



ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**EFFECT OF SERVICE QUALITY ON
CUSTOMER SATISFACTION THE
CASE OF BERHANINTERNATIONAL
BANK S.C**

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JULY, 2016

ADDIS ABABA, ETHIOPIA

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THE CASE OF BERHAN INTERNATIONAL BANK S.C**

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

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TION THE CASE OF BERHAN INTERNATIONAL BANK S.C**

BY:

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Endorsement

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

Declaration

I, the undersigned, declare that this research project is my original work is done by close supervision by my advisor and has not been presented for a degree award in any other university or any other University. It is offered for the partial fulfillment of the degree of MA in Business Administration [MBA].

MillionYidnekachew

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List of Acronyms and Abbreviations

BIB:	Berhan International Bank S.C
BSQ:	Bank Service Quality
NBE:	National Bank of Ethiopia
SERVQUAL:	Instrument of Measuring Service Quality
SERVPERF:	Instrument of Measuring Service Performance
SPSS:	Statistical Package for Social Sciences

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Abstract

This research aims to measure service quality at Berhan International Bank SC. It also examined the influence of quality service towards customer satisfaction the SERVQUAL model was used to determine customers' perception of service quality at BIB. The researcher used both descriptive and explanatory because the researcher was interested in describing the existing situation and explanatory used to understand the relationship of service quality and customer satisfaction. The researcher collected sample data from 10 branches of Berhan International bank selected based on the customers with highest number BIB called this branches section green. Based on the number of customers the 224 questionnaires were distributed to all green branches then after a short interview was made with customers' service quality dimensions showed a negative disconfirmation result indicating that the service quality at BIB is below the customers' expectation. Moreover the study identified positive and strong relation between the independent variables, the five service quality dimensions indicating that customers of BIB are satisfied by the its service. The negative disconfirmation for tangibles is the highest score that calls for the BIB managements' immediate action since the improvement in this dimension significantly changes the service quality and customers satisfaction as well. The researcher recommended that the bank must invest on the human resources part to enhance the skill and quality of the service providing staff. By doing so the bank could have sustained competitive advantages. Secondly, it also invests in the physical evidence of the service, the tangible dimension and must have its own building.

Keywords: *Service Quality, SERVQUAL, Customer Satisfaction, perceived Service Quality.*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The history of banking in Ethiopia started in Axumite dynasty back in the days; however, modern banking in Ethiopia started in 1905 with the establishment of Abyssinian Bank based on a 50 years agreement with the Anglo-Egyptian National Bank.

In 1908 a new development bank and two other foreign banks were also established. In 1931 the Ethiopian government purchased the Abyssinian Bank, which was the dominant bank, and renamed it “*The Bank of Ethiopia*” the first nationally owned bank on African continent. In 1943 the Ethiopian government has established its own bank called *State Bank of Ethiopia*, which was serving both the commercial bank and central bank activities. Later on it is further dissolved into National Bank and Commercial Bank of Ethiopia. (Pankhrust, 1968)

The shift to Marxist government in 1975 brought several changes to the banking system, and saw the nationalization of private banks and insurance companies. The major 3 commercial banks were merged under the Addis Ababa Bank, and the National Bank of Ethiopia was given oversight over all financial institutions. (www.NBA.com, 2013)

After 1992, the financial sector has been deregulated that gives authorization to private banks, insurance companies and micro finance institutions. Recently, Construction & Business Bank merged with Commercial Bank of Ethiopia and the number of Banks operating in the country reached 19 and also different kind of financial instructions operating in different region of Ethiopia; now a day’s computation between banks is greater than ever. (www.NBA.com, 2013).

Service quality has a significant impact on a bank’s success; it is vital in the banking industry because it provides a high level of customer satisfaction, and hence it turn out to be a key to competitive advantage.

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.

Service is an activity or set of intangible activities that usually occur in interactions among customers and employees and offered as solutions for customer problems (Sanjideh, 2006).

