ST. MARY'S UNIVERSITY

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ASSESSEMENT OF SERVICE QUALITY

IN THE CASE OF COMMERCIAL BANK OF ETHIOPIA

BY

LIYA FEKADU (ID: SGS/0152/2007A)

ADVISOR

TEMESGEN BELAYNEH (Ph.D.)

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ADDIS ABEBA ETHIOPIA

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A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (GENERAL)

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APPROVED BY BOARD OF EXAMINERS

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DECLARATION

I, the undersigned, declare that this thesis is my original work; prepared under the guidance of _Temesgen Belayneh (Ph.D.)_ 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.

_____Liya Fekadu_____   _____

Name   Signature& Date

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ACRONOMYS

1**. SERVQUAL** = Service Quality Measurement Tool

2**. CBE** = Commercial Bank of Ethiopia

3**. P** = Perception score,

4. **E** = Expectation score,

5. **Ai** = Attribute number and

6. **N** = number of respondents/attributes in the dimension/dimension

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ABSTRACT

Service quality mean a collection effect service performance which determine the degree of satisfaction of user service The aim of enhanced service quality is to increase customer satisfaction and retention of its customers. This descriptive study seek to asses customer perception of service quality. The SERVQUAL model was used to determine the customer perception of service quality. This model examines five dimensions of service quality; Reliability, Assurance, Tangibles, Empathy, and Responsiveness Parasuraman et al. (1985, 1988). The researcher used both qualitative and quantitative research design, where much emphasis has been given for the latter. Among the various quantitative methods, the researcher used descriptive study, where emphasis is given on studying a situation or a problem in order to asses service quality gap.7(seven) representative branches was selected out of the total population based on convenient sampling technique and customer of the Bank are selected based on probability simple random sampling technique. 284 customers were selected based on statistical formula developed Cochran (1963:75). And also the data collection instruments were adopted from some previous study Parasuraman et al. (1991) which consists of 22(Twenty two) items. By using those models and method the researcher obtain some findings. The findings revealed that there is a considerable gap between the actual service delivery and the customers' expectation. Among the five dimensions of service quality; Reliability and Responsiveness shows a higher negative gap score showing that customers do not perceive the bank is unable to provide consistent service. Farther more, the Empathy dimension has a lower negative gap at CBE. Based on the results the researcher suggests that the banks need to train their staff on proper customers' service techniques. While those five dimensions are major measurement tools, Reliability and Responsiveness is the important service quality gap indicator at the banks. The study also indicates that the banks need to become more responsive and assuring to their customers as well as increase their accessibility.

key words : SERVQUAL,CBE , service quality

CHAPTER ONE

INTRODUCTION

1.1. *Background of the Study*

Organizations, both private and public, in today's dynamic market place are increasingly leaving obsolete marketing philosophies and strategies to the adoption of more customer-driven initiatives that seek to understand, attract, retain and build intimate long term relationship with profitable customers (Kotler & Kelvin, 2006)

In the current customer-centric paradigm shift; customer satisfaction is central and has gained much attention from scholars and practitioners as it has become one of the fundamental means for achieving quality improvement programs, and one of the crucial attentions of strategic marketing management in business organizations that have long-term perspective for growth. This is because of the exciting findings, that satisfies customers are more likely to remain loyal and committed to an organization which eventually leads to profit as opined by the popular service- profit- chain proponents (Kotler & Kelvin, 2006)

Customer satisfaction has been fundamental to the marketing concept for over three decades. It is widely recognized in the goods and service sectors that customer satisfaction as the main performance indicator and the key to success for any business organization (Kotler & Kelvin, 2006)

Bank customer satisfaction could be regarded as banks should fully meeting the customers' expectation. It is the feeling or attitude formed by bank customers after service, which directly link to the various purchasing behavior (Jamal and Naser, 2002). Previous research in bank customers' satisfaction suggest that customers' satisfaction lead to a better retention of customers, more profit, and increase customers' loyalty with banks. It also encourages banks to improve service quality, provide innovative products, and efficient bank management (Anderson, E., Fornell, C., and Lehmann, D. R., 1994). Therefore, bank customers' satisfaction has been widely accepted as one of the key factors for their survival in a global financial competitive

market. It is critical that banks deliver quality services which in turn result in customer satisfaction in today competitive banking environment. Within the Ethiopian banking service market, competition is deemed to be increasing due to the introduction and expansion of private banks in the past decade that has coincided with improved banking services, including such features as extended branch banking hours, ATMs, electronic banking, and improved facilities. Though, the state-owned CBE remains dominant in the sector, the private banks are also growing considerably. The current trend shows that the sector faces a somewhat challenging period in the near-term due to the stiff competition among the banks.

Hence there is no product differentiation among the bank's products; service quality is a key differentiator between the competing banks. It is especially very critical in a highly competitive environment. Therefore, service quality improvement becomes a key issue that determines the very survival of the banks themselves. Few studies have attempted to measure customers' perception on service quality and its effect on the level of their satisfaction and future behavior. And from the findings of these studies, various strategies for achieving customer satisfaction and customer loyalty have been suggested.

The SERVQUAL model (Parasuraman, Zeithaml and Berry, 1991), that compares the perception of performance (P) to expectation (E), has been widely used in past studies in a variety of service industries. This study attempts to replicate the SERVQUAL model of Parasuraman, Zeithaml, and Berry (1991) in determining the existence of 'service-gaps' in Commercial Bank of Ethiopia.

The research assessed the quality of services provided by Commercial Bank of Ethiopia. It also tried to assess whether the Bank's performance meet the expectations of its customers in terms of overall satisfaction. The findings gained from the research provide possible solutions and recommendations relevant to the bank in order to improve its services quality and sustain loyalty among existing customers, as well as help in designing measures to attract new customers.

1.2. Statement of the Problem

When customers evaluate the quality of the service they receive from a banking institution they use different criteria which are likely to differ in their importance, usually some being more important than others. While several criteria are important only a few are most important. These determinant attributes are the ones that will define service quality from the consumer's perspective (Dabholkar,1996). However, many established models of service quality have tended to focus on expectations and marginalize the issue of importance. (*A conceptual Model of Service Quality by perasuraman)*

In today's competitive market area, customers demand more from their service suppliers more than ever. Globalization and the emergence of internet improved the customers' awareness and knowledge in bank products. Moreover, since the banking sector opened to the private sector and more and more players entered to the sector customers get more alternatives with better service quality from time to time. However; the giant government owned Commercial Bank of Ethiopia has already been exhibiting relatively little market orientation and unable to fulfill the rapidly changing customers' needs up to its customers expectation. Now days, it is become a common practice watching long waiting lines, unresponsive employees, transaction errors, and excessive bureaucracy in CBE. Moreover, in recent years lack of customer trust alarmingly increasing due to fear of security and mischievous employees' behavior. In addition as the waiting time extended customers demanding neat and comfortable waiting rooms, technology-driven service and individualized attention while they stay to get served. Inefficiency in addressing these and other related problems highly affected the Bank's customers' perception on the quality of service offered and hence reduces the bank's profitability and credibility. Due to this the bank's customers now started turning around for alternatives and better service among from the private bank's hence the bank faces customer attrition that was not unsought in the past time. Relatively, the privately owned banks today registered an increasing trend in terms of number of customers as well as enjoying high profit.

In general, pilot survey made by the bank (Commercial Bank of Ethiopia survey in 2014) showed that excessive waiting time to get service, lack of employee attention to customers,

repetitive network and system failures, inefficient ATMS services are the major but not the least problems in CBE that adversely affect the service quality and overall customer satisfaction level than ever. There might be a lot of reasons behind these customer discontents. Whatever the reasons may be, once the customer is dissatisfied, it would be very difficult to gain their trust back.

As result of this, this research has been carried out to assess the root causes of the problem and get the problem rectified to enhance customer satisfaction. In doing so, this research can find out possible answers to the following research questions by using five dimension SERVQUAL model :-

- ✓ What the customer perception with regard to the prevailing service quality of CBE?
- ✓ Does the Bank provide the service at the level of its customers' expectation?
- ✓ How large is the gap between the actual service and customers expectation based on the SERVQUAL model in CBE?
- ✓ Among the five dimensions of service quality measures, which dimension/s is/are the most cause/s of customer dissatisfaction?

1.3. Objectives of the study

The general objective of this study is to assess service quality in the case of Commercial Bank of Ethiopia. Furthermore; the specific objective of the study includes:

- ➢ To assess the degree of service quality of the bank using the five dimension of service quality measure,
- ➢ To show the gap between the actual service and the expected service of CBE services based on the customer's perception,
- ➢ To identify the major service quality dimensions of the Bank based on SERVQUAL model.

1.4. *Significance of the Study*

In a turbulent business environment, in order to sustain growth and market share, companies need to understand how to satisfy their customers, since customer satisfaction and service quality are critical for establishing long term customer relationship. Therefore, this research shows the gap between customer expectation (Perception) and what actually they got from the bank. Furthermore, it enhances the understanding of service quality in Commercial Bank of Ethiopia and how it affects its customers' satisfaction. In addition, the study has a significant contribution in diverse ways to different businesses, marketing practitioners, stakeholders, existing and newly emerging banks, insurance companies and small and micro financing institutions. Hence, the significance can be listed as follows:

- ✓ It can be a good indicator for policy makers to identify the gap between customer satisfaction &service quality taking actions to reduce the gap.
- ✓ It serve as an invaluable source of information that may shed some light on the switching intentions of their respective customers.
- ✓ It also identify the most important dimensions of service quality in Commercial Bank of Ethiopia.
- ✓ The findings of the study could be used as a background (reference) for interested researchers who may conduct further research on the issue.

