ST.MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

THE DETERMINANTS OF CUSTOMER SATISFACTION AND RETENTION IN COMMERCIAL BANK OF ETHIOPIA: ADDIS ABABA BRANCHES

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June 2016

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Addis Ababa, Ethiopia

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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADASTED STUDIES IN PARTIAL FULFILMENT OF THE REQIREMENT FOR THE DEGREE OF MASTER OF BUSINESS ADMINSTRATION (MBA GENERAL)

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Tirunehe Legesse (Assistance Professor). All source 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 institution for the purpose of earning any degree.

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Name   *Signature*

St Mary's University, Addis Ababa   *June 2016*

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examinations with my approval as a university advisor.

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Advisor   *Signature*

St Mary's University, Addis Ababa   *June 2016*

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Acknowledgements

First, I want to thank and provide hymn to God and his virgin mother Saint Marry. In God's will and with the help of his virgin mother saint marry that I can finalize my final thesis paper. Then I am deeply grateful to my advisor, Tirunehe Legesse (Assistance Professor), for his valuable comments, guidance and unqualified support in checking and giving constructive suggestions.

I am extremely indebted to my beloved family for their encouragement, patience and understanding since the beginning of the program and without them it would have been difficult for me to complete the program.

My thanks also belong to my friend, Melaku G/medhin, for his unreserved and devoted effort to comment and edit my work throughout the project time. My appreciation also goes to my friends who had taken the endeavor to voluntarily administer the questionnaires on my behalf.

Last but not least I would like to thank customers and employees of Commercial Bank of Ethiopia (CBE) and for their willingness to participate in the survey study and response the questionnaires duly.

Melat Makonnen

May 2016

Addis Ababa

ACRONYMS/ABBREVIATION

CBE: Commercial bank of Ethiopia

SPSS: Statistical Package for Social Sciences

SERVEQUAL: Service Quality Model is a survey instrument that purports to measure the quality of service rendered by an organization along five dimensions: reliability, assurance, tangibility, empathy and responsiveness.

SERVPERF: - Service Performance developed to measure service quality on the basis of performance ignoring the expectations.

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Abstract

This research aimed at finding out the determinant of customer satisfaction and retention in Commercial Bank of Ethiopia. The primary data was collected by a means of questionnaire. A total of 384 questionnaires were administered to customers of CBE in ten branches and 349 questionnaires were returned and usable for a comprehensive empirical analysis. Both descriptive and inferential statistics have been used to find mean score, to test hypothesis, to investigate research problem, objective and questions. The study had found variables that can determine customer satisfaction and retention in commercial bank of Ethiopia. Three variables are regressed with the dependent variable, i.e. Customer satisfaction; these variables include Service Quality, Price and Image and Reputation. Multiple Regressions test was used to test the effect of service quality, corporate image and price on customer Satisfaction and customer retention. In addition to that, Hierarchical Regression Model test was used to test the mediating effect of customer satisfaction on the relationship between service quality, corporate image, and price towards customer retention. The results depicted that there was significant positive relationship in between service quality and customer satisfaction and customer retention. However, the other determinants of customer satisfaction that are price and image and reputation have positive association with customer satisfaction and reputation

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Organization, both private and public, in today's dynamic market places and market space are increasingly leaving antiquated marketing philosophies and strategies to the adoption of more customer driven initiatives that seek to understand, attract, retain and build intimated long-term relationship with profitable customer, (Kotler, 2006, Gronroos, C 1994, Paradise- Tornow, 1991, Narver and Slater, 1990)

The contribution of service sector to the development of both developed and developing economies is increasing time to time. The service sector plays an increasingly important role in Ethiopian economy. Economic growth was driven mainly by the services sector, which contribute 5.4% to the GDP growth rate (Ethiopian Herald 2016). Consequently, every business entity all over the world are now directing their efforts to understanding customer preference and how customers perceive the quality of services, as well as how these perceptions translate into customer satisfaction and retention.

Financial institutions are the intermediary that channels the saving of individuals, businesses and government into loans. Ethiopian financial sector is fairly underdeveloped. The two state owned enterprises namely the Commercial Bank of Ethiopia (CBE) and Development Bank of Ethiopia (DBE) dominate the financial sector.

Banks, like other business organizations, are deploying innovative products and quality services to ensure their future survival and meet the changing expectation of their customers. In this intense globally competitive market, banks should strive to satisfy the needs of their customers through providing quality customer service and improve their customer relation management.

Customer confidence and trust on the services delivered determines profitability of a bank. A full-fledged service delivery to the customer secures survival of a bank.

The advancement of technology makes banking system easier, faster and readily accessible through various devices such as personal computers, mobile phones, etc. The electronic banking services include Automated Teller Machines (ATM), Internet Banking, Tele Banking, Electronic Credit cards, anywhere banking, etc. (Perry, 1999). Kulkarni and Kalkundrikar (2002) discussed the importance of a sound system of commercial banking for a developing country as accumulating capital, provide assistance to innovation activities, and help finance the priority sectors.

According to Tse and Wilton (1988) and Oliver (1999), customer satisfaction is defined as an evaluation of the perceived discrepancy between prior expectation of the customer and the actual performance of a product. It is how customers evaluate the performance of product or service. Customer satisfaction is very important in banking industry, the ability of the service provider to create high degree of satisfaction for quality service and developing strong relationship with customers.

Customer satisfaction in the service sector is not like that of goods frequently focuses on the product itself: does it work, doing what it is supposed to do? Since the "product" is intangible, satisfaction is a perception about performance, rather than the utilization of an object (Berry, 1987). Service satisfaction is about consumers' experiences and reactions to a provider's behavior during service encounter; it is also a function of service setting. Were consumers content? Did they get what they wanted? Were they helped? Were the service surrounding pleasant? Thus, service is, typically, about the present.

Customer service is responding needs and expectation in a way that will make them have memorable experience and motivate them to come back and to tell others. In this competitive world, business organization must undertake the importance of customer as its future or growth concern. It must understand that its existence lies in the hand of the customer and therefore the company should make effort at all cost to attract, maintain and retain customer. (Maxland& Plowman 1992)

In light of the above facts, banks should continuously undertake surveys as to identify the problems in service delivery, corporate image, and pricing to foster the level of satisfaction and retention. The purpose of this study is to give indications of the loopholes to the service provider as to where best to devote marketing attention.

The present research aims to measure of customer satisfaction and retention in banking industry by using a sample of bank customers from Addis Ababa and. Also the present study aims to provide some contributions to the area of customer satisfaction and retention, which has been slow to develop, and is primarily conceptual in nature. The end results of this research would have a contribution for deep understanding effect of service quality, price and image and reputation on customer satisfaction and retention as well as some meaningful implications for services marketing management.

1.2. Background of Organization

The Commercial Bank of Ethiopia, when established, was known as the State Bank of Ethiopia which had assumed a responsibility to provide a commercial and regulatory role. However, in 1963 the bank was divided into the Central Bank, the Bank of Ethiopia and Commercial Bank of Ethiopia. Eventually in 1980, the Ethiopian government decided to merge the Addis Bank and Commercial Bank of Ethiopia (CBE), making the CBE the sole commercial bank. Addis bank was created by the Ethiopian government from the merger of the Ethiopian operations of Banco Di Napoli and Banco di Roma with the newly nationalized Addis Ababa Bank (CBE, 2009/10)

The commercial bank of Ethiopia (CBE) is the largest commercial bank in Ethiopia. Its vision is "to become a world class bank by the year 2025." And its mission is "we are committed to best realize stakeholders' needs through enhanced financial intermediation globally and supporting national development priorities, by developing highly motivated, skilled and disciplined employees as well as state of the art technology. We strongly believe that winning the public confidence is the basis of our success."

Currently commercial Bank of Ethiopia (CBE) has more than 11 million account holders and the number of mobile and internet banking users reached more than 460,000 as of September 30,

2015. Active ATM card holders reached close to million. Total number of branch reached 987 as of November 26, 2015.

1.3. Statement of the Problem

The primary objective of the service provider is to develop and provide quality services that satisfy customer needs, thereby ensuring their own economic survival. To achieve this objective, service providers will need to understand how customers evaluate the quality of their service offerings, how they choose one organization in preference to another and on what basis they give their long-term support. Since financial services, particularly banks, compete in the marketplace with generally undifferentiated products, service quality becomes a primary competitive weapon (Stafford, 1996).Furthermore, Banks that excel in quality service can have a distinct marketing edge since improved levels of service quality are related to higher revenues, increased cross-sell ratios and higher customer retention (Bennett and Higgins, 1993), and expanded market share (Bowen and Hedges, 1993).

Within this background, customer satisfaction, retention and service quality are compelling the attention of all banking institutions It is a known fact that the success and failure of any organization, be it private business or public organization, merely depends on how well its customers are satisfied. Commercial Bank of Ethiopia, where the researcher had an informal communication with some of its customers and the insights from the summary of suggestion box feedbacks, it was learnt that the service delivery is not satisfying the needs and wants of customers to their expectations.

There are a number of factors affecting the smooth delivery of the banking system and create in customer dissatisfaction. For instance, the network system is the one that create complication in the check clearing operation. In addition, the delay of loan approval is one of the other factors. In the electronic banking service, customer responded that the benefits they obtained are limited as the bank's investment in the modern banking technologies is low. It is a known fact that if

customers don't have confidence on the bank services it is valueless to talk about the good will of the bank. For that reason, the bank should handle its customers so well to achieve its organizational goals. The procedures laid down at the banks are lengthy and also it was not easy to follow by them. The present customer services systems lacks motivation and initiatives, these adversely affect the customer service.

Customer satisfaction and retention are crucial to continued organizational survival. The researcher, thus, assessed customer satisfaction and retention in light of the variables namely, service quality, corporate image and price. Even though many studied have been conducted on customer satisfaction in commercial banks in Ethiopia, there is still a gap in understanding the customer preference and to measure their satisfaction level. Therefore, more studies are still required to understand customer preference and their satisfaction level to give a better insight for the managers of bank to make their customer delight.

Therefore, this study seeks to examine the determinant of customer satisfaction and retention in commercial bank of Ethiopia in Addis Ababa.

1.4. Research Questions

The study attempted to answer the following specific research questions:-

➢ What are factors that determine customer satisfaction and retention in commercial bank of Ethiopia, What are the most important factors?

➢ Which dimensions of service quality can most satisfy customers of Commercial Bank of Ethiopia?

➢ Do service quality, corporate image and price significantly relate to customer satisfaction and retention?

➢ What are the switching intentions among customers of CBE?

➤ Does customer satisfaction mediate the relationship among service quality, corporate image and price towards customer retention?

1.5. Research Hypotheses

The following hypotheses were tested in the research:

H1- The five dimensions of service quality (tangibility, reliability, responsiveness, assurance and empathy) vary in the degree to which they bring customer satisfaction and retention.

H2- Corporate image is significantly related to customer satisfaction and customer retention.