Parasuraman, Zeithaml & Berry (1985), stated that it may be inappropriate to use a product-based definition of quality when studying the service sector and therefore developed the expression of "*service quality*".

For this particular study, only one definition was chosen and used for the purpose. Considering the research questions, Parasuraman et al. (1985), definition of quality, i.e. "*The difference between customer expectation of service and customers' perceptions*" applied.

The majority of the research up to date has attempted to use the SERVQUAL model to assess the quality of the service in an organization this model was introduced by Parasuraman in 1985 for the first time. SERVQUAL comprises 22 items with five dimensions namely- *tangibles, reliability, responsiveness, assurance & empathy* use to track service quality trends over time.

The relationship between service quality and customer satisfaction is becoming crucial with the increased level of awareness among bank customers Demographic characteristics should be considered by the bank managers to understand their customers (Zeithaml, 2004).

Banking is a customer-oriented services industry, the customer is the center of attention and customer service has to be the distinguishing factor. The challenge for banks is to lower costs, increase efficiency, while improving the quality of their service, and increase customer satisfaction (Chakravarty, 1996).

There is an increase in competition in Ethiopia bank industry because of new banks are establishing constantly this kind of research can help banks to achieve competitive advantage through assessing the expectations of their customer.

As stated by Kotler & Armstrong, (2010), satisfaction as a person's feelings of pleasure or disappointment resulting from the "*comparison of service/product's perceived performance in reference to expectations*"; Customer's feelings and beliefs also affect their satisfaction

level. Continuous measurement of satisfaction level is necessary in a systematic manner (Chakravarty et al., 1996). Because satisfied customer is the real asset for an organization that ensures long-term profitability even in the era of great competition Cronin et al., (2000).

1.2 Profile of Berhan International Bank

Berhan International Bank S.C was formed in accordance with Article 304 of the Commercial Code of Ethiopia with the objective of operating in the banking industry. This objective has been ensured in Article 3 of the Memorandum of Association of the Company. The Bank was registered and licensed by the National Bank of Ethiopia on 27 June 2009 with an authorized capital of 300,000,000 and subscribed capital of Birr 154,736,000 divided into shares of 1000 Birr par value each.

Berhan International Bank S.C vision is to be a radiant and trustworthy bank in excellence and its mission is to provide diverse financial products deploying motivated and qualified human resource as well as up-to-date technology with highest ethical standard to create maximum value to customers, shareholders. Some of their values are standing for quality service, promoting utmost respect to customers, upholding innovation, excellence and progress, believing in professionalism and team spirit, standing for integrity and loyalty.

The purpose of this study was using this model to assess the consumer's perception on service quality and its effect on customer satisfaction in BIB for the purpose of identify areas that have weaknesses in terms of satisfying customers' perception with expectations and to fulfill the gap in the service quality.

Customer satisfaction has become important due to increased competition as it is considered very important factor in the determination of banks for purpose achievement competitiveness advantage (Berry et al., 2002).

1.3 Operation Definition of Key Words

SERVICE QUALITY: - For this particular study, only one definition was chosen and used for the purpose. Considering the research questions, Parasuraman et al. (1985), definition of quality, i.e. *"The difference between customer expectation of service and customers' perceptions"* applied.

CUSTOMER SATISFACTION:- As stated by Kotler& Armstrong, (2010), satisfaction when the perceived service greater than expected.

PERCEPTION SERVICE:-based on the attitude of the individual the perception of service may differ but it is related with the expectation of service.Perception of service quality by the customers depend on the level the gap between the service the customer expects to receive and what he or she perceive, Parasuraman et al. (1985)

1.4 Statement of the Problem

The banking industry worldwide is undergoing transformation. The driving force for this attitude is globalization as observed by Abu – Muammar (2005), currently the dynamic changes experiencing in the global business and marketing environment will be continue due to these changes in the global market.