1.5. *Scope and Delimitation of the Study*

The findings of the research would be more fruitful if it will conduct on a wider scale. But due to giant nature of CBE, it is practically difficult for the researcher to include all branches. Thus, by using convenient sampling the research is delimited to the assessment of service quality dimensions and the state of customer satisfaction of Commercial Bank of Ethiopia, West Addis Ababa District. Hence, the conclusions and recommendations forwarded by this research would be only applicable to the districts branches.

1.6. *Limitations of the Research*

This research is descriptive study it focuses on stating the main problems related to service quality only in Commercial Bank of Ethiopia located in Addis Ababa west district. As a result beyond its significance, the research may not give a general picture to all other government as well as private banks operating in the industry. And also some other important limitations of this research will be;

- As the data is gathered from customers through questionnaires there are difficulties in getting their willingness to give reliable and accurate data.
- Lack of time to utilize maximum effort to undertake the research due to other work pressure, which is the only source of income for the research project work, even for the researcher to survive.
- Limited scope of the study: the scope of the study is limited so that generalization based on the finding makes difficult.
- The researcher also faces financial limitation to conduct comprehensive and detail study of service quality in all branch of CBE.

1.7. *Organization of the study*

The study has five independent chapters. The First Chapter deals with introductory concepts which encompassed statement of the problem, objectives of the study, significance of the study, delimitation/scope of the study and limitation of the study. The Second Chapter is dealt with review of related literature where exhaustive theoretical concepts related to the various dimension of service quality & SERVQUAL model. The Third Chapter described the methodology employed in order to conduct the study which includes the research design, source of data and data collection instruments, sample size and sampling techniques, method of data collection, instrumentation & measurement procedures and tests of reliability. The last two Chapters, Chapter Four and Five dealt with data analysis and interpretation and summary and conclusion and recommendation respectively.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Introduction

The primary purpose of this chapter is to get the theoretical understanding of the concept of service quality. And more specifically, customers' expectations and perceptions toward service quality and measurement of service quality.

2.2. Service Quality

Practitioners and writers in the popular press tend to use the term satisfaction and quality interchangeably, but researchers have attempted to be more precise abut meanings and measurement of the two concepts, resulting in considerable debate. Although they have something in common, satisfaction is generally viewed as a broader concept; whereas service quality focuses specifically on dimensions of service. Based on this view, perceived service quality is a component of customer satisfaction. Service quality, will be the main issue in this paper, is a focused evaluation that reflects the customer's perception of elements of service such as interaction quality, physical environment quality, and outcome quality. These elements are in turn evaluated based on the specific service quality dimensions: Reliability, Assurance, Responsiveness, Empathy and Tangibles. Satisfaction, on the other hand, is more inclusive: it influenced by perception of service quality, product quality, and price as well as situational factors and personal factors. (Zeithaml and Bitner, 2004).

Quality defined from the customer's viewpoint. The increasingly important role played by services and the inability of researchers to apply traditional manufacturing definitions to service quality led to a new conceptualization of service quality. Only one definition of quality was judged to be appropriate by service scholars (Gronroos, 1983; Parasuraman et al., 1985), and that definition was governed by the extent to which a service met the expectations of customers. "Only customers judge quality; all other judgments are essentially irrelevant" (Zeithaml et al. ,1990). Service quality affects customer satisfaction. A popular definition of service quality

proposed by et al. (1988) is 'conformance to customer specifications' that is, it is the customer's definition of quality that matters, not that of management. In the marketplace, quality must ultimately be evaluated from the customer's perspective. Customers can articulate how well a product and/or service meets their expectations, a perceptual judgment they cannot make about how well the product and/or service conforms to specifications. Defining quality as the extent to which a product and/or service meets and/or exceeds expectations allows managers and researchers to include subjective factors (i.e., courtesy, helpfulness, confidence, appearance) that are critical to customers' judgments but difficult to quantify into assessments of quality.(Reeves and Bednar ,1994)

Thus, Service quality can be defined as the collective effect of service performances which determine the degree of satisfaction of a user of the service. In other words, quality is the customer's perception of a delivered service. By service-quality management, we refer to the monitoring and maintenance of end-to-end services for specific customers or classes of customers.

2.3. *Underlying Principles of Service Quality*

According to Clow and Kurtz (2003), receiving a high level of service is important to consumers but understanding how to evaluate the service quality received is more difficult. Two consumers receiving what appears to be the exact same service form a company may evaluate the quality of the service differently. One consumer may feel the service was good while the other may feel the service was performed poorly. When discussing service quality the three underlying principles that should be kept in mind are:

1. Service quality is more difficult for the consumer to evaluate that quality of a good.
2. Service quality is based on consumers' perception of the outcome of the service and their evaluation of the process by which the service was performed.
3. Service quality perceptions result from a comparison of what the consumer expected prior to the service and the perceive level of service received.

The process used by consumers in evaluating service differs from the process used for goods. Services tend to be high in experience and credence qualities while goods tend to be high in search qualities. Search qualities are attributes that contributes that consumers can evaluate only during or after the consumption process. Credence qualities are attributes that consumers have difficulty evaluating even after consumption is complete. Experience qualities are qualities of a good or service that will be evaluated only after the service has been consumed or during the process of consumption. (Clow and Kurtz, 2003).

2.4. *Meaning and types of service expectations*

To say that expectations are reference points against which service delivery is compared is only a beginning. The level of expectation can vary widely depending on the reference point the customer holds. Although, everyone has an intuitive sense of what expectation are, service marketers need a far more through and clear definition of expectations in order to comprehend, measure, and manage them. Because the idea of customer expectations is so critical to evaluation of service quality, we start our discussion by talking about the levels of expectations.

2.4.1. Expected service: levels of expectations

Customers hold different types of expectation about service. The highest can be termed desired service: the level the customer hopes to receive for the "wished for" level of performance.

Desired service: -is a blend of what the customer believes "can be" and "should be." The expectation reflects the hopes and wishes of these consumers. For example, one will engage in the services of a college's placement office when you are ready to graduate. Without these hopes and wishes and the belief that they may be fulfilled they would probably not go to this service what are your expectations of the service. In all likelihood you want the office to find you a job the right job-in the right place for the right salary because that is what you hope and wish for. However, you probably also see that the economy may constrain the availability of ideal job openings in companies .And not all companies you may be interested in have a relationship with

your placement office. In this situation and in general, customers hope to achieve their service desires but recognize that this is not always possible.

We call the threshold level of acceptable service, adequate service that is the level of service the customer will accept. Adequate service level represents the "minimum tolerable expectation" the bottom level of performance acceptable to the customer. (Zeithamal and Bitner,2004)

Figure 2.1 shows these two expectation standards as the upper and lower boundaries for customer expectations. This figure portrays the idea that customers' asses service performance on the basis of two standard boundaries: what they *desire* and what they deem *acceptable*. The adequate service expectation level, on the other hand, may vary for different firms within a categories or subcategory.

Desired service

| Zone of Tolerance | Level customers believe Can and should be delivered |
| | Minimum level customers Willing to accept |
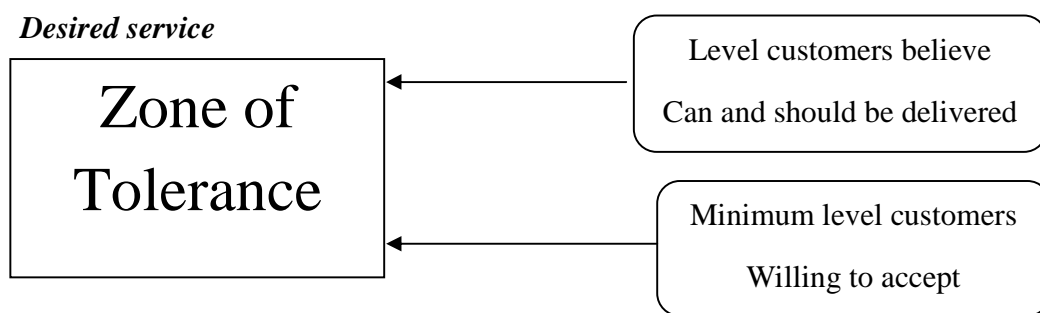
Figure 2.1 dual customer expectations adopted from Clow and Kurtz "Service marketing p.58

The Zone of Tolerance

The extent to which customers recognize and are willing to accept this variation is called the *zone of tolerance*. If the service drops below the adequate level, the service will be undermined. If service performance is higher than the zone of tolerance at the top end where performance exceeds desired service, customers will be very pleased and probably quite surprised as well . (Zeithamal&Bitner,2004).

Another aspect of variability in the range of reasonable services is that different customers possess different tolerance zones. Some customers have narrow zones of tolerance, requiring a

tighter range of service from providers, whereas other customers allow a greater range of service. For example, very busy customers would likely always be pressed for time, desire short waiting time in general, and also hold a constrained range for the length of acceptable waiting time.

In summary, we can express the boundaries of customer expectation of service with two different levels of expectations: *desired service and adequate service.* The desired service level is less subject to change than the adequate service level. A zone of tolerance separates these two levels. This zone of tolerance varies across customers and expands or contracts with the same customer. Customer expectations are uncontrollable. Zeithamal and Bitner(2004)

2.4.2. Factors that influence customers perception and expectation

Because expectation plays such a critical role in customers' evaluation of services, marketers needs to have a control over these factors as well, but many of the forces that influence customers' expectation are uncontrollable.