H3- Price is significantly related to customer satisfaction and customer retention.

H4- Customer satisfaction is the mediator of the relationship among service quality, corporate image and reputation, and price and customer retention.

1.6. Objective of the Study

1.6.1 General Objective

The primary objective of the study is to assess and analyze the determinant of customer satisfaction and retention in the case of Commercial Bank of Ethiopia in Addis Ababa.

1.6.2 Specific Objectives

The following specific objectives are pursued:-

- To identify the factors that influences customer satisfaction and retention in Commercial Bank of Ethiopia.
- To identify the dimension of service quality that satisfy and dissatisfy customer in Commercial Bank of Ethiopia
- To examine the decision of dissatisfied customer, whether they switch to other bank or not
- To determine whether customer satisfaction mediates the relationship between service quality, corporate image, and price towards customer retention.

1.7. Significance of the Study

The research was examined to determine customer satisfaction and retention in Commercial Bank of Ethiopia. The importance of this study can be view from two dimensions: theoretical contributions and practical implications. Theoretically, the study fills an important gap in the literature of customer satisfaction and retention. Therefore, the findings of this study can add to the existing body of the literature and can serve as a starting point on which future studies can be built. Most importantly, the approaches and the experiences that applied in the research can be disseminated to other banks and financial institutions undertaking similar activities.

On the practical side, from the findings the researcher will be able to markedly put up the glaring gaps in specific reference to customer satisfaction and retention in Commercial Bank of Ethiopia. On the basis of the analysis the researcher recommend set of alternative courses of actions to be considered to enhance the level of satisfaction in CBE.

1.8. Scope of the study

This study is focused on assessing satisfaction and retention of customers of Commercial Bank of Ethiopia. Though customer satisfaction and retention are issues that deserve the involvement of both the service providers and customers, the scope of the study is limited to the perception of customers only. And, the research sample was selected from saving and current account holders of the bank.

Geographically; there are 22 commercial banks in Ethiopia but this study delimit itself on the biggest and oldest commercial bank which is Commercial Bank of Ethiopia (CBE). Furthermore, this study focused on some selected branches which are under south, north, east and west Addis Ababa districts.

Methodologically; this research is a sample survey research i.e. based on the representative sample conclusion for the population will be made. Additionally, the main source of this data could be questionnaire and secondary data. The questionnaire distributed and collected to customers who queue in the selected branches of CBE. The probability of information asymmetry by respondents during filling questionnaires by the customer of the Bank might be one of the difficult to obtain the necessary information. In addition to this, may be time limited to cover all the study at a given time.

1.9. Organization of the Paper

The paper is organized in to five chapters. Chapter one deals with mainly with the introduction to the paper. Under this section, background of the study, statement of the problem, objectives of the study, significance of the study, research questions, and scope and limitations of the study is presented. In the next part, under chapter two, intensive literature review is made. Under chapter three, research issues regarding research design, population, sample size and sampling technique, type of data and tools/instruments of data collection, procedures of data collection, and methods of data analysis is discussed. In chapter four data presentation, analysis, and interpretations is presented. In the last section, chapter five, findings will be summarized, conclusions are drawn and recommendations are forwarded.

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Background

The study of customer satisfaction hardly requires any justification as renowned management scholar, Peter Drucker, posits that "There is only one definition of business purpose: to create a customer (Drucker, 1954, pp. 39–40). Although this quote captures the challenge any company or organization faces, it is particularly apt for service-based companies, due to the greater interaction between service providers and their customers in the service-profit chain (see Heskett, Sasser, and Schlesinger, 1997). Indeed, "high customer satisfaction ratings are widely believed to be the best indicator of a company's future profits" (Anderson and Sullivan, 1993, p. 125)

2.1.1. Service Quality: Definitions and Concepts

To understand what service quality is, we need to understand what Quality is and it's concept as a whole. Understanding the term "Quality" will reveal that the concept has been defined in many different ways and with different emphasis by the various quality gurus and writers on the subject. Quality is an elusive and indistinct construct. Often mistaken for imprecise adjective like "goodness, or luxury, or shininess, or weight" (Crosby, 1979), quality and its requirements are not easily articulated by consumers (Takeuchi and Quelch, 1983).

A widely argumentative issue especially since it is so intricate to come to common agreement as to what exactly comprises service quality (Karunaratna A, 2014). According to Parasuraman et al. (1985), service quality is the difference between anticipated services (customer expectations) and perceived service (customer perceptions). Customers usually provides at specific and definite stores or shops, because they like the services rendered and they are guaranteed for particular service privileges; thus, the performance of the service provider might stimulate bonding through reliability between them and the customer, which affects the latter's perception of the company or overall brand equity (Sharareh ,Shabnam , Nasim&Mahmood . (2013).Therefore, Service quality is the act of meeting the desired and / expected needs of the customer (Smith, 1998). Service quality can be evaluated through specific service with five service quality dimensions: reliability, tangibility, responsiveness, empathy and assurance (Parasuraman et al., 1985, 1988).

According to Sahar and Mohammadbagher (2012), "Expectations" refer to the customer's ambition that they feel about the service provider should put forward and "Perceptions" are the customer's appraisal of the service provider. As a result, service quality is an evaluation process which is outcome of the service in which customers are involved and where a certain experience is always evaluated to the perceived service obtained Moreover, service quality has been increasingly addressed and determined as the vital factor in distinguishing services and creating competitive environment and maintaining a satisfying relationship with customers (Zeithaml et al., 2006). Service quality can mostly be compared to the customer and how he or she expects about the service they acquire. It should be indicated however that, it is not exactly the same as customer satisfaction, but shows similarity. We can therefore say that service quality is concerned with satisfying the needs and requirements of the customer as well as measure in which it succeeds to do so (Janghyeon, Kyungnam& Georgina, 2011).If customer perception is higher than the actual performance level of the service provider, then perceived service quality is below the satisfactory level and that leads to customer dissatisfaction and finally customer might switch other provider. Therefore, Service quality is a multidimensional structure that is very difficult to appraise due to the exceptional features of each of the service provider (Karassvidov, 2009; Zeithaml et al., 2006).

Meeting and exceeding expectations of clients and customers is a perspective that has gained most attraction. This concept is all inclusive and cuts across service domains, but expectations change and experiences with alternate service providers could shape the customers' expectations. The important research gap here is attaining customers' expectation towards a particular service. A gap is the difference, imbalance or disparity which is determined to exist between customers' perception of firm performance and their prior expectation. Service quality (SQ) perceived by customers is therefore as a result of a comparison of customers' expectation (E) of services that the organization should offer versus their perception of the performance (P) delivered by the service organization.

Service Quality (SQ) = Customer's Perception (P) – Customer's Expectations (E).

Management of service quality largely focuses on managing the gaps between expectations and perceptions of customers. The goal of the firm is to minimize the gap between (P) and (E).

In this context, Leonard L. Berry and A. Parasuraman (1991) showed that inspired leadership, a customer-centered corporate culture, exceptional service-system design and perfect use of information and technology are vital for attaining superior service quality and service marketing.

2.1.2. Measuring Service Quality

Parasuraman's SERVQUAL

The most widely used models in measuring service quality in the banking sector are the SERVQUAL and SERVPERF models. According to the SERVQUAL model (Parasuraman et al., 1988), service quality can be measured by identifying the gaps between customers' expectations of the service to be rendered and their perceptions of the actual performance of the service. SERVQUAL is based on five dimensions of service quality (Parasuraman et al., 1988):

Tangibles

Tangibles would include those attributes pertaining to physical items such as equipment, buildings, and the appearance of both personnel and the devices utilized to communicate to the consumer. Bitner (1992) presented her conceptual framework for examining the impact of

physical surroundings as it related to both customers and employees. Berry and Clark (1991) provided validation of the physical appearance on the consumer's assessment of quality. With the research by Bitner (1990), it was noted that physical appearance might influence the consumer's level of satisfaction. Tangibles were one of the original dimensions that were not modified by Zeithaml, et al (1988).

Reliability

Reliability relates to the personnel's ability to deliver the service in a dependable and accurate manner. Numerous researchers, including Garvin (1987) found that reliability tends to always show up in the evaluation of service. Parasuraman, et al (1988) indicated that reliability normally is the most important attribute consumers seek in the area of quality service. It was also determined by Parasuraman, et al (1991) that the conversion of negative wording to positive wording as suggested by Babakus and Boller (1992) and Carman (1990) increased the accuracy of this dimension. Negative wording in the request for a customer response caused the customer to misinterpret this particular determinant. Walker (1995) found that if there is an adequate delivery of the basic level of service, then peripheral performance leads consumers to evaluate the service encounter as satisfactory. Reliability was one of the original dimensions not modified by Zeithaml, et al., (1988).

Responsiveness

The desire and willingness to assist customers and deliver prompt service makes up the dimension of responsiveness. Parasuraman, et al., (1991) include such elements in responsiveness as telling the customer the exact time frame within which services will be performed, promptness of service, willingness to be of assistance, and never too busy to respond to customer requests. Bahia and Nantel (2000) disregarded responsiveness in their research, claiming a lack of reliability even though they recognized SERVQUAL and all of its dimensions as the best known, most universally accepted scale to measure perceived service quality. Responsiveness was also one of the original dimensions not modified by Zeithaml, et al., (1988).

Assurance

Knowledgeable and courteous employees who inspire confidence and trust from their customers establish assurance. In banking studies by Anderson, et al., (1976), it was determined that a substantial level of trust in the bank and its abilities was necessary to make the consumer comfortable enough to establish a banking relationship. Parasuraman, et al., (1991) included actions by employees such as always courteous behavior instills confidence and knowledge as prime elements of assurance. Assurance replaces competence, courtesy, credibility, and security in the original ten dimensions for evaluating service quality (Zeithaml, et al, 1988).

Empathy

Empathy is the caring and personalized attention the organization provides its customers. Individual attention and convenient operating hours were the two primary elements included by Parasuraman, et al., (1991) in their evaluation of empathy. The degree to which the customer feels the empathy will cause the customer to either accept or reject the service encounter. Empathy replaces access, communication, and understanding the customer in the original ten dimensions for evaluating service quality (Zeithaml, et al., 1988).

Cronin's SERVPERF

The SERVPERF model was carved out of SERVQUAL by Cronin and Taylor in 1992. SERVPERF measures service quality by using the perceptions of customers. Cronin and Taylor argued that only perception was sufficient for measuring service quality and therefore expectations should not be included as suggested by SERVQUAL (Baumann et al, 2007).

The SERVPERF scale is found to be superior not only as the efficient scale but also more efficient in reducing the number of items to be measured by 50% (Hartline and Ferrell, 1996; Babakus and Boller, 1992; Bolton and Drew, 1991).

