Staffs are respectful to in providing services.	1	2	4	5
Empathy	EM1. Employees provide you care & individual attention.	1	2	4	5
	EM2. The staffs correctly know your needs while providing services.	1	2	4	5
	EM3. The branch has convenient working hour for you.	1	2	4	5
	EM4. The branch works for your best interest at heart.	1	2	4	5

Part III – Customer satisfaction (CS)

Please indicate your level of satisfaction with the branch services by circling your choice.

1=Highly dissatisfied, 2=Dissatisfied, 4=Satisfied, 5= Highly Satisfied (delighted)

III. Customer Satisfaction (CS) questions		Response codes			
1.	Your level of satisfaction with the bank’s complete range of services.	1	2	4	5
2.	Your level of satisfaction with employees’ professional competence.	1	2	4	5
3.	I am satisfied with the bank’s way of treating its customers.	1	2	4	5
4.	Your level of satisfaction with the bank’s service delivery time.	1	2	4	5
5.	I am satisfied with the complain handling system of the bank	1	2	4	5
6.	I am satisfied of being a customer of this bank A.A branch.	1	2	4	5
7.	How much are you satisfied with the overall services of the branch?	1	2	4	5

Part IV. General questions

1. What quality of services is the bank providing for you?

- 1) Very Poor 2) Poor 3) Fair 4) good 5) Excellent

2. As a customer, what do you think is the impact of this quality of service on your level of satisfaction? It makes me...

- 1) Disappointed 2) Highly dissatisfied 3) Dissatisfied

- 4) Satisfied ighly satisfied (delighted)

3. Because of its service quality defects, what is your opinion to work with the bank? I will...

- 1) Stop working with the bank & shift to other banks

- 2) Continue working with the bank

- 3) Search for other banks with better service

Part V- Open ended questions

1) What are the three strongest and weakest sides of CBE, A.A branch services?

Strengths

Weaknesses

a) _____ a) _____

b) _____ b) _____

c) _____ c) _____

2) What do you think the bank has to do to improve its service quality?

3) What should the bank have to do to increase your level of satisfaction?

4) What are the impacts of service quality on your level of satisfaction as a customer of this bank?

Thank you very much!!