When consumers are interested in purchasing a service, they are likely to seek or take in information from different sources. For example, they may call a store, ask a friend, or deliberately track newspaper advertisements to find the needed service at the lowest price. They may also receive service information by watching television or hearing an unsolicited comment from a colleague about a service that was performed well. In addition to these active and passive types of external search for information, consumers may conduct an internal search by reviewing the information held in memory about the service. Those factors that determine customers' perception and expectation of quality service are:

1. Explicit service promises
2. Past experience.

3. Word-of-mouth communications, and
4. Implicit service promises,

Let's see each of these factors in the following section.

1. **Explicit service promises:** Are personal and non-personal statement about the service made by the organization to customers. The statements are personal when

they are communicated by salespeople or service or repair personnel; they are non-personal when they come from advertising, brochures, and other written publications. Explicit service promises are one of the few influences on expectations that are completely the control of the service provider. All types of explicit service promises have a direct effect on desired service expectation. If the sales visit portray a banking service that is available 24 hours a day, customer's desires for that service (as well as the service of competitors) will be shaped by this promise. Explicit service promises influence the level of both desired service and prediction service. (Zeithamal and Bitner 2004)

2. **Implicit service promises**: - are service-related cues other than explicit promises that lead to inferences about what the service should and will be like. These quality cues are dominated by price and the tangibles associated with the service. In general, the higher the price and the more impressive the tangibles, the more a customer will expect from the service.

3. **Word of Mouth**:-the importance of word-of-mouth communication in shaping expectations of service is well documented. These personal and sometimes non-personal statements made by parties other than the organization convey to customers what the service will be like and influence both predicted and desired service. Word of mouth tends to be very important in services that are difficult to evaluate before purchase and direct experience of them. Experts, Consumer reports, friends, and family are all word-of-mouth sources that can affect the levels of desired and predicted service.

4. **Past experience**: - the customer's previous exposure to service that is relevant to the focal service, is another force in shaping predictions and desires. For example, you probably compare each stay in a particular hotel with all your previous stays in that hotel. Zeithamal and Bitner (2004).

2.5. *Measurement and Dimensions of Service Quality*

As a way of trying to measure service quality, researchers have developed a perceived service quality questionnaire survey methodology known as SERVQUAL. SEVQUAL examines five dimensions of service quality; Reliability, Assurance, Tangibles, Empathy, and Responsiveness Parasuraman et al. (1985,1988).

There are also other methods of measuring service quality like the SERVPERF which was developed by Cronin and Taylor (1992). However, the SERVQUAL model is a widely used and preferred method to measure perceived service quality. Parasuraman et al. (1985) also found that the customer's perception of service quality depends upon the size and direction of the gap between the service the customer expects to receive and what he or she perceive to have been received. Hence, according to SERVQUAL Model, service quality is defined as the *gap between customers' expectation of service and their perception of the service experience.* The gap theory is the method for calculating the service quality that involves subtracting a customer's perceived level of service received from what were expected Clow and Kurtz, (2003). According to Broun and Bond (1995), the gap model is one of the best received and most valuable contributions to the service literature. Hence, Tangibility, Reliability, Responsiveness, Assurance and Empathy are the five basic Service Quality Dimensions of a given service.

The gaps can be calculated at three levels which are the overall (unweighted) gap score, average gap scores for each dimension and gap scores for each attributes.

It is calculated as:- SERVQUAL Gap score $= \sum_{i-1}^{n} \frac{(PAI - EAI)}{(n)}$

　　　　Where, P= Perception score,

　　　　　　E= Expectation score,

　　　　　Ai=Attribute number and

　　　n=number of respondents/attributes in the dimension/dimensions
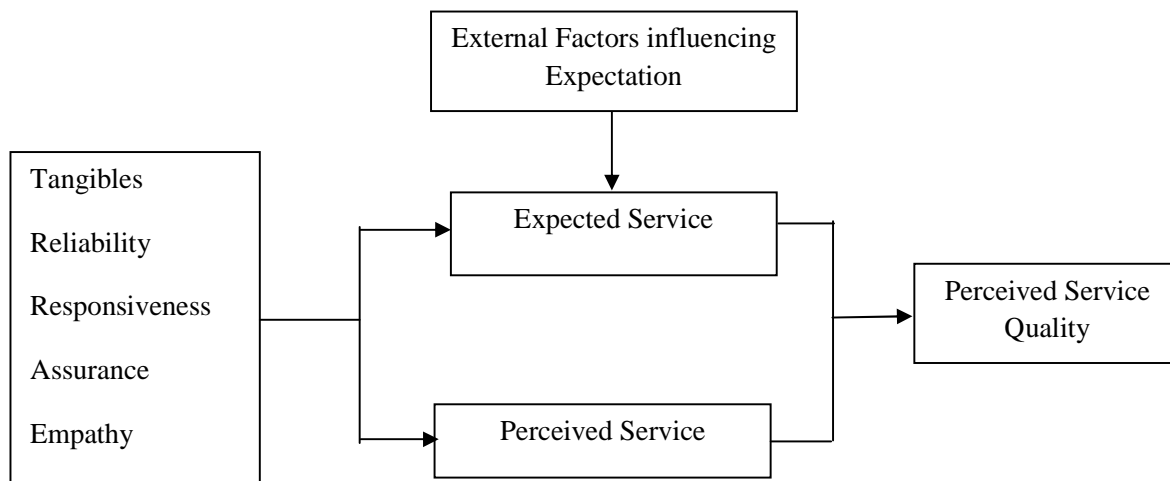
Figure2.2: the SERVQUAL Model: adopted from the Journal of Marketing, A.A.Parasuramanetal. A conceptual Model of Service Quality and Its Implication for Future Research" 1985/49 p.48

2.5.1. Definitions of the SERVQUAL Dimensions

1. Tangibles: the appearance of the company's physical facilities, equipment, and personnel. If a restaurant, for example, is dirty, not presentable and the employees are disheveled looking the tangible quality will be low.

2. Reliability: The ability of the company to perform the promised service dependably and accurately without errors. For example, if a restaurant takes a reservation for 7:00pm and you are not seated promptly or they bring the wrong meal, the Reliability will be low.

3. Responsiveness: the willingness of the company to provide service the prompt and helpful to the customer. In the restaurant, for example, the meal should be provided in a timely fashion and with help when needed to understand the menu.

4. Assurance: The knowledge and courtesy of the company's employees and their ability to convey trust and confidence.

5. Empathy: The caring, individualized attention the company provides to its customers.

As discussed above, these dimensions of service are very different from manufacturing and reflect the close interaction that the employees have with the customer in service delivery. Some researchers have used SERVQUAL entirely to investigate bank service while others have chosen to use a smaller number of attributes to represent each of the five dimensions.

According to Brown and Bond (1995), the GAP model is one of the best received and most heuristically valuable contributions to the service literature. They defined service quality as the gap between customers' expectation of service and their perception of the service experience. The various gaps visualized in gap model are:

(1) Gap 1: Difference between consumers' expectation and management's perceptions of those expectations, i.e. not knowing what consumers expect.

(2) Gap 2: Difference between management's perceptions of consumers' expectations and service quality specifications, i.e. improper service-quality standards.

(3) Gap 3: Difference between service quality specifications and service actually delivered i.e. the service performance gap.

(4) Gap 4: Difference between service delivery and the communications to consumers about service delivery, i.e. whether promises match delivery.

(5) Gap 5: Difference between consumers' expectation and perceived service. This gap depends on size and direction of the four gaps associated with the delivery of service quality on the marketer's side Kumar and Charles, (2009).