Arguments in favor of SERVPERF are based on the notion that performance perceptions are already the result of customers' comparison of the expected and actual service (Babakus and Boller, 1992). Therefore, performance only measure should be preferred to avoid redundancy. Thus, SERVPERF assumes that directly measuring performance expectations is unnecessary. Cronin and Taylor (1992) built their argument for the superiority of SERVPERF over SERVQUAL by empirically showing that SERVPERF is a better predictor of overall service

quality than SERVQUAL. Nevertheless, many authors conclude those customer assessments continuously provided services may depend solely on performance. Hence, the authors suggesting that performance-based measures explain more of the variance in an overall measure of service quality. These findings are consistent with other research that have compared these methods in the scope of service activities, thus confirming that SERVPERF (performance-only) results in more reliable estimations, greater convergent and discriminate validity, greater explained variance, and consequently less bias than the SERVQUAL and EP scales (Cronin and Taylor, 1992; Parasuraman et al., 1994)

Whilst its impact in the service quality domain is undeniable, SERVPERF being a generic measure of service quality may not be a totally adequate instrument by which to assess perceived quality. This research bears on these conclusions and adopts the performance-based SERVPERF paradigm.

Gronroos's Methodology

Gronroos (1984) relates definition of service quality with the result of the comparison that customers make between their expectations about a service and their experience of the way the service has been performed. According to Gronroos (1984), services are produced, distributed, and consumed in the interaction between the service provider and the service receiver. Accordingly, services must be viewed from an interactive perspective.

The model proposed by Gronroos (1984, 1990) focuses on the role of technical quality (or output) and functional quality (or process) as occurring prior to and resulting in outcome quality. In the model, technical quality refers to what is delivered to the customer while functional quality is regarding with how the end result of the process was transferred to the customer. The model states that the consumer is not interested only on what he/she receives as an outcome of the production process, but also on the process itself. The perception of the functionality of the technical outcome (technical quality) is a major determinant of the way he/she appreciates the effort of the service provider.

Service Quality in Banking Services

According to Sulieman (2013), the service quality of banking services provided to customers have been enhanced and it can be used as a foundation for realizing service excellence to meet competition, where distinguished service has became the basis for differentiation between the banks. The concept quality of service is to match and adapt to the requirements which means that service institutions such as banks, must have certain requirements and specifications of the services it provides to customers. While, Al-Mahiaoi (2006) defines service quality as: the standard for a match between the actual performance of service with customer expectations for this service. Under the alteration of the business environment, banks are seeking to reach beyond the quality by providing a distinguishing banking services, creating a sense of satisfaction to the customer through the service acquired and met their anticipation

2.1.3. Conceptualizing Customer Satisfaction

Despite the widespread recognition attached to customer satisfaction, researchers have not yet agreed on one global definition for it. Although the constructs have been thoroughly explored, one theoretical model has not and likely will not be accepted due to the complex process involved in arriving at a customer's judgment of satisfaction or dissatisfaction. Swan and Combs (1976) defined satisfaction as a post-purchase attitude. Westbrook (1980) introduced the notion that customer satisfaction involves cognitive and affective aspects in pre-purchase, purchase, and post-purchase phases of buying goods and/or receiving services. Rust and Oliver (1994) suggest that customer satisfaction or dissatisfaction emerges as a response to a single or prolonged set of service encounters. Giese and Cote (2000) argue that consumer satisfaction comprises three basic components including the type of response; the centre of interest or the subject on which the response is focused; and the moment in time at which the evaluation is made.

In this study, customer satisfaction refers to the consumer's judgments regarding a firm's success or failure in meeting expectations, with met expectations resulting in satisfaction and unmet expectations resulting in dissatisfaction (Oliver, 1999). This definition suggests that satisfaction is a "post consumption" experience which compares perceived quality with expected quality

(Anderson and Fornell, 1994; Parasuraman et al., 1985). As well, satisfaction is a judgment a customer makes following a service encounter, and that this evaluation is highly heterogeneous. It differs from customer to customer, encounter to encounter, and firm to firm, supporting the need for new insights in customer satisfaction between and across industries. Finally, the satisfaction is a process spanning the consumption period and that research of the post-purchase phase is critical to new knowledge development.

2.1.4. Service Quality and Customer Satisfaction

Customer satisfaction often depends on the quality of product or service offering. In the context of services, some describe customer satisfaction as an antecedent of service quality (Bitner, 1990; Cronin and Taylor, 1992). Service quality is thus related, though not equivalent, to satisfaction (Oliver, 1980). For this reason, research on customer satisfaction is often closely associated with the measurement of quality (East, 1997). Customer satisfaction can thus be based not only on the judgment of customers towards the reliability of the delivered service but also on customers' experiences with the service delivery process (Naser et al., 1999).

De Ruyter et al., (1997) summarized the conceptual gap between the two constructs as the following: customer satisfaction is directly influenced by the intervening variables of disconfirmation (the difference between perceptions and expectations), while service quality is not; satisfaction is based on predictive expectation while service quality is based on an ideal standard expectation; and the number of antecedents of the two concepts differ considerably. Therefore, it is worthwhile to investigate the relative importance of service quality dimensions to customers' satisfaction.

In summary, satisfaction and quality seem like twin concepts, both revolving around expectation, experience, perception and evaluation of service as key variables (Jamali, 2007). The conclusion by Jamali (2007) is that satisfaction is a super-ordinate construct to service quality, and that a management-by-satisfaction approach will necessarily need to integrate the various quality dimensions. Satisfaction is a super-ordinate construct because it can result from a large variety of dimensions that may lie beyond those specified in the gap model and the SERVQUAL instrument.

2.1.5. Corporate Image

A favorable image is considered as a critical aspect of an organization's ability to maintain its market position as image has been related to core aspects of organizational success such as customer patronage. Corporate image has been identified as an important factor in the overall evaluation of a firm (Bitner, 1990) and is argued to be what comes to the mind of a customer when they hear the name of a firm (Nguyen, 2006).

The corporate image is based on what people associate with the company or all the information (perceptions, inferences, and beliefs) about it that people hold (Rita, 2007). Some researchers use image and reputation as substitutes, others such as Fombrun (1996) sees reputation as the esteem in a long-term perspective that the company has, as opposed to image that can be more short-term in nature. Rita (2007) proposed that image and reputation could be used as substitutes, since it is likely that the early studies on corporate image would have used the concept "reputation" had they been done today. According to McInnis and Price (1987), the research on "image" field shows that image is a process originating from ideas, feelings and the previous experience of an organization that are recalled and transformed into metal pictures (Yuille& Catchpole, 1977). As a rule, people are exposed to realities created by the organization and may consciously or unconsciously select facts that are well suited with their configuration of attitudes and beliefs. These facts are retained and later retrieved from memory to reconstruct an image when the organization is brought to mind. Dobni and Zinkhan (1990) conclude that image is a perceptual phenomenon that is formed by rational and emotional interpretation and that has cognitive components, the beliefs, and affective components, the feelings. There are two principal components of corporate image according to Kennedy (1997): functional and emotional. The functional component is related to those tangible characteristics that can easily be measured, such as the physical environment offered by the hotel; the emotional component is associated with those psychological dimensions that are manifested by feelings and attitudes towards an organization (Jay &Hui, 2007). These feelings are derived from the numerous experiences with an organization and from the processing of information on the attributes that constitute functional indicators of image (Kennedy, 1977). Although the quality of service is "defined" by the customer, but "created" by the employees, it is the "human factor" that holds the ultimate balance of quality in service industries (Jay &Hui, 2007).

2.1.6. Corporate Image and Customer Satisfaction

According to Nguyen & LeBlanc, satisfaction has no significant direct effect on corporate image. However, it contradicts with other findings that indicate that corporate image is a function of the accumulated effect of satisfaction or dissatisfaction (Bolton &Drew, 1991; Fornell, 1992). In other way, image acts as a filter of satisfaction in a simplification of the decision process that was indicated in the works of Weiner (1985) and Folkes (1998).

However, it can be seen that in the study of Nguyen& LeBlanc (1998), there is an indirect effect on image through the perceived value of the service. It reinforces the assertion of Barich&Kotler (1991) that a company has a strong image if the clients believe that they receive good value in their transactions with the company.

The majority of existing empirical studies treated corporate reputation as a one-dimensional construct (e.g. Doney and Cannon, 1997), whereas more recent approach recognize its multi-dimensional nature (e.g. Fombrun et al., 2000; Davies et al., 2002). They defined corporate reputation as a "collective assessment of a company's ability to provide valued outcomes to a representative group of stakeholders". In this context, reputation can be taken to be the aggregate of the perception of all relevant stakeholders. This might refer to the services, persons and communicative activities of a company as well as the result over time of corporate activity in the minds of the stakeholders.

Walsh &Widemann (2004) report that corporate reputation is rightly regarded as a multidimensional construct, with a diverse range of stakeholders, the current study focuses strictly on customer based corporate reputation (i.e. corporate reputation as perceived by customers). Focusing on customers (as opposed to other stakeholder groups) is in agreement with more recent work on customer reputation and customer satisfaction that focuses on the stakeholder group of customers (Walsh and Wiedmann, 2004). It is assumed that corporate reputation has a positive effect on various commercially relevant economic and pre-economic dimensions.

However, Rose and Thomsen (2004) term the conventional wisdom that corporate reputation has an impact on firm value – the market to book value of equity. Rose and Thomsen contend that

corporate financial performance affects reputation rather than vice-versa. While not questioning that reputation is vital for the survival of an organization in long-term basis, they argue that reputation may influence stock market performance via profitability and growth rather than having a direct effect on the stock markets.

2.1.7. Price Fairness and Customer Satisfaction

As an important factor in the marketing mix, the role of product or service price in the formation of customer satisfaction has not been studied extensively in previous customer satisfaction research (Herrmann et al., 2007, p. 49). When price has been included, it has been one of several product/service attributes considered relevant (Fornell et al., 1996; Voss et al., 1998); however, the unique influence of product/service price on satisfaction judgments remains unclear. Price fairness could be seen as representing a direct attempt to establish consumers' willingness to patronize a product/service due to a feeling that price commensurate product/service's performance. In other words, it represents the maximum price which a consumer should pay for the product, given the benefits that come with the product. In this research, consumers' price perception is included as an important factor influencing overall satisfaction judgments. According to Herrmann et al. (2007), this influence is both direct and indirect via price fairness perceptions. Voss et al. (1998) argue that satisfaction is a function of price, proposing that perceived price fairness might be the dominant determinant of satisfaction.

Their empirical results suggest that when there was a perceived price performance inconsistency (i.e., an inequitable or unfair outcome); it had a stronger effect (negative) on satisfaction judgments. Recent research in marketing and psychology has shown that satisfaction is positively correlated with fairness perceptions (Bowman and Narayandas, 2001; Huffman and Cain, 2001). Oliver and Swan (1989) found that customers' fairness perceptions depended on a supplier's commitment and the quality of the goods and services relative to the price paid.

To that end, this study would posit that price perceptions influence consumers' overall satisfaction judgments directly and indirectly through price fairness perceptions.