Competition among banks is stiffer than any other time in Ethiopia because of many new banks was established in the past few years. Banks are the financial service providers, producing and selling management of the public funds as well as performing various significant roles in the economy of any country.

In this industry many customers are switching their banks due to unsatisfactory services as stated by Angur (1999). A business can achieve success only by understanding and fulfilling the needs of customers. In an organizational setting, the aim is to achieve the organizational objective that is bringing profit to the organization Stafford (1996).

A customer is the king in the service oriented industry like bank; it is very much important to identify the factors which influence the customers to choose their financial institution and their perception on those factors and level of satisfaction.

In Ethiopia, many studies about service quality in banks showed inefficiency and lack of quality. As stated by Abreha (2015), some of the major problems that are possible to be found in private banks of Ethiopia are

- Lack of good information provider and lack of different service access (Network).
- Inadequate facilities and equipment required to provide modern banking services.

- Absence of frequent training programs for the staff to shape up their attitude toward Customers.
- Not doing what had been promised.

This paper sights the perception of customers on service quality and its effect on customer satisfaction in BIB. This bank was selected because it is new for the banking industry with minimum experience related to the other banks operating in Ethiopia. According to the study by Chakravarty(1996), one of the determinants of success of a firm is how the customers perceive the resulting service quality, as this is the key driver of perceived value. It is the perceived value which determines customer satisfaction. Considering the problem stated on the above, BIB may have some related problems as it was new for the industry; the very purpose of this research paper was to identify the perceived service quality and its effect on customer satisfaction.

In general, lack of strong service quality could possibly resulted in loss of loyal customers, which create a fertile ground for loss of deposit and hence profit as well as to maximize the benefit from their investments decisions the gaps must identify.

1.5 Research Questions

The researcher attempted to get answer to the following research questions regarding to the perceived of service quality by the customers and the effect on customers' satisfaction:

- A) What were the customers' perception on the BIB's service quality in terms of the five service quality dimensions?
- B) What was the level of customer satisfaction in the service they accept?
- C) How was the relationship between the service quality dimensions and customer satisfaction in BIB?
- D) What is the effect of service quality on customer satisfaction?
- E) Which dimensions of service quality need improvement in BIB?

1.6 Objectives of the Study

This study has general and specific objective.

1.6.1 General Objective

The general objective of the study was to investigate the effect of service quality on customer satisfaction.

1.6.2 Specific Objectives

The specific objective of the study was:

- A) To identify customers' perception using reliability, tangibles, assurance, empathy and responsiveness dimensions in the case of Berhan International Bank.
- B) To measure the level of customer satisfaction.
- C) To measure the effect of tangible dimension of service quality on the customer satisfaction at BIB.
- D) To measure the effect of reliability dimension of service quality on the customer satisfaction at BIB.
- E) To measure the effect of responsiveness dimension of service quality on the customer satisfaction at BIB.
- F) To measure the effect of assurance dimension of service quality on the customer satisfaction at BIB.
- G) To measure the effect of empathy dimension of the service quality on the customer satisfaction at BIB.

1.7 Significance of the Study

The importance of this study was to give an insight into a practical situation in BIB i.e. its service quality from customers' perspective; and also it would be a good indicator for managers to identify the gap between management's perception of service quality and that of their customer perception.

The study was also be significant contribution to research in effect of service quality in customer satisfaction those interested in conducting further research in this area will be able to find materials for reference.

1.8 Scope of the Study

The study was conceptually to identify the perception of service quality in BIB and its effect on the customers' satisfaction by taking the expectations for excellent banks service would have a score of *strongly agree (5)* for all statement. BIB has 76 branches and sub branches operating in Addis Ababa, Ethiopia. These branches are divided into three parts by the standard of BIB this are Green have high customer number and operating in main business areas of Addis Ababa Yellow have low customers related to green and red the number of customers is not meeting the expected vision.