"The full conceptual model shown in figure 2.3 conveys a clear message to managers wishing to improve the quality of service: the key to close the customer gap is to close provider gap 1 through 4 and keep them closed. To the extent that one or more of provider gaps 1 through 4 exist, customers perceive service quality shortfalls. The model is called the gap model of service quality and served as the framework for service organization improves quality service and services marketing." (Zeithamal and Bitner 2004:539).

```
            Word of mouth          Personal needs           Past experience
            communication

                                  Expected service

                                      Gap5

                                   Perceived service
         Consumer
    ─────────────────────────────────────────────────────────────────────
         Marketer               Service delivery      Gap 4    External
                                                                communication to
                                                                consumers

                              Gap 3

                               Translations of perceptions
                               in to service quality specs

         Gap 1              Gap 2
                                   Management perceptions of
                                   consumer expectations
```
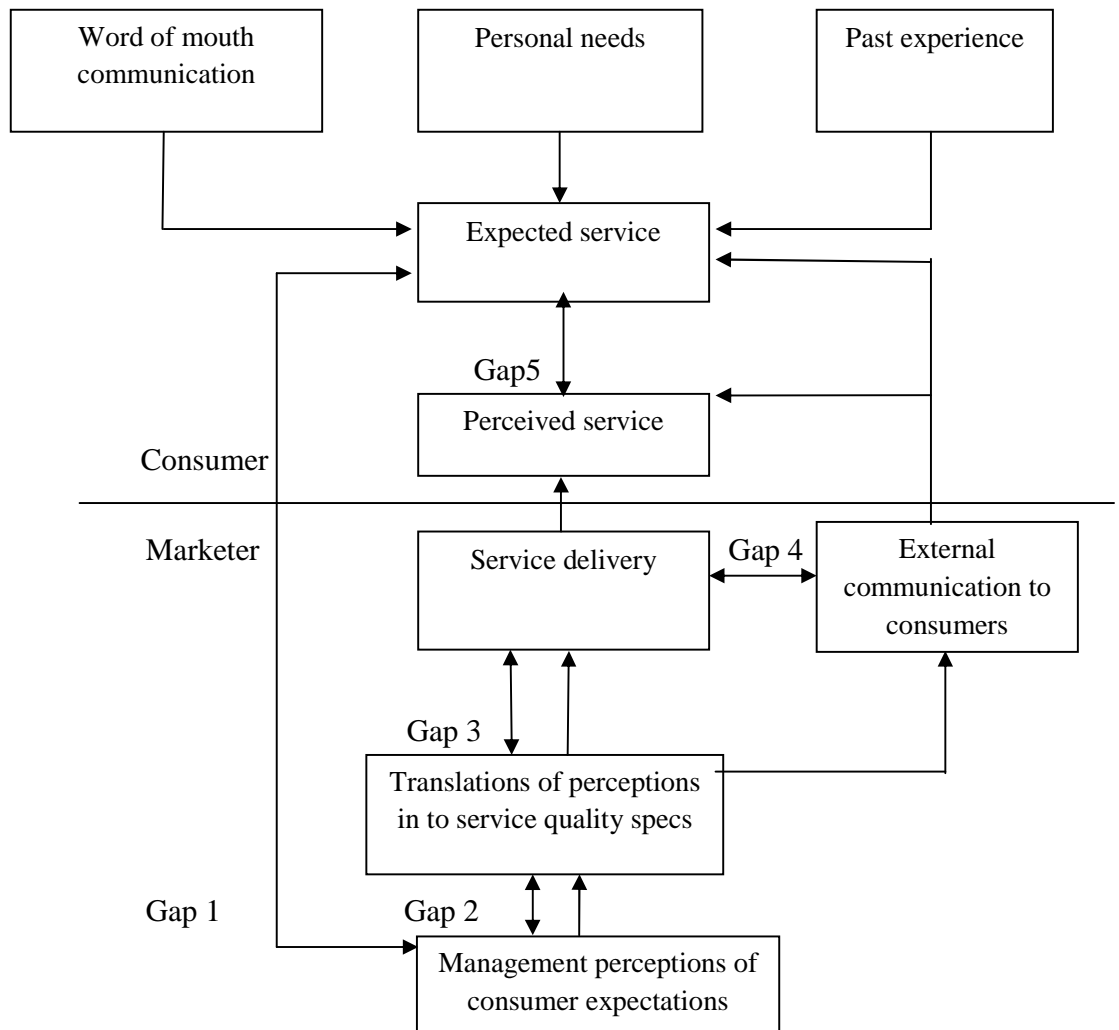
Figure 2.3. Service Quality Gapsadopted form Parasuraman et al "A conceptual Model of Service Quality and Its Implication for Future Research" 1985 p.44

2.5.2. Service Quality Improvement Guidelines

Delivering excellent service is a winning strategy. Quality service sustains customers' confidence and is essential for a competitive advantage of any company. Yet many companies are struggling to improve service, wasting money on ill-conceived service programs and undermining credibility with management rhetoric not backed up with action Are there guidelines to help managers chart a service-improvement strategy for their organizations? Yes, this section will

discuss ten guidelines that can be implemented to the service quality improvement program. (Berry et al, 1994)

1. Listening to Customers.

Quality is defined by the customer. Conformance to company specifications is not quality rather conformance to the customer's specifications is. Spending wisely to improve service comes from continuous learning about the expectations and perceptions of customers and noncustomers. Customer research reveals the strengths and weaknesses of a company's service from the perspective of those who have experienced it. Noncustomer research reveals how competitors perform on service and provides a basis for comparison. Important expectations for the service that competitors fulfill better offer an agenda for action. Companies need to install an ongoing service research process that provides timely, relevant trend data that managers become accustomed to using in decision making. Companies need to build a service quality information system, not just do a study. Conducting a service quality study is analogous to taking a snapshot. Deeper insight and a sense for the pattern of change come from a continuing series of snapshots taken from many angles. (Berry et al, 1994)

2. Reliability

Reliability is the ability of the company to perform the promised service dependably and accurately without errors (Schroeder, 2007). It is also the core of quality service. Little else matters to customers when a service is unreliable. When a firm makes frequent mistakes in delivery, when it doesn't keep its promises, customers lose confidence in the firm's ability to do what it promises dependably and accurately. Friendliness from the staff and sincere apologies do not compensate for unreliable service. Although most customers appreciate an apology, the apology does not erase the memory of that service. If a pattern of service failure develops, customers conclude the firm cannot be counted on, friendly and apologetic or not. (Barry et al, 1994)

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3. Basic Service

In addition to Reliability, service customers want the basics-they expect fundamentals, not fanciness; performance, not empty promises. The services delivery should at least be above their acceptable services. Basic services are the minimum requirements a service provides should deliver to meet the customers' desired service level. (Berry et al, 1994)

4. Service Design

Reliably delivering the basic service customers expect depends in part on how well various elements function together in a service system. These elements include the people who perform the specific services in the service chain, the equipment that supports these performances, and the physical environment in which the services are performed. Design mistakes in any part of a service system can reduce quality. It is tempting to blame poor quality on the people delivering service but frequently the real culprit is poor service system design.

Service mapping is one way to improve service system design. A service map is a visual definition of a service system, displaying each sub-process in the system in the sequence in which it appears. In effect, the service map depicts the chronology and pattern of performances that make up a service. If drawn explicitly, it answers the questions: "What is the service?" and "How does it work?" (Berry et al, 1994)

5. Recovery

Service encounters are moment of truth or interaction between a customer or potential customers and an organization (Zelthmal et al., 2006). While these moments of interaction provide an opportunity for firms to satisfy and even to delight the customers, there likewise is an opportunity to disappoint the customers too. This happens when customers perception of initial service delivery behavior falling below the customer's expectation, or "Zone of tolerance" (Zelthmalet al., 2006).

The impact of active recovery strategies on a company's revenue and profitability is dramatic (Bamford&Xystouri,2005).Service recovery involves the actions taken by an organization in response to a service failure presenting another and perhaps even more moment of truth, in which the company can not only satisfy and retain its customers, but it can even delight them with its effort. In this sense service recovery involves a wider set of activities than mere complaint handling (Holloway et al., 2009). In such cases, the consumer may be unable or unwilling to complain, the service personnel may acknowledge the failure before the customer initiates (Zelthmal et al., 2006).

Many dissatisfied customers do not complain directly to the company to avoid a confrontation, or because they perceive no convenient way to complain, or do not believe complaining will do much good. Companies can overcome some of this reluctance and improve recovery service in three ways:

> **A. *Encourage customers to complain and make it easy for them to do so.*** Managers who wish to improve problem resolution service must overcome the common customer perception that companies don't really care when things go wrong. Many firms rely exclusively on reactive recovery strategies in which customers must initiate contact. Comment cards available in the service facility and toll-free telephone numbers are examples of reactive systems. These approaches are useful but they preclude customers unwilling to take the first step. Thus, proactive strategies, in which the company makes the first contact, should be considered.

> **B.   *Respond quickly and personally.*** Companies often take too long to respond to unhappy customers, and then respond impersonally. By responding quickly, a firm conveys a sense of urgency. Quick response demonstrates that the customer's concern is the company's concern. By responding personally, with a telephone call or a visit, the firm creates an opportunity for dialogue with the customer an opportunity to listen, ask questions, explain, apologize, and provide an appropriate remedy.

C. Develop a problem resolution system. Service employees need specific training on how to deal with angry customers and how to help customers solve service problems. In some cases, they need access to information systems that will tell them more about the customer, the situation causing the problem, and possible solutions. (Berry et al, 1994)

6. Surprising Customers.

Customers judge the dimensions of Responsiveness, Assurance, Empathy and Tangibles during the service delivery process; hence, these are process dimensions (A., Zelthmal et al., 2006). Reliability, judged following the service, is an outcome dimension. Although Reliability is the most important dimension in meeting customers' service expectations, the process dimensions, especially Assurance, Responsiveness, and Empathy are most important in exceeding them. Companies are supposed to be reliable; they are supposed to provide the service they promise to provide. Thus, it is difficult for firms to exceed customers' expectations by being reliable. The process dimensions of service, however, provide the opportunity to surprise customers with uncommon swiftness, grace, courtesy, competence, commitment, or understanding. The opportunity is present to go beyond what is expected. In effect, exceeding customers' expectations requires the element of surprise, and the best opportunity for surprising customers is when service providers and customers interact. (Berry et al, 1994)

7. Fair Play

Customers expect service companies to treat them fairly and become annoyed and mistrustful when they perceive otherwise. Fairness underlies in all the customers' expectations. Customers expect service companies to keep their promises (reliability), to offer honest communication materials and clean, comfortable facilities (Tangibles), to provide prompt service (Responsiveness), to be competent and courteous (Assurance), and to provide caring, individualized attention (Empathy). Fairness is not a separate dimension of service but, rather, touches the very essence of what customers expect.