2.2. Review of Previous Empirical Studies

According to Moala (1998) Study aimed at measuring the quality of banking services rendered by commercial banks of Jordan, from the point of view of the bank's customers, where the study found that the actual performance of banking services quality is low compared with the level of quality customer's expectation in their banking services. The study recommended that the departments of commercial banks should develop programs to enhance the quality of their services.

According to zarour (2003), cited in Sulieman (2013), Study aimed at measuring the impact of the quality and price of services provided by banks to build brand image of the industrial sector in Jordan, the study found a relationship between industrial company's brand equity, and of some dimensions of quality banking service and the prices of these services. The study recommended banking departments to improve the quality of services and prices.

According to Abu Muammar (2005), Study entitled "banking service quality measurement in banks operating in the Gaza Strip, Palestine", this study aimed to assess the link between service quality and customer based brand equity for customer satisfaction, the study found that need to understand customer expectations in order to provide the best banking services, and achieve brand equity and satisfaction. Furthermore, customer loyalty and perceived quality is primarily depends on the investigation of the quality of banking services. The study recommended that the need to boost up assurance between customer and bank and take more curiosity in speed and accuracy and in the provision of banking services.

Moreover, according to Al-Saidi (2007) cited in Sulieman (2013), Study on "assessing the effectiveness of the quality of health services in the State of Kuwait's Jahra hospital. The study found that the level of response of the sample study about the effectiveness of quality services was high and statistical differences depending on the educational level variable. This study recommended the establishment of a specialized quality management centre in the hospital in order to get customer based brand equity to the center. Research conducted by Abu Zaid (2009), Study entitled "impact of the service quality to customer loyalty and satisfaction in commercial bank ". The aim of this study was to assess the extent of customer based brand equity with the reality of quality service in commercial banks operating in the West Bank, the study found that the level of customer satisfaction, customer loyalty and perceived quality was improved .The

study recommended that, the banks continuation of holding training sessions for staff and the need to poll customers about services provided and to access to Arabic and international banking experience.

According to Blomer (1998), Study handled the concept of loyalty to the Bank, this research verify how the mental image, perceived service quality, and customer satisfaction affect their loyalty in the individual banks at the international level, it was found that mental image indirectly linked with the loyalty to the Bank via quality, which is associated through customer satisfaction and found that reliability dimensions is the most important dimensions of service quality.

Addams, (2000) Study entitled "Service at Banks and Credit Unions," the study found that credit institutions are better than banks on providing quality banking service as the Bank does not identify customer needs, the study recommended the need to pay attention to the quality of banking services, and to identify the needs of customers. Jabnoun& Al-Tamimi, (2002) Study entitled "Measuring Perceived Service Quality at UAE Commercial Banks" this study aimed to measure the responsible quality through banking service quality dimensions, represented by human skills, concrete skills, empathy and response, the study found that customers give dimensions in financial value, but gave higher value for human skills.

Suresh et al., (2003) Study entitled "Customer Perceptions of Service Quality in the Banking Sector of Developing Economy," the study found that banks varied significantly in providing quality service through customer perception of the quality of service provided. The study found an association between customers and knowing customers, to lead the competition in this area. The study found a link between quality of service and customer satisfaction, and that it has a significant impact in improving the level of customer satisfaction.

This study also recommended to make a focus on reliability and customer knowledge in order to improve the competitive position of the sector, in order to ensure customer loyalty, and continued success in the future. Hunjra et al., (2011) Study entitled "the relationship between customer satisfaction, and quality of service in Islamic banking in Pakistan". This study aimed to highlight the relationship between customer satisfaction and quality of service for Islamic banks. The study found a relationship between customer satisfaction and building the quality of bank

service, the study also ensures that the effect of the response to the needs of the customers and satisfaction are of the most influential variables in Pakistan.

Ravi C.S &Kundan Basavaraji (2013) investigate the preference and satisfaction level of customer toward loan, deposit scheme, insurance and value added service rendered by private and public banks in Shivamoga district. Business and vehicle loan are fast moving than other service and overall satisfaction result at 50%. Further, overall satisfaction on bank deposit scheme resulted positively while other services of banking still need to be given attention by focusing on customer issues. New innovative scheme, strategies to cater to non users other service have to be adopted.

Dr. Snehalkumar H Mistry (2013) focused on the factor that affecting customer satisfaction in bank and analyzes their effect. It is revealed that customer satisfaction is the key for many banks to survive competition. Customer give third preference to assurance factors, it include criteria like safety of transaction, consistency in service etc. so, banks whether they are private sector or public sector they should give more focus on increasing reliability , responsiveness and assurance. For that they can give training to their employee which will help them to give personalized service.

S.Sivesan found the impact of the service quality on customer quality on customer satisfaction in banking sector. Service qualities are interrelated with customer satisfaction. Manager of the bank or administrative body needs to identify the primary quality determinants, clearly managing the customer expectation, educating the knowledge to customer regarding the service for improving the service quality in the banking sector.

2.3. Conceptual Framework

Figure 2.1 below presents the study's conceptual framework, which essentially stipulates that customer satisfaction and retention in commercial bank of Ethiopia would be a function of service quality, corporate image and price.

Figure 2.1 Conceptual Framework

Independent Variable   Mediating Variable   Dependent variable

SERVICE
QUALITY

34

IMAGE AND REPUTATION

PRICE

CUSTOMER SATISFACTION

CUSTOMER RETENTION
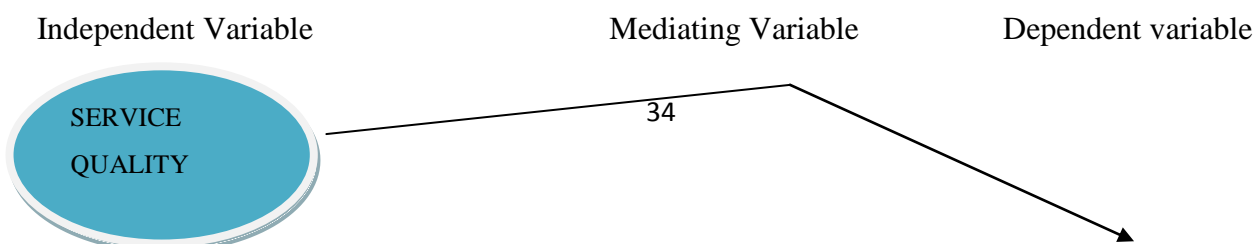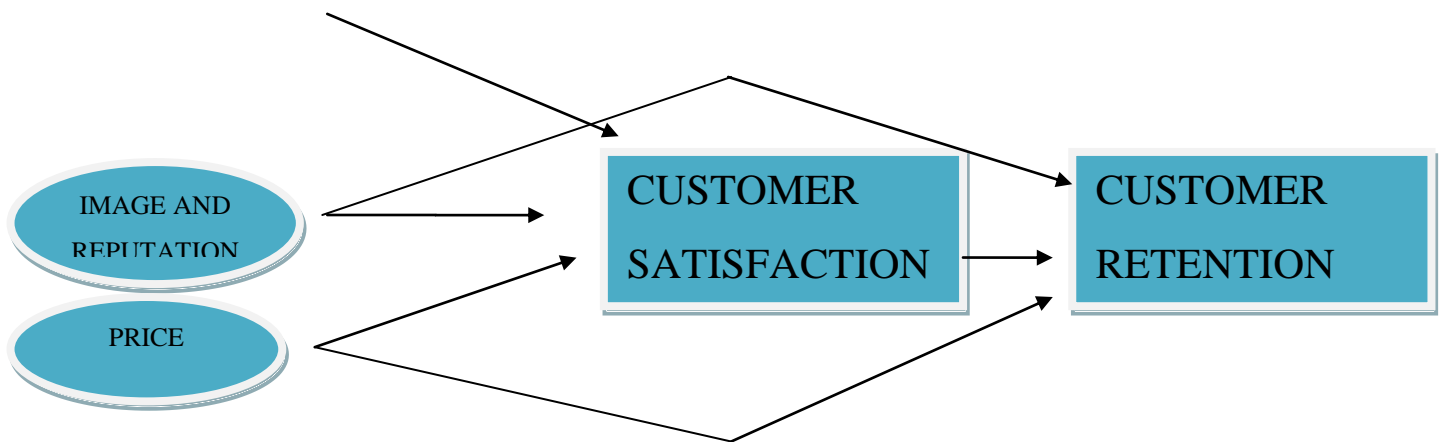
CHAPTER THREE

METHODOLOGY

This section of the study outlines the methodology and company profile of the study. Key topics of this chapter include research design, data type and source, measures of variables, sampling design, data collection procedures, and data analysis techniques.

3.1. Research Design

Saunders et al. (2007), defines research design as the general plan of how the research questions had been answered. The research design for this study was the Cross-sectional field survey method to assess the relationship between the determinant factors and customer satisfaction and retention based on consumer attitude. In cross-sectional field surveys, independent and dependent variables were measured at the same point in time using a single questionnaire.

Along with the cross sectional nature of this study, descriptive research design was employed for detail description of the findings displayed in tables and charts as well as to develop inferences on the relationship between determinant factors and customer satisfaction and retention.

The two basic methodological approaches to which different studies might naturally lend themselves are the qualitative and the quantitative methods. The study made use of both

quantitative and qualitative research methods. Even as qualitative research is more descriptive, quantitative research more often draws inferences based on statistical procedures and often makes use of graphs and figures in its analysis (Ghauri and Grönhaug, 2005). In the study, the researcher used both methods. However the quantitative approach features more.

3.2. Data Type and Source

Primary and secondary data was used. Primary data was sourced through customers' survey whilst secondary data was accessed from the bank's documents like from suggestion box and book. As the research is intended to assess the integration of service quality, corporate image, price, and customer satisfaction and retention, the primary data were collected from primary sources via questionnaires. The primary data were based on primary sources

3.3. Sampling Type, Techniques and Size

The target population of this research is customer of CBE in Addis Ababa's. Branches of CBE are distinguished with their branch level and their grade is one up to four. Grade one branches are out of the city. So for this research grade four, three and two were selected using disproportionate stratification sampling. Selecting grade four and three branches helps to get more experienced (familiar) customers and selecting level 2 branches helps to collect data from new customers. The total number of branches in Addis Ababa is one hundred seventy eight (178) as of December 31, 2015. Out of this grade four branches are twenty (20), grade three branches are eleven(11) and grade two branches are 147 (one hundred forty seven). For the purpose of this research ten branches was selected using disproportionate stratification. The branches are sub grouped in to three strata: grade four, grade three and two. Sample branches from each stratum are selected using disproportionate stratification. Six branches from grade two, two branches from grade three and four from each stratum.

Formula for calculating a sample of respondent

Cochran (1963, 1975) developed the equation to yield a representative sample for proportion of large sample.

n = Z^2pq/e^2

Which is valid: - n is the sample size

Z2 is the abscissa of the normal curve that cuts off an area α at the tail (1-α equals the desired confidence level is 95%)

e is the desired level of precision

p is the estimated proportion of an attribute that present in the population and

q is 1-p

The sample have been drawn from maximum variability of the population (P=0.5) with 95% level of confidence with 5% precision level.