This study focused on branches which have a lot of customers related to other branches which are under main business area or green branch. Because of reliable and valuable data would be got in this geographical area related to other branches so the researcher selects all the 10 branch of green branches.

By using service quality model SERVQUAL and by taking expectations of excellent bank have strongly relation with the statement and the perception of customers on service quality was measured by using SERVQUAL method and also it measured the effect on customer satisfaction. Sample was selected that represent the population, and analyzed to be concluded for the sample. Additionally, the main source of this data could be questionnaire, interview and secondary data.

1.9 Limitation of the Study

Findings of this study may not give a general picture of the service quality and customer satisfaction of banking sector in Ethiopia. This was because of it is difficult, costly and time consuming to conduct a census survey on all of the Banks and not having enough time for the study.

1.10 Organization of the Study

This thesis was organized into five chapters. The first chapter was an introduction which consist background of the study, operational definition of key words, problem statements, objectives, significance of the study, scope and limitation of the study. In the second chapter of the paper where literature review was presented various theoretical concepts that are related with service, quality, service quality dimensions, Service quality measurement models and rela-

tedwith customer satisfaction. The third chapter presents details of the research design, sample size determination, sampling technique, data source and collection method, procedure of data collection, questionnaire and the method of data analysis. In chapter four analyses of collected data and interpretation of the analyzed data are presented. The final chapter presents summaries of findings, conclusions and possible recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

The primary purpose of this chapter is to get the theoretical understanding of the concept of the study. The review focuses on the overview of concept of quality, concept of service, service quality, models, customer satisfaction, and the role of service quality in ensuring customer satisfaction. Generally definitions given by different scholars and examined studies on service quality and customer satisfaction in banking and the models that are been using to assess the study.

2.1 Concept of Service

Services is those economic activities that typically produce an intangible product such as education, entertainment, food , transportation, insurance, trade, government, financial, real estate, medical repair and maintenance like occupation usually occur in interactions among customers and employees and offered as solutions for customer problems. (Sanjideh, 2006).

To understand the nature of services one should first distinguish between service and goods. Goods are most tangible which can be referred as an object that the customer can see, touch or taste while services is based on the business perspectives are more of a valuable action, performance or an effort to satisfy a need and fulfill the demand from the customer, Juran (1988).

Services have diversified characteristics that differentiate them from products; differentiated characteristics of services should consider in services marketing. These characteristics include Intangibility, Inseparability, Variability, Perishability (Rosta et al., 1996).

A study carried out by Johns, (1998) points out that the word 'service' has many meanings which lead to some confusion in the way the concept is defined in management literature, service could mean an industry, a performance, an output or offering or a process.

Service quality is defined as the degree of discrepancy between customers' normative expectations for service and their perceptions of service performance (Parasuraman et al., 1985; Asubonteng et al., 1996).

Moreover, service quality which is not like product quality which is determined by its unique characteristics which are intangible, perishable, inseparable, and heterogeneous (Zeithaml et al., 2006).

Gronroos (2000) perceives services to be either high-touch or high-tech. High-touch services are mostly dependent on people in the service process producing or delivery of the service, whereas high-tech services are predominantly based on the use of automated systems, information technology and other types of physical resources. In this case, banking services include both high-tech and high-touch services. For example, high-tech services include Internet/Telephone/Short Messaging Service (SMS), ATM machines whereas high-touch services consist of instructions and personnel assistance in using the services.

Nowadays, with the increased competition, service quality has become a popular area of academic investigation and has been recognized as a key factor in keeping competitive advantage and sustaining satisfying relationships with customers (Zeithaml et al...2000).

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).

Service quality has a significant impact on a bank's success; it is vital in the banking industry because it provides a high level of customer satisfaction, and hence it turn out to be a key to competitive advantage and to increase the level of satisfaction.