The intangibility of services heightens customers' sensitivity to fairness issues. Because services are performances rather than objects, they are difficult for customers to evaluate prior to purchase. Customers cannot try on services for fit and feel; there are no tires to kick such as in buying an automobile. Customers usually must buy the service to actually experience it. Thus, they must trust a service company to deliver on its promises and conduct itself honorably. (Berry et al, 1994)

8. Team work

Having many customers to serve, like on a full airline flight or in a busy bank office, can be mentally and physically exhausting. Control over the service is often dispersed among different organizational units that function without cooperation, frustrating contact employees' ability to effectively serve their customers. It is common for employees to be so stressed by the service role that they become less caring, less sensitive, and less eager to please. The presence of service "teammates" is an important dynamic in sustaining servers' motivation to serve. Thus, effective team work tends to develop capabilities for delivering a high level of service quality (Ueno, 2008) Coworkers who support each other and achieve together can be an antidote to service burnout. Team involvement can be rejuvenating, inspirational, and fun.

9. Employees Research

Employee research is as important to service improvement as customer research, for three reasons. First, employees are themselves customers of internal service, and thus are the only people who can assess internal service quality. Because internal service quality affects external service quality, measuring internal service quality is essential. Second, employees can offer insight into conditions that reduce service quality in the organization. Employees experience the company's service delivery system day after day. They see more than customers see and they see it from a different angle. Employee research helps reveal why service problems occur, and what companies might do to solve these problems. Third, employee research serves as an early-warning system. Because of employees' more intensive exposure to the service delivery system, they often see the system breaking down before customers do. (Berry et al, 1994)

10. *Management Commitment/Servant Leadership*

Delivering excellent service requires a special form of leadership/management commitment which is also referred as "servant leadership" by Parasuraman et al, (1994). According to the authors, Servant leaders serve the servers, inspiring and enabling them to achieve. Such leaders fundamentally believe in the capacity of people to achieve, viewing their own role as setting a direction and a standard of excellence, and giving people the tools and freedom to perform their task. Empowerment of front-line staff could be fundamental to achieving and improving the level of service quality. Nevertheless, empowerment of front-line staff has both positive and negative outcomes (Ueno, 2008). But still it is possible to achieve a high level of service quality form medium degree of empowerment.

The ten guidelines discussed above are not mutually exclusive and that they must be viewed in a holistic manner. Figure 2.4(a service quality ring), help to capture these interrelationships.

Listening is positioned on the outer ring because listening has an impact on all the other lessons. Identifying the basics of service, improving service system design, recovering from service shortfalls these and other essentials of service quality involve listening behavior. Reliability is pictured in the center, because Reliability is the core of service quality. Little else matters to customers when the service is unreliable. The sequence of the lessons is purposeful. The service system should be designed to deliver the basic service excellently. Recovery service usually provides an opportunity to surprise customers and to demonstrate fair play. Teamwork, employee research, and servant leadership are critical factors in an organization's emotional readiness to deliver quality service. (Berry et al, 1994
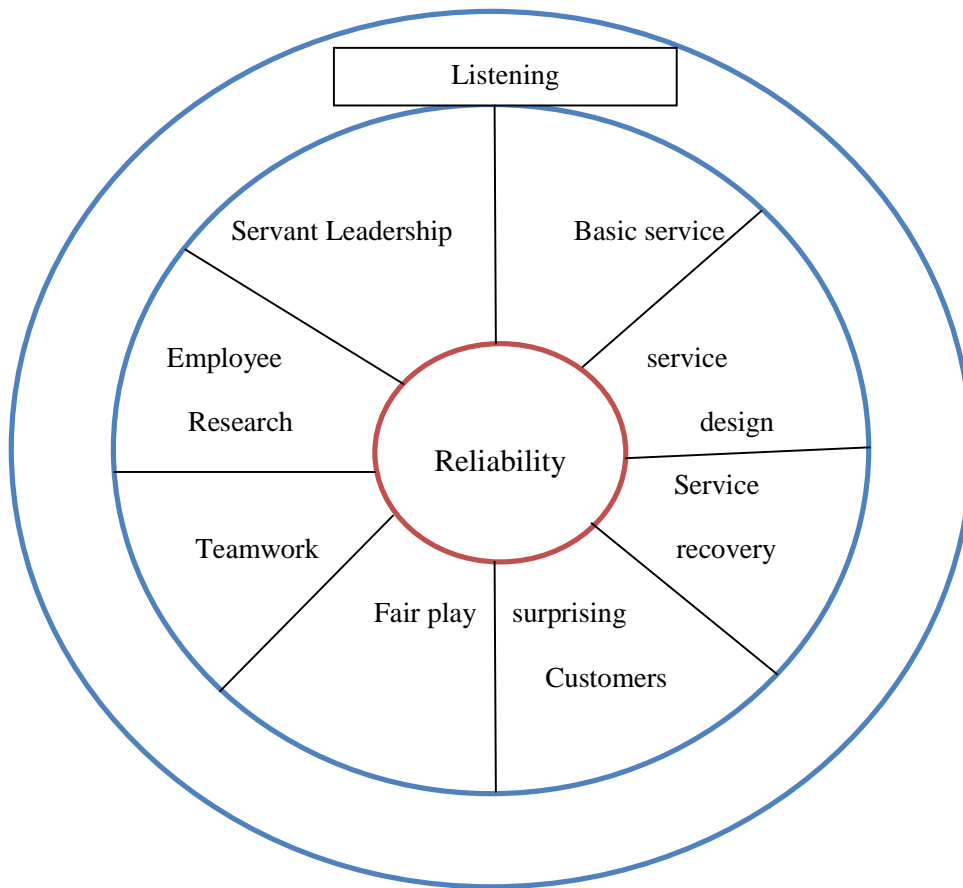
Figure 2.4 Service Quality Ring adopted from L.L Berry et al (1994),"Improving Service Quality in America: Lessons Learned [and Executive Commentary]" The Academy of Management Executive Vol. 8, No. 2 (May, 1994), pp. 32- 52

CHAPTER THREE

3. RESEARCHMETHODOLOGY

This chapter present the methodology that employed for data gathering as well as the relevant statistical analytical tools that was employed for analyzing the survey results gathered during the study.

3.1. Research Design

The purpose of this research is to assess or survey the Service Quality of Commercial Bank of Ethiopia. Hence, the researcher prefers descriptive research design to undertake the research. As cited in The Hand book of Research for Educational Communications and Technology, descriptive research involves gathering data that describe events and then organizes, tabulates, depicts and describes the data collection (Glass & Hopkins 1984). It often uses visual aids as graphs and charts to aid the reader in understanding the data distribution. Because, the human mind cannot extract the full import of large mass of raw data, descriptive statistics are very important in reducing the data to manageable form.

In doing so, respondents approached to find out their perceptions on the service quality using the SERVQUAL model. This enables the researcher to assess how the respondents perceive service quality in bank in a quantitative way and thereby make conclusions by evaluating their gap score means and also the level of customer satisfaction.

Quantitative approach involves a number of respondents, listed questions will raise and response choices are predetermined. According to Sevens son (2003) the quantitative research approach is best to investigate the perceptions and problem of the study and to discover the hidden values, feelings attitudes and motivations.

Qualitative Approach analyzes, interprets and collects data by studying people's behavior, the way they act and response (Creswell, 1994).As Garson (2002) said, "qualitative research design strive for in-depth understanding of subjects, through such techniques participant observation or

narrative analysis, or they may strive for in-depth understanding of texts through such methods". The qualitative research approach is non-statistical and it is used to understand the motivations and reasons in a qualitative way (Creswell, 1994).

3.2. Source of Data Collection:

Data for this study was obtained mainly from primary and some information from secondary sources. The secondary data was gathered from the banks broacher, books, journal article, company manuals and other sources. With regard to primary data structured questionnaires was designed and distributed to 384 customers of the Bank who are served in the bank or who are in the queue.

3.3. . Sampling and Target Population,

The target population for this research is the customers Commercial Bank of Ethiopia, West Addis Ababa district branches. Based on the data obtained from the district office; as of December 2015, the selected 7 branches had a total of 245,590 customers which are taken as a population for this research.

3.3.1. Sampling Procedure & techniques

Sampling is decided based on convenient sampling technique. As a result of this among the branches under the district, only those branches found in Addis Ababa were addressed. While undertaking this research; due to the branches wide distribution throughout the district; some of the branches are out of reach to the researcher. Hence convenient sampling was applied. As a result of this, those branches convenient to the researcher's work place and residence were selected to get the primary data. Accordingly, questionnaires are distributed to those branch's customers accidentally and randomly while they were receiving the service.

3.3.2. Sample size determination

In order to make generalizations with confidence about the concepts under investigation, the appropriate sample size has to be considered. According to the information from (http://www.research advisor.com), sample statistics need to be reliable and represent the population parameters as close as possible within a narrow margin of error. Hence In order to determine the sample size, the study adopted a statistical formula developed by Cochran (1963:75). The researcher was set its confidence level at 95% with 5% error term. Accordingly, using a Z-score value of 1.96 at this confidence level the following sample was drawn:

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

Where:

n= desired sample size
Z=standard normal deviate usually set at 1.96 which corresponds to 95% confidence level

P=proportion in the target population estimated to have a particular characteristics. If there is no reasonable estimate, use 50 %(0.5).   q= 1-p (proportion in the target population not having the particular characteristics)

d= degree of accuracy required, usually set at 0.05 level.

$$n= \frac{1.96^2 (0.5)(0.5)}{0.05^2}$$

n= 384

In order to make proportional distribution of questionnaires for 384 samples drawn, the researcher considered the total number of customer from the selected 7 branches of west Addis Ababa District. Based on the data obtained from the bank currently there are a total of 245,590

customer under the seven branches selected for the study. The following table shows the proportional distribution of questionnaires to each branch based on their number of customers:

Table 3.1 Proportional distribution of questionnaires(Source Company profile Dec 2015)

S.No.	Branch	No. Of Customers	percentage proportion	Sample size	No of questioner based on % proportion
1	Abakoran	54,625	22.24%	384	85
2	Anwar	35,703	14.56%	384	56
3	Addis-Ketema	56,435	22.98%	384	89
4	Bomb-Tera	14,961	6%	384	23
5	Habt- Giorgis	12,349	5%	384	19
6	Tekile-Himanot	58,615	23.86%	384	92
7	Somale-Tera	12,902	5.25%	384	20
Total		**245,590**			**384**

3.4. Method of data collection

There are different sources and methods of collecting the data. The two main sources which are generally used are primary and secondary. For this research, structured questionnaires with 5 scales Likert scale employed to get the primary data whereas secondary data collected through the literature review, the bank's website, and annual report.