Therefore n= $1.96^2 \times 0.5{\times}0.5/0.05^2 = 384$

With respect to sampling techniques, the primary data from the respondents were collected through non probability sampling techniques. Along with this technique, convenience sampling techniques were used. So, 38 respondents were selected from each branch using convenience method.

3.4. Data Collection

Questionnaire is the most frequently used tool data collection. The questionnaire design for the study was formulated both as close-ended and open-ended questions. The close ended questions are normally structure for respondents to select their choices of statement from a list of questions present to them.

The questionnaire was divided into three sections. The first section is soliciting data on demographic characteristics of the respondents. The second section is designed to address data regarding perception of customers' towards the banks' service delivery. The extent to which customers satisfied with the services they receive from the bank in terms of service quality, satisfaction, their perceptions of the banks' image, price competitiveness of the banks' services, as well as their preference to the bank service. The third section is include uncover data as to whether the customers have intentions to switch banks in case of dissatisfaction with the service

provide. The second section of the questionnaire evaluated the items or variables on a 5 point likert scale. The instrument was developed in English first then was translated to Amharic"

3.5.   Data Analysis Techniques

Returned questionnaires were checked initially to find out whether they had complete answering. The analysis was done using the Statistical Package for the Social Science (SPSS Version 20). This study utilized Cronbach's reliability analysis, correlation analysis, and regression analysis to analyze the research data. These techniques were complemented with a descriptive statistics involving the computation of frequencies, percentages, means and standard deviations often presented graphically. Brief explanations of the main data analysis techniques used would suffice.

3.5.1.   Reliability Test

Reliability is defined as the extent to which a scale is free from random errors and thus yields consistent results (Hair et al., 1995). Calculating Cronbach's alpha is the most commonly used procedure to estimate reliability, and Nunnally (1978) recommends 0.7 as the accepted benchmark for Cronbach's alpha. According to Nunnally (1978), if the coefficient alpha is too low, the indication is that the items measuring the scale have very little in common. He noted that, in such a case, the researcher must return to the domain of the concept under investigation and select other items.

3.5.2. Descriptive Analysis

To analyze the pattern of respondent's background, descriptive analysis was applied. Frequencies and tables were used to show the results of the analyses. In generating the actual results, frequency tables were generated to determine the number of respondents who expressed their opinion on a particular item. Based on the frequency tables generated from SPSS, descriptive statistic was used to analyze and describe the findings.

3.5.3 Correlation Analysis

Correlation analysis was used to measure linear association between two variables (Hair et al., 1995). In a situation where the correlation between two variables is positive and close to 1, it is assumed that the variables have a strong positive linear correlation. If the correlation between two variables is positive but close to zero, then the variables have a weak positive linear correlation. On the other hand, if the correlation between two variables is negative and close to – 1, then the variables are assumed to have a strong negative correlation. Again, if the correlation between variables is negative but close to zero, that means a weak negative correlation exists between the variables.

3.5.4. Regression Analysis

Regression analysis is a statistical technique that is used to analyze the relationship between a dependent variable and one or more independent variable (Hair et al., 1995). A multiple regression analysis provides an equation to predict the magnitude of the dependent variable, providing values for the independent variables that explain the largest proportion of variation in the dependent variable. The Pearson coefficient of determination, or simply "R-squared"

In terms of computer output, is usually used to gauge this explained variation. An "R-squared" of '0' indicates that there is no relationship between the independent variables and the dependent variable. This "R-squared" tells the researcher about the perfectness of the multiple regression model and also how well the independent variables included in the model explain the dependent variable.

3.6. Specification of the Model

In order to run further analyses towards the variables as hypothesized, the relationships between the independent and dependent variables can be specified as follows:

Stage 1: On accounts of the theoretical relevance, the study formulates the following regression equation (relationships) to identify the determinants of customer satisfaction using three predetermined explanatory variables:

$$CS = a_0 + a_1 SQ + a_2 IR + a_3 P + \mu_1$$

Stage 2: To address the determinants of Customer Retention, the following regression model was formulated:

$$CR = \beta_0 + \beta_1 \text{SQ} + \beta_2 \text{IR} + \beta_3 \text{P} + \mu_2$$

Stage 3: To examine the impact of customer satisfaction on customer retention, the following simple linear regression was formulated:

$$CR = \alpha + \beta_{11} CS + \mu_3$$

Stage 4: To investigate whether customer satisfaction mediates service quality, corporate image, and price towards customer retention, the independent variables were controlled and customer satisfaction was considered as independent variable (mediator) to Customer Retention. Hierarchical multiple regression analysis (also referred to as sequential regression) is conducted to determine the meditational hypotheses. According to Baron and Kenny (1986), in order to establish mediation, the following conditions must hold: First, the independent variable must affect the mediator; secondly, the independent variable must have an effect on the dependent variable; and thirdly, the mediator must affect the dependent variable. If these conditions all hold in the predicted direction, then the independent variable must have no effect on dependent variable when the mediator is held constant (full mediation)or should become comparatively less significant.(partial mediation).

$$CR = \beta_3 + \beta_{10} CS + \beta_{12} \text{SQ} + \beta_{13} \text{IR} + \beta_{14} \text{P} + \mu_{11}$$

Where CS is Customer Satisfaction

CR is Customer Retention

SQ is Service Quality

IR is Image and Reputation

P is Price

α and β are parameter to be estimated

μ is error term

3.7 Ethical Consideration

The research is ethically clear from St. Mary University School of graduate `studies department of business administration. The researcher uses the data from customers which are collected through questionnaire; permission is obtained from the customers and the bank. To maintain the confidentiality of the information provided by the respondents, the respondents are instructed not to write their names on the questionnaire and assured of that the responses are used only for academic purpose and kept confidential. Finally, respondents are included in the study based on their free will.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

Introduction

In this chapter, the results obtained in the study are presented and analysed. The study starts by presenting respondent rate background information on the respondent statistics. Such information includes demographic profile and banking statistics of the subjects. Then follows the analysis of main hypotheses tested in the study and end the chapter by discussing the findings especially in relation to the theories espoused in the literature review.

4.1. Response Rate

A total of 384 questionnaires were distributed and the response rate was indicated in the table below.

Table 4.1 Response Rate

Categories	Response Rate

	In Number	In Percent
Sample Size	384	100%
Collected	349	91%
Uncollected	35	9%
Completely Filled	338	88%
Disqualified	11	2%
Total	384	100

Source: researcher survey, 2016

From the above table, out of 384 distributed questionnaire 349(91%) were collected while 35(9%) remain uncollected. Furthermore from the collected questionnaire, 11 were not filled properly and completely so the analysis is made based on the response obtained from 338.

4.2. Reliability Test

A reliability analyses was conducted to each variable of the instrument. The reliability of the measures was examined through the calculation of Cronbach's alpha coefficients. For scale acceptability, Hair et al. (1998) suggested that Cronbach's alpha coefficient of construct is 0.6. If each domain obtains the value 0.6, it means that, the items in each domain are understood by most of the respondents. On the other hand, if the findings are far from the expected value of 0.6, this might be caused by respondents' different perception toward each item of the domain.

Table 4.2 Result of reliability study

	Cronbach's Alpha	N of Items
Service Quality	.795	21
Price	.835	3
Image and reputation	.847	3

Customer Satisfaction	.805	6
Customer Retention	.822	4

Source: researcher survey, 2016

The Cronbach's alpha values are reported as follow, Service quality yield Cronbach's alpha =.795, price yield Cronbach's alpha = .835, the Cronbach's alpha for Image and Reputation was at .847, Cronbach's alpha for customer satisfaction was at .805, and Cronbach's alpha for switching of customer was at .822. The Cronbach's alpha values for all the variables considered are greater than 0.7 and this indicates the items in each of the domains are well understood by the respondents. The items have measured what they were designed to measure.

4.3. Demographic Characteristics of the Respondents

This research was enclosed the main demographic characteristics such as gender, age groups, marital status, educational levels and years of experience of customers with CBE. The purpose of this profile was to obtain a visualization of the bank customers responding to the questionnaire. The findings were indicated below

Table 4.3 Demographic Characteristic of the Respondents

Items	Options	Frequency	Percent
Gender	Male	209	61.8
	Female	129	38.2
	Total	**338**	**100**
Age	Less than 20	14	4.1
	21-30	120	35.5
	31-40	151	44.7
	41-50	41	12.1
	Greater than 50	12	3.6
	Total	**338**	**100**

Education Level	Secondary Education and less	29	8.6
	Diploma	50	14.8
	Degree	224	66.3
	Master and above	35	10.4
	Total	**338**	**100**
Years of Contact with CBE	1-5	38	11.2
	6-10	174	51.5
	11-15	103	103
	Above 15	23	23
	Total	**338**	**100**

Source: researcher survey, 2016

From the data presented in table above, the data provides gender profile by count and percent as part of the overall profile. The results reveal that out of the 338 respondents, 209 were males and 129 were females. This represents 61.8% males and 38.2% females respectively. Therefore, with insignificant variation both male and female customer visit CBE and obtain banking services.

From the data presented in the table above, the majority (35.5 and 44.7 percent) of the respondents were under age group of 21-30 years old and 31-40 respectively ; 12.1% of the respondents were under age group of 41-50 years and the remaining 4.1 and 3.6 % were less than or equal to 20 years and above 50 years old respectively. Hence, the majority of customers are the youngest generation. This is mainly because CBE pioneer to diversify the banking service such as education account, youth and youth teen account and women account.

Concerning of educational level of the respondents, the above table represent that, the majority (66.3%) of the respondents were BA/BSC holders, 14.8% were diploma and certificate and the

remaining 8.6% & 10.4% of the respondents were high school &below and masters & above respectively.

From the table above,   51.5% of the respondents have an experience of 6-10 years as a customer of CBE; 30.5% had an experience of 11-15 years; 11.2% had 1-5 year and the remaining 6.8% of the respondents had experience of above15 years with CBE. Therefore, the finding indicates that the customer base of CBE has been improving specially starting from recent time. This is an indicator of the bank that enhances the banking services of CBE.

4.4. Descriptive Analysis of Overall Customer Satisfaction

Table 4.4 Evaluation of the service Acquire in CBE

statements	Frequency	Percent
Above expected	66	19.5
As expected	177	52.4
Below expected	95	28.1
Total	338	100.0

Source: researcher survey, 2016

In order to test this hypothesis, the researcher asked respondents to state whether they were Satisfied or not with the overall service they receive from the bank. Out of those not satisfied, they were asked to state whether they would consider switching banks or to remain as customer of the bank. Analysis of the responses revealed the following: Of the 338 respondents, 66(19.5%) were satisfied above their expectation with the services rendered by the bank, 177(52.4) satisfied as they expected and 95(28.1) were dissatisfied.