2.2 Concept of Quality

“Quality is the search for excellence” is a Darwinian philosophy for the survival of the fittest. Quality is thus an expression of this excellence, which leads one firm's product to dominate another, and to guarantee its survival by image of quality. Over time, excellence creates an image and quality and customer satisfaction (Tapiero, 1996).

Qualities are those features of products which meet customer needs and there by provide customer satisfaction Juran (1988).The word “quality” is frequently used to describe products and services level of meeting expectation. Quality has different meaning for different indi-

viduals in different contexts. Palmer (2005) introduces five approaches for definition of quality that include:

1. **Comprehensive approach on quality:** this approach argues that individuals distinguish services quality in acquired experiences from repetitive disclosures.
2. **Product-based approach:** approach consider quality as measureable and sound variable
3. **User-based approach:** based on this approach, quality is in eyes of observer. In this definition, quality is equivalent with maximum satisfaction.
4. **Production-based approach:** unlike the user-based approach that claims quality is in eyes of observer, production-based quality is secure-oriented and is related with engineering and production activities. Based on this approach, it is should remember about quality that it is process-oriented.
5. **Value-based approach:** this approach defines quality based on its price and value.

During these periods quality was described as “little Q”, which meant product quality. With the proliferation of service industries, a new quality movement emerged and was labeled as “big Q” (Smith, 1994). Table 2.1 gives the distinction between “little q” and “big Q” which focuses on goods and mainly concerned with productivity technical standards; the bureaucratic-legal paradigm used mainly in the public sector and is more concerned with regulations and rituals before end results.

Table 2.1: The New quality thinking

Little Q	Big Q
Quality is about products	Quality is about organization
Quality is technical	Quality is strategy
Quality is for inspector	Quality is for everyone
Quality is led by expert	Quality is led by management
Good quality is high grade	Quality is the appropriate grade
Quality is about control	Quality is about improvement

Source: Smith (1994)

Parasuraman, Zeithaml and Berry (1985) stated that it may be inappropriate to use a product-based definition of quality when studying the service sector and therefore developed the ex-

pression of "service quality". For this particular study, only one definition was chosen and used for the purpose. Considering the research questions Parasuraman et al. (1985), definition of quality i.e. *"the difference between customer expectation of service and customers' perceptions applied."*

2.3 Service Quality in Banking Industry

The banking industry provides short-term as well as long-term funds for deposit services. Banks provide liquidity on demand to depositors through the current account and extend credit as well as liquidity to borrowers through lines of credit (Kashyap, et al., 1999).

In case of bank, the services are intangible in nature, here the core services is deposits and loan but the supplementary services are the procedure of getting the services, speed of service providing, the physical environment and also the attitude of personnel. Banks require customers to survive and grow as the staff of the organization provide the services so the attitude of the staffs, information system and management activity is very important for the customer to be satisfied when they are getting to the service.

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 become the basis for differentiation between the banks.

Banking services have other characteristics of service more than four above-mentioned characteristics that include: (Venus et al., 2002)

1. Responsibility of trusteeship: this refers to social responsibilities of financial services organizations for management of customer's money and also it is necessary that these organizations should provide their customer with financial suggestions.

2. Two-way flow of information: A financial service doesn't refer to buying by one side of service, but includes regular set of two-way interactions and exchanges during time.

The concept quality of service is to match and adapt to the requirements which means that service institutions in a banks, having 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 always seeking to reach beyond.

2.4 Service Quality Dimensions

Service quality can be defined as meeting the needs and expectations of the customer (Smith, 1998). The definition of service quality can be extended to the overall evaluation of a specific service with ten service quality dimensions: tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and understanding/knowing the customer (Parasuraman et al., 1985, 1988).

Initially, Parasuraman et al. (1985) in their focus group study developed ten dimensions of service quality. These were: Reliability, Responsiveness, Competence, Access, Courtesy, Communication, Credibility, Security, Understanding the customer and Tangibles.

Reliability: It refers to performing as per the promises and designated time, just ability to render unfailing and reliable service.