3.5. Instrumentation and measurement procedures

Instruments for the data collection to answers for the questions were raised; in this case Parasuraman et al. (1991) undertook a significant work to measure service quality across a broad range of services and come up with a frame work known as SERVQUAL. The SERVQUAL is a five-dimensional construct of service quality consisting of tangibles, reliability, responsiveness, assurance, and empathy. For each dimensions of the service quality the SERVQUAL measures

both expectation and perception of the service on a scale of 1 to 5, 22 questions in total. Then each of the five dimensions was weighted according to the importance to the customers and the score for each dimension is calculated to get the gap score.

3.6. *Validity and reliability of the instrument*

Validity is concerned with whether the findings are really about what they appear to be about (Sounders et. al., 2003). The instrument for the present study is ensured as the service quality dimensions and items are identified from the literature and reviewed by professionals and academicians based on this the validity of the instruments was proven.

The data gathered from the company is valid and accurate because it is directly taken from the district office thus the data are taken as a raw and have no duplication and presented and interpreted as it is.

On the other hand, the instrument used to gather primary data from the customers was a standardized questioner developed and used by professionals in such studies, this reduce personal biases made by the collector and minimize unwanted questions that made ambiguity. As it mentioned above the present study is reliable because of its use of valid techniques appropriate to the research objectives.

3.7. *Data Analysis and Presentation*

Raw Data are presented using tables, charts and graphs as deemed necessary. Descriptive statistics method was employed. After each table and charts interpretation and analysis of the data were presented. In order to effectively analyze the collected data the researcher used SPSS software.

3.8.   *Ethical Consideration*

Before the research conducted on the selected bank, the researcher was inform the participants of the study about the objectives of the study, and deliberately consider ethical issues in seeking consent, avoiding deception, maintaining confidentiality, respecting the privacy, and protecting the anonymity of all respondents. A researcher must consider these points because the law of ethics on research condemns conducting a research without the consensus of the respondents for the above listed reasons.

CHAPTER FOUR

4. DATA PRESENTATION, ANALISIS AND PRESENTATION

This chapter presents the results of the data analysis according to the research methodology discussed in chapter four.

4.1. Sample and Response Rate

A total of 384 questionnaires were randomly handed out to customers of CBE seven branches in west Addis Ababa district. A total 375 (97.4%) survey questionnaires were returned. from these only 357 were properly filed . thus the analysis is based on the valid 357 questionnaires correctly filed by the respondent.

Table 4.1 response rate of customers

	Customer response			
	Correctly field	Not correctly Field	Total returned questioners	Not returned
Number	357	18	375	9
Percentage	92.7	4.7	97.4	2.6

Demographic information of the respondents

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

Table 4.2 Profile of Respondents

Variables		Total respondents	
		Frequency (n=375)	Percentage
Gender	Male	218	58.1
	Female	157	41.9
	Total	375	100
Educational Level	1st degree and above	134	35.7
	Diploma	119	31.7
	High school	86	22.9
	Other	36	9.6
	Total	375	100
Age	18-30	117	31.2
	31-43	138	36.8
	43-55	80	21.3
	Over 55	40	10.7
	Total	375	100

As shown in Table 4.1, there are more Male (58.1%) respondents than female (39.6%) respondents. In addition, when we see the educational back ground of the respondents, 35.7 % of the respondents has bachelor degrees followed by 31.7% diploma or certificate holder, and 22.9 of the respondents are a high school graduate and the remaining 9.6 % of the respondents fall under the category of other educational level.

The above table also depicts the age groups of the respondents. Accordingly, 31.2% of the respondents fall under the age category of 18-30 years old while, 36.8% of them fall under 31-43 years old, 21.3% of them fall under 44-55 years and the rest over 10.7% fall at the age category of over 55 years old. Here we can see that, the respondents aged between 31 and 43 years old accounted for the largest age group. This implies that most of the respondents are at middle age.

4.2. *Statistics indicating service quality dimensions*

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

Besides using descriptive statistics of means and standard deviations, gap analysis was used in comparing means between expectation score and perception score of the respondents and the data are analyzed using SPSS program (Statistical software package).Descriptive analysis was performed in order to observe respondent perceived satisfaction on observed variable, and on a specific service quality attribute.

4.2.1. *Respondents Responses on SERVQUAL Dimension*

The average perceptions and expectations (on the scale from 1to 5) of the proposed 22 Service Quality issues are rated by the respondents. Table 4.2 presents the item statistics, which is sorted by occurrence in the questionnaire.

Table 4.3.1 SERVQUAL attributes score of perception, expectation and the gap score at CBE

Dimension	Attribute	Perception	expectation	SERVQUAL Gap
Tangibility	modern looking equipment	3.53	3.8	-0.27
	visually appealing physical facilities	3.48	3.73	-0.25
	Neat appearance of staff	3.74	3.95	-0.21
	Materials associated with service will be visually appealing	3.71	3.91	-0.2
	Average score of dimension	3.62	3.85	-0.23
Reliability	Bank keep its promise	2.7	3.97	-1.27

	Bank show a sincere interest in solving it	2.97	3.87	-0.9
	Bank perform the service right the first time	2.65	3.78	-1.13
	provide service at the time the promise to do	2.26	4.16	-1.9
	insist on error free records	3.19	4	-0.81
	Average score of dimension	2.75	3.96	-1.2
Responsiveness	The staff tell customers exactly when services will be performed	3.22	3.95	-0.73
	staff give prompt service to customers	3.1	3.83	-0.73
	Staff always be willing to help customers	3.28	4.14	-0.86
	staff never be too busy to respond to customers' request	3.01	3.92	-0.91
	Average score of dimension	3.15	3.96	-0.81
Assurance	banks will instill confidence in customers	3.23	3.73	-0.5
	feel safe in transactions	3.18	3.81	-0.63
	consistently courteous with customers	3.42	3.87	-0.45
	have the knowledge to answer customers' questions	3.52	3.94	-0.42
	Average score of dimension	3.34	3.84	-0.5
Empathy	customers individual attention	3.88	4.03	-0.15
	convenient operating hours to all customers	4.25	3.98	0.27
	The bank have employees who give customers personal service	3.74	3.94	-0.2
	The bank have their customers' best interest at heart	3.19	3.58	-0.39

	Staff understand the specific needs of their customers	3.51	3.92	-0.41
	Average score of dimension	3.71	3.89	-0.18
	Unweighted average SERVICE score= -0.584			

According to Parasuraman et al. (1985) overall SERVQUAL score is the result of average perception score minus the average expectation score derived from the SERVQUAL instruments. based on this :- the result of negative score implies that the expectation of customer is higher than the bank actual service quality, if the expectation less than the bank service it implicate the bank have higher service quality and it delight its customers and lastly if the score is equal to zero it shows the expectation meet their perception.

table 4.3.1 shows the service quality gap on each individual item under respective dimensions for CBE. When we take a closer look at the individual items, it is found that the individual statements under each dimension have a negative service quality gap implying that the overall expectation of bank's service quality at CBE falls short of expectations.

Accordingly the average unweighted score of CBE is –0.584 (Table 3.1.2). All the five dimensions recorded a negative service quality gap. This indicates the banks' service cannot meet customer expectation beside as we see from the table above there is a negative gap between actual service perceived by the employee and their expectation .

Table 4.3.2 customer response concerning tangibility

Dimension	Q	Attribute	Perception	expectation	SERVQUAL Gap
Tangibility	1	modern looking equipment	3.53	3.8	-0.27
	2	visually appealing physical facilities	3.48	3.73	-0.25

	3	Neat appearance of staff	3.74	3.95	-0.21
	4	Materials associated with service will be visually appealing	3.71	3.91	-0.2
		Average score of dimension	3.62	3.85	-0.23

Tangible has a gap score of -0.23 (table 4.3.1) among the entire attribute the "modern looking equipment" and "visually appealing physical facilities" have a high negative gap score of -0.27 & -0.25. However, the bank has relatively lower gap in relation to "neat appearance of staff "& "Materials associated with the service are visually appealing" with a score of -0.21 & -0.2, this show that appearance of the bank physical facilities and equipment are not good as perceived by its customer but for all other SERVQUAL dimensions tangibility has lower negative gap. this implicate that the actual service delivered by the bank did not meet the customers expectation and it has a negative gap score.