TABLE 4.5. Intention to Remain as Customer of CBE

Statement	Frequency	Percent
Strongly disagree	12	3.6
Disagree	31	9.2

Neutral	64	18.9
Agree	158	46.7
Strongly agree	73	21.6
Total	338	100.0

Source: researcher, survey computed, 2016

Of those the dissatisfied, 43 intended to switch to other service providers while 52 intended to continue staying with the bank. The explanatory notes provided by these respondents show that some hope for better services in the future as their reason for deciding to stay in spite of being dissatisfied. Some of those intending to continue with the bank believing that the services offered by the banks in the city are homogenous and irrespective of whether they switch or not, it would not make a difference and hence they decide to continue with their bank.

Figure 4.1. Preference of CBE

Did you prefer commercial bank of Ethiopia than others?
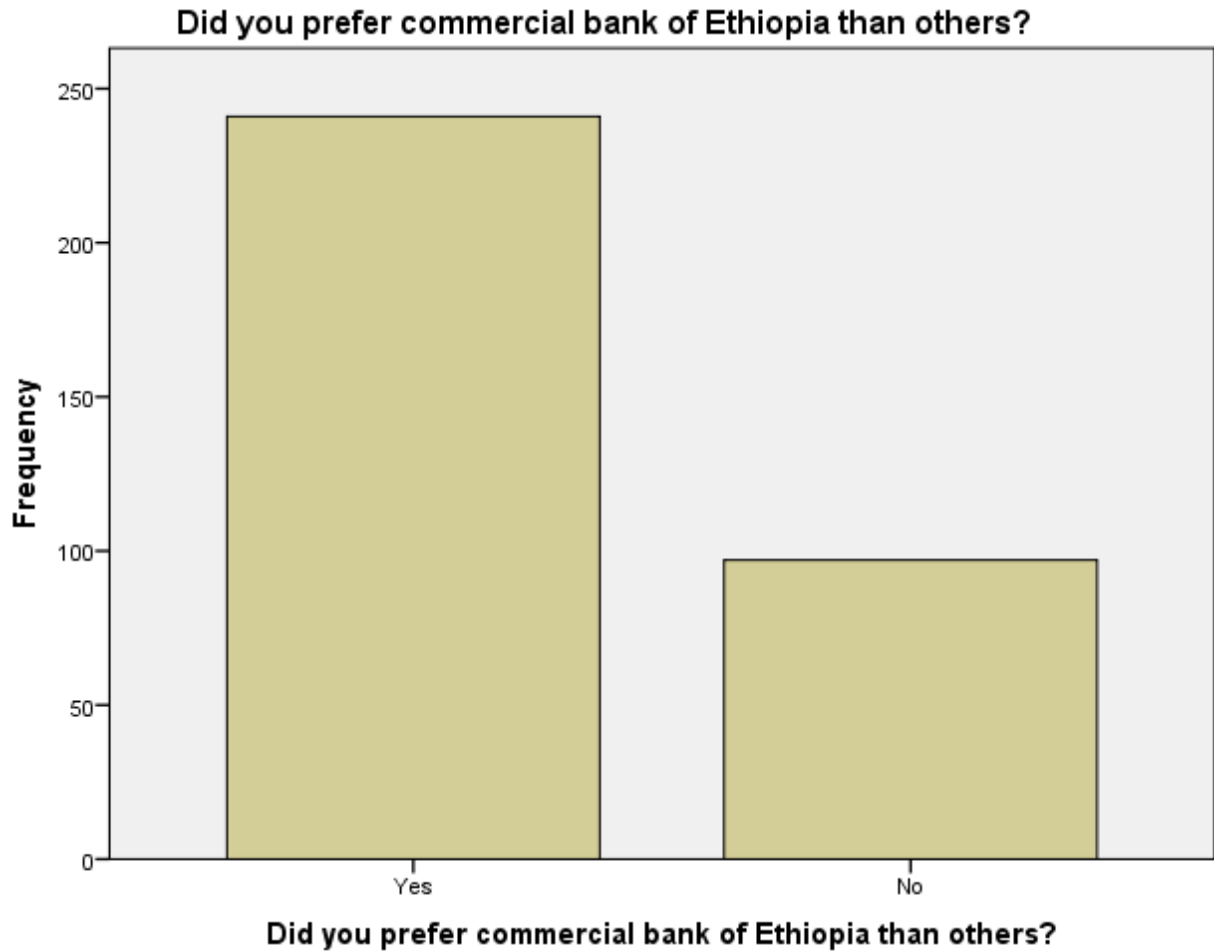
Source: researcher survey, 2016

From the analysis of the graphical results, it is found out that majority of dissatisfy customers do not have intentions to switch, and also there was statistically significant difference between those with switch in intentions and those who do not intend to switch.

4.5. Correlation Analysis between Determinants factor and Customers Satisfaction

In statistics, the correlation coefficient r measures the strength and direction of a linear relationship between two variables on a scatter plot. The value of r is always between +1 and -1. To interpret its value,

➤ Exactly -1 is perfect downhill(negative) linear relationship

- ➢ -0.70 is strong downhill (negative) linear relationship
- ➢ -0.50 is a moderate downhill(negative) relationship
- ➢ -0.30 is a weak downhill (negative) linear relationship
- ➢ 0 is no linear relationship
- ➢ +0.30 is a weak uphill (positive) linear relationship
- ➢ +0.5 is a moderate uphill (positive) relationship
- ➢ +0.70 is a strong uphill (positive) linear relationship
- ➢ Exactly +1 is a perfect uphill (positive) linear relationship

Table 4.6 correlation analysis between determinants of customer satisfaction and customers' satisfaction and customer retention Correlation is significant at the 0.01 level (2-tailed)

	Service Quality	Price	Image and Reputation	Customer Satisfaction	Customer Retention
Service Quality	1	0.538	0.556	0.742	0.630
Price		1	0.403	0.594	0.475
Image and Reputation			1	0.430	0.497
Customer Satisfaction				1	0.575
Customer Retention					1

Correlation is significant at the 0.01 level (2-tailed).
Source: researcher survey, 2016

The result as can be evidenced from the correlation matrix table above, there is a positive significant relationship in between the variables and that all correlation coefficients are significant at 1% level of significance. As to the magnitude of the correlation scores is concerned, the following points can be supposed.

- ➢ Service Quality and Customer Satisfaction have Strong linear relationship

- ➢ Service Quality and Customer Retention have almost strong linear relationship
- ➢ Price and customer satisfaction has moderate linear relationship
- ➢ Customer satisfaction and customer retention has moderate linear relationship
- ➢ Price and customer retention has weak linear relationship
- ➢ Image and customer satisfaction has weak linear relationship
- ➢ Image and customer retention has weak linear relationship

Implication

Service quality and customer satisfaction and Service quality and Customer Retention have strong linear relationship. This implies that as CBE improve its service quality the more the customer satisfy with the service quality and retain its customer. Price and customer satisfaction, customer satisfaction and customer retention have moderate linear relation. This implies that next to service quality price also affect customer satisfaction. The more the customers satisfy the more CBE retain its customer. Image and reputation have no significant effect on customer satisfaction and retention.

Correlation Analysis between Service Quality Dimensions and Customers Satisfaction

Table 4.7Correlation between the five Dimension of Service Quality and Customer Satisfaction and Customer Retention

	(T)	(R)	(R2)	(A)	(E)	(SQ)	(C S)	(CR)
Tangibility(T)	1							
Reliability (R1)	.542*	1						
Responsiveness(R2)	.488*	.677	1					
Assurance (A)	.545*	.700**	.699	1				
Empathy(E)	.486	.678*	.743**	.669*	1			
Service Quality(SQ)	726	.860*	.869**	.861**	.862	1		
Customer Satisfaction(CS)	.562**	.656**	.626**	.700**	.690**	.774	1	
Customer Retention(CR)	.577**	.581*	.537**	.615**	.541**	.680**	.669*	1

Source: researcher survey, 2016

In the above table, the five dimensions of service quality (Tangibility, Reliability, Responsiveness, Assurance and Empathy) which serve as predecessor to overall service quality shows different correlation coefficients. The correlation coefficient between tangibility, reliability, responsiveness, assurance and empathy with customer satisfaction are 0.562, 0.656, 0.626, 0.700, and 0.690 respectively. On the other hand the correlation coefficient between tangibility, reliability, responsiveness, assurance and empathy with customer retention are 0.577, 0.581, 0.537, 0.615 and 0.541 respectively.

Even if all these correlations show positive relationships it is found out that the strengths of the relationships vary. As a result the five service quality dimensions vary in the degree to which they drive customer satisfaction and customer retention. Thus, in Commercial Bank of Ethiopia, the most important dimension for customer satisfaction are assurance, empathy, reliability, responsiveness and tangibility in descending order. On the hand the most important drivers of customer retention are assurance, reliability, tangibility, empathy and responsiveness, in descending order.

4.6. Multiple Regression Analysis.

Multiple regressions are the most common and widely used to analyze the relationship between a single continues dependent variable and multiple continues on categorical independent variable (George et al, 2003). In this study multiple regression analysis was employed to examine the effect of service quality, price and image and reputation on customer satisfaction and retention. The following table presents the results of multiple regression analysis.

Regression Analysis (Independent variables as predictors to customer satisfaction)
Model Summary

Table 4.8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimated
1	.797[a]	.635	.632	.59821

Predictor: (Constant), Service Quality, Image and Reputation and Price
Source: researcher survey, 2016

The result from the regression analysis based on the three independent variables, service quality, image and reputation and price, which are included on top of the relationship against customer satisfaction, can be seen below in the table. Based on the 'Model Summary', it can be inferred that the independent variables that entered into the regression model, the R (0.797), which is correlation of the three independent variables with the dependent variable, customer satisfaction. The independent variables explained the dependent variable by 63.50% (R square).

ANOVA Table

The ANOVA table shows the overall significance or acceptability of the model from a statistical perspective. As the significance value of F statistics a value (.000) which is less than $p<0.05$ the model is significant. This indicates that the variable explained by the model is not due to chance .the ANOVA test, it is noticed that F value of 69.71 is significant at the 0.000 level. Therefore, from the result, it can be concluded that with 63.50 % of the variance (R-Square) in customer satisfaction is significant.

Table 4.9ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	209.148	3	69.716	196.374	.000b
	Residual	118.576	334	.355		
	Total	327.724	337			

a. Dependent Variable: CUSTOMERSATISFACTION
b. Predictors: (Constant), IMAGENREPUTATION, PRICE, SERQAL
Source: researcher survey, 2016

The table below Coefficient table shows the simple linear regression model that expresses the relationship between independent variable and Customers' satisfaction. The model is shown mathematically as follows; $CS = a_0 + a_1 SQ + a_2 IR + a_3 P + \mu_1$ where CS is the Customer satisfaction, SQ is Service quality , P is Price and IR is image and reputation, is a_0 constant factor and a_1, a_2 and a_3 are the value of coefficient. From the above table, the model can be read

as CS +-0.005+0.517SQ+0.352P+0.113IR this can be interpreted as; the impact of service quality on Customer Satisfaction is about 51.7%. Based on this research the impact of service quality on customers' satisfaction is very strong. On the other hand the impact of price and image and reputation is 35.2 % and 11.3%. The impact of price on customer satisfaction is moderate and weak for image and reputation.

Table 4.10. Coefficients (Independent Variables as Predictors to Customer satisfaction)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.005	.168		-.033	.974
	Service Quality	.517	.035	.564	14.794	.000
	Price	.352	.044	.304	7.985	.000
	Image and Reputation	.113	.042	.098	2.715	.007

Dependent Variable: CUSTOMERSATISFACTION
Source: researcher survey, 2016

Regression Analysis (Independent variables as predictors to customer retention)

Model Summary

Table 4.11 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimated
1	.745[a]	. 555	. .551	.61911

Predictors: (Constant), image and reputation, Price service quality

Source: researcher survey, 2016

Table 4.11 depicted the model summary and that the three independent variables in the association have a correlation that accounts for (0.745) to mean their combined correlation against customer retention. The independent variables explained the dependent variable by 55% (R square)

ANOVA Table

The ANOVA table shows the overall significance or acceptability of the model from a statistical perspective. As the significance value of F statistics a value (.000) which is less than $p<0.05$ the model is significant. This indicates that the variable explained by the model is not due to chance. the ANOVA test, it is noticed that F value of 53.29 is significant at the 0.000 level. Therefore, from the result, it can be concluded that with 55.5 % of the variance (R-Square) in customer satisfaction is significant.

Table.4.12 ANOVA table

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	159.891	3	53.297	139.049	.000b
1	Residual	128.022	334	.383		
	Total	287.913	337			

a. Dependent Variable: CUSTRETENTION

b. Predictors: (Constant), IMAGENREPUTATION, PRICE, SERQAL
Source: researcher survey, 2016

From Table 4.13, the coefficients of the independent variables service quality, image and reputation, and price indicate that there is a positive relationship with Customer retention. Both service quality and corporate image are significantly associated with Customer retention. The coefficient of service quality is 48.6%and that of image and reputation is 26.80%. Thus, it can be depicted that service quality followed by corporate image play a significant role in ensuring customers retention.

Table 4.13 Coefficients (Independent Variables as Predictors to Customer retention)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.035	.179		.198	.843
	SERQAL	.486	.057	.415	8.578	.000
	Price	.267	.046	.247	5.761	.000
	image and reputation	.268	.048	.247	5.615	.000

a. Dependent Variable: CUSTOMER RETENTION

Source: researcher, survey computed, 2016

The above Coefficient table shows the simple linear regression model that expresses the relationship between independent variable and Customers Retention. The model is shown mathematically as follows; $CR = \beta_3 + \beta_{10}CS + \beta_{12}SQ + \beta_{13}IR + \beta_{14}P + \mu_{11}$ where CR is Customer Retention, SQ is Service quality , P is Price and IR is image and reputation, is β0 constant factor and β1,β2 and β3 are the value of coefficient. From the above table, the model can be read as CR= 0.35+0.486SQ+0.267P+0.268IR T his can be interpreted as; the impact of service quality on Customer Retention is 48.6%. Based on the analysis the impact of service quality on Customer Retention is strong. On the other hand the impact of price and image and reputation is 26.7 % and 26.8%.

Regression Analysis (Independent variable (Mediator) as predictors to Customer Retention)

Table 4.14 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimated
1	.669[a]	.448	.446	.68798

a. Predictors: (Constant), CUSTOMERSATISFACTION

Source: researcher survey, 2016

The hypothesis four of the study was tested using the simple regression analysis and the results are summarized in the above tables. The table that depicts the model summary show the

correlation of the independent variable (mediator) and the dependent variable is 66.90%. Customer satisfaction explained 44.80 % of the variance (R square) in the customer retention..

ANOVA Table

The ANOVA table shows the overall significance or acceptability of the model from a statistical perspective. As the significance value of F statistics a value (.000) which is less than $p<0.05$ the model is significant. This indicates that the variable explained by the model is not due to chance. the ANOVA test, it is noticed that F value of 84.86 is significant at the 0.000 level. Therefore, from the result, it can be concluded that with 44.8 % of the variance (R-Square) in customer satisfaction is significant.

Table 4.15ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	84.863	1	84.863	147.217	.000b
1	Residual	114.137	198	.576		
	Total	199.000	199			

a. Dependent Variable: CUSTRETENTION
b.   Predictors: (Constant), CUSTOMERSATISFACTION
Source: researcher survey, 2016

The coefficient (62.70%) as can be seen from presented shows the strength of the predictor (customer satisfaction) towards customer retention. Customer satisfaction explains 44.80% and the rest could be possibly to other attributes of customer retention. The other attributes could be like value, levels of functional and emotional risk, and brand reputation, trust, effect and preference.

Table 4.16: Coefficients (Customer Satisfaction as predictors to customer retention)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.558	.126		12.395	.000
	CUSTOMERSATISFACTION	.627	.038	.669	16.501	.000

Source: researcher survey, 2016

Regression Analysis (Independent Variables and Customer Satisfaction as Predictors to Customer retention)

Table 4.17 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimated
1	.815[a]	.685	.580	.59925

Source: researcher survey, 2016

As it can be drawn from Table 4.16, the independent variables and the mediating variable (service quality, corporate image, price, and customer satisfaction) are correlated in 81.50% with the dependent variable. The independent variable explained the dependent variable 58.0% of the variance (R square)

ANOVA Table

The ANOVA table shows the overall significance or acceptability of the model from a statistical perspective. As the significance value of F statistics a value (.000) which is less than $p < 0.05$ the model is significant. This indicates that the variable explained by the model is not due to chance. the ANOVA test, it is noticed that F value of 42.08 is significant at the 0.000 level. Therefore, from the result, it can be concluded that with 68.5 % of the variance (R-Square) in customer satisfaction is significant.

Table 4.18ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	168.331	4	42.083	117.188	.000b
	Residual	119.582	333	.359		
	Total	287.913	337			

a. Dependent Variable: CUSTRETENTION

b. Predictors: (Constant), IMAGENREPUTATION, PRICE, CUSTOMERSATISFACTION, SERQAL

Table 4.19Coefficients (Independent Variables and Customer Satisfaction as Predictors to Service Loyalty)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.136	.174		.778	.437
	SERQAL	.269	.071	.229	3.792	.000
	PRICE	.194	.049	.179	3.987	.000
	IMAGENREPUTATION	.273	.045	.253	6.094	.000
	CUSTOMERSATISFACTION	.267	.055	.285	4.848	.000

a.   Dependent Variable: CUSTOMER RETENTION

Source: researcher survey, 2016

4.7. Hypothesis Testing

H1- **The five dimensions of service quality (tangibility, reliability, responsiveness, assurance and empathy) vary in the degree to which they bring customer satisfaction and customer retention**

From the above analysis it is clear that there is differential importance in the degree to which the five service quality dimensions instigate customer satisfaction and service loyalty. Therefore, the analysis of, hypothesis 1, "the five dimensions of service quality namely tangibility, reliability, responsiveness, assurance and empathy varies in the degree to which they drive customer satisfaction and Customer Retention" is accepted

H2- Corporate image is significantly related to customer satisfaction and customer retention.

H3-   Price is significantly related to customer satisfaction and customer retention
The results of multiple regressions revealed that the independent variable (service quality, price and image and reputation) significantly influence the satisfaction of customers. The regression model presents how the variable in the measure of customer satisfaction level is explained by the underlying factors of customer satisfaction. The predictor has accounted 63.5[a]% (adjusted R square of 63.2% with estimate standard deviation 0.59821) of the variance in the customer satisfaction. The remaining is explained by other variables out of this model. On the other hand the predictor has accounted 55.5% (adjusted R square of 55.1 with estimate standard deviation 0.61911) of the variance in the customer retention. The remaining is explained by other variable out of the model.

Of the three determinants, service quality contributes the most on customer's satisfaction. But also price and image and reputation is positively relate to customer satisfaction and retention so H2 and H3 support the model

H4-   Customer satisfaction is the mediator of the relationship among service quality, corporate image and reputation, and price and customer retention.

From the computed regression equations, the conditions required for mediation to hold are present. When the direct effect between the independent variable and the dependent variable is no longer statistically different from zero fixing the mediator variable, the mediation effect is said to be complete. However, from the above regression equations, the absolute size of the direct effect between the independent variables and the dependent variable is reduced after controlling for the independent variable, but the direct effect is still significantly different from zero, the mediation effect is said to be partial (Baron & Kenny, 1986).

Thus, it can be inferred that customer satisfaction plays a partial mediating role for mainly two reasons: the positive increment of the R2and the reduction in values of the coefficients that show the strength of the independent variable in the association model and hence, H4 is accepted

UNIT FIVE

CONCLUSION AND RECOMMENDATION

This chapter focuses on the conclusions and recommendations based on the analysis and basic findings on the determinant of customer satisfaction and retention in CBE. Different researchers find different results and conclude based on the results they obtained on the issue of factor that determine customer satisfaction and retention. This research would be concluded and recommended on the following way

5.1 Summary of   Major Finding

The major findings of this research are as follow:-

➢ it is confirmed that the dimensions of service quality vary in driving customer satisfaction and customer retention

➢ Service quality, image and reputation, and price are found to be determining customer satisfaction and customer retention at the bank.

➢ Customer satisfaction plays a mediating role in between the independent variables (service quality, image and reputation and price) and the dependent variable (service loyalty).

5.2 Conclusion

The objective of this research is to investigate the effect of service quality, price and image and reputation on customer satisfaction and customer retention in Commercial Bank of Ethiopia, Addis Ababa Branches.   The major concern of the study was to empirically assess the relationship between service quality, corporate image, price, customer satisfaction and customer retention in Commercial Bank of Ethiopia in Addis Ababa

The results of the study were obtained through close ended questionnaires distributed to customers of CBE. The researcher tried to examine the level of the customer's satisfaction due to Service quality delivery, price and image and reputation. The following conclusions are drawn based on the findings of the study

Descriptive analysis revealed that most respondents fall in the age group of below 31-40 years. Concerning their education, about 77 percent of the sample respondents have attained at least a first degree.

The Research indicates that service quality, price and image and reputation are the important factors that can increase the satisfaction of a customer and retain customers towards the bank but customers are slightly satisfied with the services of CBE. The research shows that service quality do affect the customers' satisfaction and retention. When the banks focus on service quality, customers will not only keep their accounts with the bank, but they will also feel comfortable referring to family and friends. Hence in order to be successful, banks should focus on retaining customers by offering quality products and by treating people how they want to be treated for better and greater customer satisfaction. For that reason banks should offer quality service to retain customers because retaining programs helps in developing strong relationships with all the customers that could directly or indirectly affect the success of banks.