4.3.3 customer response concerning reliability

Dimension	Q	Attribute	Perception	expectation	SERVQUAL Gap
Reliability	5	Bank keep its promise	2.7	3.97	-1.27
	6	Bank show a sincere interest in solving it	2.97	3.87	-0.9
	7	Bank perform the service right the first time	2.65	3.78	-1.13
	8	provide service at the time the promise to do	2.26	4.16	-1.9
	9	insist on error free records	3.19	4	-0.81
		Average score of dimension	2.75	3.96	-1.2

The dimension of reliability has a score of -1.2 (table 4.3.3) which indicate that the bank is failed to meet customer expectation with a larger negative gap score which lead to customer dissatisfaction . A bank ideally should provide its service as promised but the gap score -1.27 in

table 4.3.3 indicate that the customer has do not have confidence in the service promised by the bank although the attribute sincere interest in solving it has relatively low SERVQUAL gap and the other three attribute ; Staff performing service right the first time, Provide services at the time they promise to do so, insists on error free records has a gap score of -1.13,-1.9 & -0.81 all the attributes are negative gap score this shows that the bank did not meet the expectation of customers toward reliability. this implies that the actual service quality of CBE less than its customer expectation.

4.3.4 customer response concerning to Responsiveness

Dimension	Q	Attribute	Perception	expectation	SERVQUAL Gap
Responsiveness	10	The staff tell customers exactly when services will be performed	3.22	3.95	-0.73
	11	staff give prompt service to customers	3.1	3.83	-0.73
	12	Staff always be willing to help customers	3.28	4.14	-0.86
	13	staff never be too busy to respond to customers' request	3.01	3.92	-0.91
		Average score of dimension	3.15	3.96	-0.81

Responsiveness has a gap score -0.81 with respect to this "The staff tell customers exactly when services will be performed" has gap score Employees of -0.73 the other attributes "Employees in the bank gives prompt service"& "staff in the bank are always willing to help you a has a negative gap score of -0.73 & -0.86.The final attribute Employees in the bank are never too busy to respond to your request has gap score -0.91, this indicate that the responsiveness of the bank staff are less than the expectation of the banks customer and it has a higher negative gap which shows the bank service with regard to responsiveness is lower than its customer expectation.

table 4.3.5 customer response concerning assurance

Dimension	Q	Attribute	Perception	expectation	SERVQUAL Gap
Assurance	14	banks will instill confidence in customers	3.23	3.73	-0.5
	15	feel safe in transactions	3.18	3.81	-0.63
	16	consistently courteous with customers	3.42	3.87	-0.45
	17	have the knowledge to answer customers' questions	3.52	3.94	-0.42
		Average score of dimension	3.34	3.84	-0.5

The overall assurance attributes, Behaviours of staff in still confidence in customers, Customers feel safe in their transactions, Friendliness and courtesy of staff and Staff having knowledge to answer questions have negative gap score of -0.5,-0.63,-0.45 &-0.42 regard to this result front office staff knowledge, skills, capacity and experience has lower level than customer expectation. Because of all this the cumulative assurance gap score has a negative gap score of -0.5.this implicate that the actual service quality of the bank has lesser than customer expectation

table 4.3.6 customer response concerning Empathy

Dimension	Q	Attribute	Perception	expectation	SERVQUAL Gap
Empathy	18	customers individual attention	3.88	4.03	-0.15
	19	convenient operating hours to all customers	4.25	3.98	0.27
	20	The bank have employees who give customers personal service	3.74	3.94	-0.2

21	The bank have their customers' best interest at heart	3.19	3.58	-0.39
22	Staff understand the specific needs of their customers	3.51	3.92	-0.41
	Average score of dimension	3.71	3.89	-0.18

The last dimension empathy has a lower negative gap score of **-0.**18 than the other SEVQUAL dimension**.** This shows that, the bank actual service is low with compare to customer expectation, even if it has negative gap but the bank has a better performance in caring, and giving individualized attention to its customer. In this dimension there are five major attributes are Individual attention given by staff, Convenient operating hours, Staff giving customers personal attention, Staff giving customers best interest at heart and Understand the specific needs of customers all have negative gap score of -0.15, 0.27,-0.2,-0.39 & -0.41.from all this attributes convenience operating hour of the bank has a positive gap score this indicate that the bank actual service regard to operating hour meet customers expectation even if this dimension meet customer expectation the other empathy attributes did not because of this the extent of the gap between actual service perceived by the customer and their expectation it has a negative gap .

Parasuraman et al., (1985) suggested that when perceived service quality is high, then it will lead to increase in customer satisfaction. He supports the fact that service quality leads to customer satisfaction and this is in line with Saravana & Rao, (2007, p.436) and Lee et al., (2000, p.226) acknowledge that customer satisfaction is based upon the level of service quality provided by the service provider. This is a good ground for asserting whether customers are satisfied with service quality in bank-or not since the average perception score is above the average of the scale. A higher perception also indicates higher satisfaction as service quality and satisfaction are positively related(Fen & Lian, 2005, p.59-60). This means that dimensions with higher perception scores depict higher satisfaction on the part of customers and lower perception scores depict lower satisfaction we came to the above result the expectation of the CBE customers have higher than perceived service this make result negative mean they are not satisfied by the bank

service quality the score of each SERVQUAL dimension has a the following gap score -0.23 tangibility,-1.2 Reliability, -0.81 responsiveness,-0.5 assurance and the last -0.18 empathy. The given result shows that reliability has a larger negative gap followed by responsiveness and assurance the other tangibility and empathy dimensions has relatively lower negative gap .from this table we should understand that the customer expectation did not meet and they are not satisfied this constituent that bank has lots of work to do in its service and to meet or exceed customer expectation. Mainly in those which have higher negative gap reliability and responsiveness cause the two dimensions are the main base line for the bank to maintain its customer's.

CHAPTER FIVE

5. SUMMERY,CONCLUTION AND RECOMENDATION

5.1. SUMMERY

Based on the data collected from customers of CBE and the analysis made so far, the following important summary of the finding was obtained

- ❖ sex of the respondent showed,58.1% (218) are male and the remaining 41.9%(157) are female respondents.
- ❖ The age of the respondents showed that, 31.2% (117) are in the age of 18-30,the 36.8% (138) are in the age of 31-34, and the other two age category43-55 and above 55 have 21.3 and 10.7 percentage proportion.
- ❖ The educational qualification of the respondents showed, 31.7%(119)are holding below diploma in cumulative percentage, 35.7%(134) was degree holders and the remaining 22.9%(86) and 9.6%(36) was high school level and from other qualification.
- ❖ regarding to the analysis result the first SERVQUAL dimension Tangibility has negative 0.23 gap score and each attribute with in this dimension ie:-modern looking equipment ,visually appealing physical facilities, Neat appearance of staff & Materials associated with service will be visually appealing all have a negative gap score -0.27,-0.25,-0.21 and -0.2.
- ❖ the second dimension reliability has a gap score of -1.2 and those   attribute   in   this dimension Bank keep its promise has a SERVQUAL gap score of -1.27, Bank show a sincere interest in solving it gap score -0.9 , Bank perform the service right the first time gap score -0.13, provide service at the time the promise to do score -1.9 and the last attribute insist on error free records has a SERVQUAL gap score of - 0.81.
- ❖ the third SERVQUAL dimension Responsiveness has major four attributes of Average score of dimension The staff tell customers exactly when services will be performed ,staff give prompt service to customers ,Staff always be willing to help customers & staff never

be too busy to respond to customers' request each of this have a gap score of -0.73, 0.73, -0.86 and -0.92 0ver all the average Responsiveness has a negative gap score of -0.81

❖ the other SERVQUAL dimension assurance has an average gap score of -0.5 and all the attributes in this dimension:- banks will instil confidence in customers= -0.5, feel safe in transactions=-0.63,consistently courteous with customers= -0.45 and have the knowledge to answer customers' questions = -0.42 has a negative SERVQUAL score . as a result of this the average assurance gap score is negative.

❖ the last dimension of SERVQUAL is Empathy this dimension an average gap score of -0.18. In this dimension there are five major attributes customers individual attention, convenient operating hours to all customers, The bank have employees who give customers personal service, The bank have their customers' best interest at heart & Staff understand the specific needs of their customers each of this attributes has a SRVQUAL gap score of -0.15, 0.27 , -0.2, -0.39 and -0.41. all this scores are calculated based on the SERVQUAL gap score formula of Parasuraman.

2.2. CONCLUTION

This chapter will present the study's conclusion from the research and the research questions will be answered. The chapter ends with recommendations and implication for manager.

Both practitioners and academics measure service quality and try to identify those areas that need improvement in order to gain a competitive advantage. Therefore, the study makes an attempt to compare different methods that help bank managers to decide upon those service quality aspects that need improvement and further investment. In addition, the researcher has examined the level of customers' satisfaction in CBE and tried to identify which dimension has the highest impact on customers' satisfaction and which need improvement.

The customer gap is evaluated on the basis of five service quality dimensions encompassing Tangibility, Reliability, Responsiveness, Assurance and Empathy. Based on these five service quality dimensions questionnaire is conducted and in the other side there are some other measurement that used us to evaluate level of customer's satisfaction The questions posed are all

pertaining to service quality attribute aiming to explore the respondents expected and perceived service evaluations in all aspects of the service delivery of the bank.

This study focused further on the gap between customers' expectation and their perception of the bank (CBE).the study showed that the overall mean score of perception 3.31 is lower than expectation mean score 3.9 in all dimensions yielding a negative SERVQUAL GAP. Hence customers are not satisfied with all dimensions of service quality.

Furthermore, all dimensions portray negative gap values which intend that the actual perceived service less than the expected service. The findings of the study show the difference between expectation and perception. Reliability and Responsiveness are the most important dimensions but they have a higher negative gap (-1.2 and 0.81) respectively.

The attributes perceived satisfactory performed are scattered between the five service quality dimensions. The better perceived service quality dimensions are tangibility and empathy followed by assurance. However, reliability and responsiveness are less perceived compared to the other dimensions.

The findings indicate that customers' perceptions vary according to the nature of service. In this case the highest customer's perception demonstrated in empathy area such us convenient operating hours to all customers with is the only positive score which satisfy customer & the others attribute customer's individual attention has a lower negative gap than the other on the other hand perceptions comparing to the other dimensions are in the reliability and responsiveness such as provide service at the time the promise to do, bank do something promise to do show us a higher negative gap the others telling when services are provided, give prompt service and respond to requests promptly. As we see from the analysis the unweighted score also have a negative value of -0.584 regard to this responses, the bank needs to consider the weak areas in order to meet customer requirement.

Regardless it service nature the customers of the bank expect unique and better service with respect to the timeliness of delivery, quality of service & technology ,Timeliness of compliant

resolution, Knowledge and empathy of the customer servicing staff and Quality of compliant resolution although in those major attributes the bank perceived mean score is low as a result of this we conclude that there is some gap in the bank in order to maintain its customer's the bank should give greater emphasis.

2.3. *Recommendations*

Since the unweighted SERVQUAL scores for the bank shows a negative gap in all dimensions implying that the customers' perceptions falls short of their expectations the banks should strive promptly to close these gaps by identifying the cause. Based on the results of the analysis the following recommendations are given which help CBE in service delivery system in order to narrow the gap might exist between customer perception and expectation and so as to increase customer satisfaction and delight them.

In order to continuously adapt the proposed service proposition to the changes is customer needs and attitude, surveys like the one conducted in the study should be performed by the bank. Hereby, the management will obtain an up-to-date understanding of the customer attitude, where the internal feedback to the respective employers will guide the implementation of any improvement program.

Recruitment and selection of qualified staff is vital in order to deliver quality service. Thus, the banks should make the process by considering not only the technical qualification of the applicant but also his/her soft skills like personality and attitude in interacting with customers. Training is considered to be essential for proving quality and. Therefore, the banks should develop training programs to improve the Staff' skill, friendliness and courtesy.

A customer experiences and judges the service quality on the basis of his or her perception of services. Therefore, the bank should provide customers with full experiences conforming to their individual desires.

In the present competitive banking environment, most of the banks offer the same or similar products around the world and service quality is a vital means to differentiate them in the market

place. Therefore, to be successful, the bank must provide service to their customers that meets or exceeds their expectations, and the present study will provide at least some sorts of guidelines to the policy makers of the bank, to take right decision to improve the quality of services of the bank.

The bank should work hard on relationship marketing to improve the customer services kill of employees including, caring for the customers and giving individualized attention to customers. Providing proper training in this area is critical as well.

Increase communications amongst staff members using update data base system and create a sense of teamwork. This enables the bank to deliver service with care and attentiveness by improving employee motivation and capabilities.

Increase communications amongst staff members using update data base system and create a sense of teamwork. This enables the bank to deliver service with care and attentiveness by improving employee motivation and capabilities

By introducing above mentioned gap analyses, the management will be able to leverage findings from the present customer gap analysis, and ensure a holistic approach to the service quality dimensions assessment.

Introducing improved communication flow would enable staff to deliver what customers expect more promptly and to provide information to management about customers' expectations so that necessary changes would be made.

In addition to the recommendations forwarded above, the banks should also consider the following points to improve the quality of their banking service.

In order to close the gap on the Reliability dimension the bank must clearly state what customers will actually receive and when. Then they must make sure that the promised services are delivered. Also training employees to identify and improve their attitudes towards meeting

customers' expectation is paramount. These training programs must emphasis meeting customer expectations.

The willingness to help customers and to provide prompt service should be improved by giving continuous training to staff with relation to Responsiveness dimension. The bank should minimize the gap in this area by improving Responsiveness to customer requests ,questions, complaints and problems and by recruiting qualified staff.

In order to reduce the gap of assurance the banks should attempt to remain competitive by providing attractive and prompt banking service that earns by customers' confidence and trust.

CBE should work hard at Empathy dimension. This can be done by improving the skill of staff related to; understanding the specific needs of customers and giving individual attention to customers by giving trainings in this area.

The final dimensions is tangibility in today competitive business customers need a better service and an attractive environment in this regard CBE has low negative gap than the others dimensions CBE should improve the Tangible dimension of its service by improving the bank's physical appearance, acquiring modem equipment like computers communication materials, good waiting facility inside the bank, neatly dressed and good appearance of the employees and convenient location of the branches for customers.

As the general overall satisfaction was the bank sold poor quality service and products, banks. Bank should spear no effort to take stock of their service and products as well as their operations in general to see where they found wanting. This can achieved through periodic customer satisfaction survey .Greater emphasis must be made to close the gap in all dimensions and to enhance customer's satisfaction.

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APPENDICES

Questionnaire

Dear respondent, this questionnaire is for the partial fulfilment of a Master's Degree (MBA) at St. Mary's University. The objective of the research is to evaluate customer expectation and perception levels on the service quality of Commercial Bank of Ethiopia, Western Addis Ababa District and there by the customer satisfaction.

I assure you that, your answers will be completely anonymous and used only for the research purpose. I would like to thank you in advance for your cooperation to take a few minutes from your valuable and precious time.

Thank You

General Instruction

  ➢   There is no need to state your name
  ➢   Please circle the number to show your agreement where 1 is strongly Disagree while 5 is strongly Agree.{strongly disagree, disagree, neutral, agree, strongly agree}

Demographic Information

  •   Gender   A, Male   B, Female

  •   Level of education A, First Degree and above   B, Diploma (10+)

                    C, high school   D, Others

1   Age group   A, 18-30   B, 31-43
                    C, 43- 55   D, Over

Expectation Questions

Statement	Scores				
Tangibility					
1) Excellent Banking will have modern looking equipment	1	2	3	4	5
2) The physical facilities at excellent banks will be visually appealing	1	2	3	4	5
3) Employees at excellent Banks will be neat in their appearance	1	2	3	4	5
4) Materials associated with service will be visually appealing at excellent Bank.	1	2	3	4	5
Reliability					
5) When excellent Banks promise to do something by a certain time; they do.	1	2	3	4	5
6) When a customer has a problem, excellent banks will show a sincere interest in solving it	1	2	3	4	5
7) Excellent banks will perform the service right the first time	1	2	3	4	5
8) Excellent Banks will provide the service at the time the promise to do	1	2	3	4	5
9) Excellent banks will insist on error free records	1	2	3	4	5
Responsiveness					
10) Employees of excellent banks will tell customers exactly when services will be performed	1	2	3	4	5
11) Employees of excellent banks will give prompt service to customers	1	2	3	4	5
2) Employees of excellent banks will always be willing to help customers	1	2	3	4	5
13) Employees of excellent banks will never be too busy to respond to customers' request	1	2	3	4	5
Assurance					
14) The behavior of employees in excellent banks will instill confidence in customers	1	2	3	4	5
15) Customers of excellent banks will feel safe in transactions	1	2	3	4	5
16) Employees of excellent banks will be consistently courteous with customers	1	2	3	4	5
17) Employees of excellent banks will have the knowledge to answer customers' questions	1	2	3	4	5

Empathy					
18) Excellent banks will give customers individual attention	1	2	3	4	5
19) Excellent Banks will have operating hours convenient to all customers	1	2	3	4	5
20) Excellent banks will have employees who give customers personal service	1	2	3	4	5
21) Excellent banks will, have their customers' best interest at heart	1	2	3	4	5
22) Employees of excellent banks understand the specific needs of their customers	1	2	3	4	5

Perception Questions

Statement	Score				
Tangibility					
1) The bank has modern looking equipment	1	2	3	4	5
2) The banks physical features are visually appealing	1	2	3	4	5
3) The bank's reception desk employees are neat appearing	1	2	3	4	5
4) Materials associated with the service are visually appealing at the bank	1	2	3	4	5
Reliability					
5) When the bank promises to do something by a certain time, it does so.	1	2	3	4	5
6) When you have a problem, the bank shows sincere interest in solving it	1	2	3	4	5
7) The bank performs the service right the first time	1	2	3	4	5
8) The bank provides its service at the time it promises to do so.	1	2	3	4	5
9) The bank insists on error free records	1	2	3	4	5
Responsiveness					
10) Employees in the bank tell you exactly when the service will be performed	1	2	3	4	5
11) Employees in the bank give you prompt service	1	2	3	4	5
12) Employees in the bank are always willing to help you	1	2	3	4	5

13)	Employees in the bank are never too busy to respond to your request	1	2	3	4	5
Assurance						
14)	The behavior of the employees in the bank instills confidence in you	1	2	3	4	5
15)	You feel safe in your transaction with the bank	1	2	3	4	5
16)	Employees in the bank are consistently courteous with you	1	2	3	4	5
17)	Employees of the bank have the knowledge to answer your questions	1	2	3	4	5
Empathy						
18)	The bank gives you individual attention	1	2	3	4	5
19)	The bank has operating hours convenient to all its customers	1	2	3	4	5
20)	The bank has employees who give you personal attention	1	2	3	4	5
21)	The bank has your best interest at heart	1	2	3	4	5
22)	The employee of the bank understands your specific needs	1	2	3	4	5