In general, from the hypothesis tested, it can be concluded that Service quality has a significant impact on customers' satisfaction and retention. Furthermore, it can be deduced from the linear regression model that there is a strong positive relationship between service quality and customer satisfaction.

From the study, it was confirmed that the dimensions of service quality vary in driving customer satisfaction and customer retention. This indicates that improvements of service quality should be conducted on all the five service quality dimensions, especially the dimensions of reliability and empathy. This study also found a positive relationship between all service quality dimensions and customer satisfaction. Accordingly, the results of this research paper confirmed the theory of literatures regarding the relationship between service quality dimensions and customer satisfaction.

Service quality, corporate image, and price were found to be determining customer satisfaction and customer retention at the bank. The independent variables explained the dependent variable in 63.50%. Among the established variables, service quality was the most important factor for customers of Commercial Bank of Ethiopia. As discussed in the analyses part, service quality has

positive and significant effect on customers' satisfaction judgments (51.7%). The results indicated that corporate image and price also have positive effect on customer satisfaction but not significant as of service quality.

This study found that the major determinants of customer retention are service quality and corporate image. Both were positively and significantly associated with customer retention. The coefficient of price in the regression table portrays a positive relationship with customer retention though it does not have significant effect. Price was found to be relatively less important to customer satisfaction and customer retention as valued by the customers of the bank. The reasons could be that the price/ service charges, interest both on loans and savings are similar among commercial banks in the country. The government sets the minimum interest rate that has to be paid to the deposit account holders. In most of the banks, it is this minimum amount that is paid to customers. The same is true for the interest customers have to pay for the different forms of loans as the government sets the maximum limit that should be charged. These could be the factors attributing for the effect of price towards customer satisfaction and customer retention to be not significant.

Customer satisfaction instigates customer retention significantly as can be evidenced from the regression output. Besides, it plays a mediating role in between the independent variables (service quality, corporate image and price) and the dependent variable (customer retention).

As to the overall level of satisfaction of customers, majority of the customers (84%) are satisfied with the service delivery. Regarding whether or not dissatisfied customers intend to switch to other banks, the result revealed indicates a weak relationship in between customer satisfaction and switching intentions. Majority of the dissatisfy customers do not want to switch to other bank which is statistically significant.

5.3. Recommendation

The customer is one of the vital assets for business regardless of its nature and size. Business that lacks this important asset may face the difficulty that operational income is less than operational cost; business losing customers may confront the problem of a profit decline. Several studies have shown that improving service quality and customer satisfaction results in better financial performance for business.

Based on the findings of the study and conclusions reached the following recommendations are forwarded.

Customers place more emphasis on factors like convenience, quality service, employers' influence and bank image. Therefore, such factors should be considered seriously by the commercial banks of Ethiopia in designing their marketing strategies by widening their branches and providing good customers services to customers.

The bank should exert its utmost effort to meet customers' expectation up to the standard. The dimensions of service quality as presented in the analysis vary in the degree they influence satisfaction and retention. The most important drivers of customer satisfaction are assurance, empathy, reliability, responsiveness and tangibility in descending order. On the other hand the most important drivers of customer retention are assurance, reliability, tangibility, empathy and responsiveness, in descending order. It sounds that customers are valuing more to the behavior of employee. The bank employees should be imparted with a knowledge and skill that would enable them to accomplish their activities in the desired way. Besides, the behaviors of employees have to be shaped in a way that can satisfy the customers of the bank. This could be ensured through both training and pursuing appropriate motivational techniques. But, when designing the training sessions care must be taken to address the dimensions according to their order as they are prioritized in the findings. The need to keep up quality services rendered to customers upon its request promptly and paying individual attention to the views of customers, their needs and problems they may encounter to reach the higher level of service.

It is better to introducing equipment, materials and networking technologies of the state-of-art-technology that would facilitate and ensure prompt service delivery in the bank that would in turn enhance customer satisfaction and retention.

Service Quality, price, and corporate image are the most important factors that determine customer satisfaction and retention in Commercial Bank of Ethiopia. But the findings showed that the degree to which the independent variables influence the dependent variable vary. These indicate different level of emphasis has to be given to the determinants. The bank should build its strategy on quality because quality is something that not all banks do extremely well. To offer high quality service, management should be highly committed in terms of planning, leadership,

implementation and follow-up in a way that leads to the development of a corporate culture that internalizes a quality orientation in all its activities.

The study findings indicate clearly the dimensions that characterize pricing decisions have no significant association with both customer satisfaction and service loyalty. Due to the regulations of NBE, price associated dimensions are relatively comparable and hence cannot be a means to competitively outsmart others in the banking industry. Therefore, the management of the bank should formulate a pricing strategy placing their emphasis on the unique characteristics of the services that they render in the market.

For customers to remain satisfied, everyone in the organization has to take the responsibility for helping customers, by setting high standards and sticking to those standards. The bank should set customers benchmark not just from what similar service companies are doing, but what the best service providers in general are doing. Additionally, the bank should design its culture to encourage employees to adopt the "right first time" philosophy that would possibly result in a better customer satisfaction and service loyalty.

It is apparent that a multidimensional construct of service quality explains consumer behavioral intentions in service industry. Management of the bank should therefore be aware of the need to include all service-quality dimensions in their efforts to improve service quality. The bank should not wait until complaints arise from customers about service quality. An organization that continuously monitors the satisfaction of its customers can improve its services by listening to the evaluations of customers. Loyalty is built through a positive differentiation that is usually achieved by providing superior customer service.

5.4. Future Implication

Since the results of this study are based on customers" perceptions only, investigating the correspondence between consumers" and service providers" perceptions could be an important research area among interested future researchers. This will help the industry to better understand whether both customers and banks have the same perceptions regarding issues relevant to bank selection criteria. In addition, future researches should explore the bank image dimensions which customers perceived as applicable to their selection decision, giving emphasis to the choice between private and public banks in patronage situation.

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APPENDIX

Department of General Masters of Business Administration

This questionnaire is prepared to gather data from the customers of commercial banks of Ethiopia to be used as an input for the accomplishment of MBA Master's Thesis on the title "**customer preference and satisfaction level toward their expectation in commercial bank of Ethiopia".** As a customer of these banks, your participation in this study will be valuable and greatly appreciated. I would like to assure you that the information you provide will be used only for the purpose of achieving academic award. Your involvement is regarded as a great input to the quality of the research results. Hence, I believe that you will enlarge your assistance by participating in the study. Your honest and thoughtful response is invaluable.

Thank you for your assistance in providing this valuable information.

Melat Makonnen

Part I: Demographic or personal information (please tick (√) mark)

1. Gender

        Male   ◯   Female   ◯

2. Age

Less than 20   ◯   21-30   ◯

31-40   ◯   41-50   ◯

More than 50   ◯

3. Educational level

High school &below   ◯   Diploma   ◯

Bachelor degree   ◯   Master or higher ◯

4. Marital status

Single   ◯   Married   ◯

Divorced   ◯   Widowed   ◯

5. How many years did you have contact with CBE

Less than one year   ◯   1-5 years   ◯

6-10 years   ◯   11-15 years   ◯

More than 15 years   ◯

6. The type of jobs that respondents participated

Student   ◯   Employee   ◯

Agriculture and related   ◯   Business owner   ◯

If others, specify……………………………………………………………………….

Part II- general questions related to SERVQUAL and customer satisfaction

7. Did you regularly visit and serve in CBE?   Yes   ◯   No   ◯

8. What is your reason to visit CBE?

Local Hawala (Remittance)   ◯   foreign currency   ◯

Saving /withdrawal   ◯   credit   ◯

If others specify_____

9. Did you prefer commercial bank of Ethiopia than others?   Yes ◯   No ◯

10. Why you prefer commercial bank of Ethiopia?

Fast and accurate service ⬭   eager to solve customer problem ⬭

Confidence on the mind of customer ⬭   modern facility and technology ⬭

If others, please specify_____

11. If your answer for question number 9 is no, why?

Lack of competent and quality services ⬭

Existence of unnecessary bureaucracy and procedures ⬭

Its gives more attention to the development of the nation and less attention to individu⬭ customers

If others specify_____

12. Evaluate the service you acquire in CBE

Above your expectation ⬭   equal with your expectation ⬭

Below your expectation ⬭

Part II   Respondents perception about service of CBE

Respondent's level of agreement on the issues below: This part is kindly requires you to express your view on the issue being asked appropriately; 1= strongly disagree Agree- SD, 2 =disagree – DA, 3=Not sure- NS, 4 =agree – A, 5=strongly agree –SA.

Tangible	1 SD	2 DA	3 NS	4 A	5 SA
1.The bank uses state of the art technology and equipments in their service delivery					
2.The bank's physical facilities like furniture, computers and equipment are visually appealing					
3.The employees are well dressed and neat in appearance					

4.The materials in the bank like the deposit slip, cheque, and other documents are visually appealing					
Reliability					
1. When the bank promises a certain service by a certain time, it does so					
2. When customers have a problem, the bank shows sincere interest in solving it					
3. The bank always performs the service right the first time					
4. The bank insists on error-free records					
Responsiveness					
1. The bank employees tell me exactly when services will be performed					
2. The bank employees give you a prompt service					
3. The bank employees are always willing to help you					
4. The bank employees are never too busy to respond to your requests					
Assurance					
1. The behavior of employees instill confidence in you					
2. you feel safe in all your transactions at the bank					
3. In the bank, employees are consistently courteous with you					
4. Employees in the bank have the knowledge to answer your questions					

Empathy					
1. The bank employees give customers individual attention					
2. The employees of the bank give customers personal attention					
3. The employees understand customers specific needs					
4. The bank provider has convenient operating hours to its customers					
5. The bank has customers' best interest at hear					
Customer Perceived overall service quality					
1.The bank always delivers excellent overall service					
2.The services offered by the bank are of high quality					
3. The bank delivers superior service in every way					
Customer Satisfaction					
1. The bank completely meets your expectations.					
2.The bank satisfies with its modern technology and the overview of the bank					
3. you are satisfies with the waiting time to get service					
4. you are satisfies with the transaction at the bank					
5. the bank satisfies with its answer when you asked them certain service					
6. you are satisfied because the bank deliver					

superior service in every way					
2.In your view, the bank is customer-oriented					
3. Your choice to use this bank is a wise one.					
4.I feel absolutely delighted with the banks ' services					
Switching of customer					
1. You would like to remain as a customer of CBE					
2. You would like to recommend the bank to friends and people I know					
3. You will say positive things about the bank to other people					
4. You would like to keep close relationship with the bank					
price					
1. Interest earned on saving and fixed term deposits are higher compared to private banks					
2. You feel the service charge that you have paid for local transfer, cheque, and account blocking is fair.					
3. Interest rate on loans is relatively lower compared to private banks					
Image and reputation					
1. The bank is innovative and pioneering in its service delivery					
2. The bank does business in an ethical way					
3. Repeatedly, the performance of this bank is superior to that of competitor's					

one					

Finally, write any ideas or comment about CBE that you feel

_____

_____