Responsiveness: refers to willingness or readiness of employee to provide service promptly or even setting up appointment quickly and understanding customers' interest, goals or problems.

Competence: It is all about possessions of the required skills and knowledge to perform the promised service; it also includes the research capability of the organization, sound judgment and intelligent decisions.

Access: this dimension refers to approachability and easy accessibility, convenient service provision hours and location of service facility.

Courtesy: consists of consideration, friendliness, politeness, respect of contact personnel for customers and their properties. It also includes personnel respect for their organization. If customer's sense staffs don't care about their things, they begin to wonder how the staff will treat them and their things.

Communication: it means keeping customers informed in language they can understand as information is valuable to customers and listening to them.

Credibility: it refers to trustworthiness, honesty and having the customers' best interest at heart.

Security: is the freedom from danger, risk or doubt, it involves physical safety, financial security and confidentiality. It is providing customers with a comfort zone or peace of mind since they want to maximize gain and minimize or eliminate loss.

Understanding / knowing the customer: it means making an effort to understand the customer's needs / specific requirements providing individual attention. It is recognizing and acknowledging regular, loyal and repeat customers by name.

Tangibles: it includes the physical evidence of the service, physical facilities, promotional materials and personnel appearance.

In their next research these scholars examine & purify the content of the items and developed five SERVQUAL dimensions (three original and two combined dimensions) suggested the following concise definitions and labeling for the dimensions.

2.5 Service Quality Models

2.5.1 SERVQUAL

The foundation for the SERVQUAL scale is the gap model proposed by Parasuraman, Zeithaml and Berry (1985, 1988). They said that when perceived service is less than expected service, the implication is that service quality is less than satisfactory. But, when perceived or experienced service is higher than expected service, it implies that customers have got more satisfactory on service quality. Perception of service quality by the customers depend on the level the gap between the service the customer expects to receive and what he or she perceive, Parasuraman et al. (1985)

Numerous researches had been carried out in the banking industry using SERVQUAL model. Using structural equations model, Wang, Lo and Hui (2003) evaluated the antecedents of service quality and product quality, and their influences on bank reputation in the banking industry of China where link amongst service quality and product quality and bank reputation was observed. Angur, Natarajan and Jaheera (1999) determined service quality in banking industry in India where they found that the SERVQUAL instrument was four dimensional structure and more helpful in addressing service deficiencies.

SERVQUAL this model uses a scale with 22 questions for assessment of services quality. With respect to this fact that customers satisfaction refers to differences between customer's expectations and their perception of offered services quality, each of these 22 questions used to assess extend of customer's satisfaction and then used to assess their perceptions of received services. SERVPSERF model is one of the models that derived from this method.

Many banking industries begin to track their customers' satisfaction through measuring their level of service quality perceived by their customers. By finding gap on service quality expectation and perceived by the customers by in order take action on areas that need improve in performance and to increase the level of customers' satisfaction and also can achieve competitive advantage over other private banks.

The quality gap (Q) is calculated by subtracting the expectation (E) from the perception (P) value i.e. $P - E = Q$. Summation of all the Q values provides an overall quality rating which is an indicator of relative importance of the service quality dimensions that influence customers' overall quality perceptions.

Parasuraman, Zeithaml and Berry (1988) suggested that SERVQUAL may be used to:

- Track service quality trends over time;
- Compare branches within a bank or building society;
- Compare an organization with its competitors; and
- Categorize customers into perceived quality segments.

Based on their individual SERVQUAL scores; the original SERVQUAL instrument, proposed by Parasuraman, Zeithaml and Berry (1985), identified ten components of service quality. Later, in a further study, those ten components were merged into five dimensions.

- **Reliability:** Which is the ability to perform the service in an accurate and in dependable manner;
- **Tangibles:** Refers to the appearance of physical factors such as equipment, facilities and personnel;
- **Empathy:** Which involves providing individual attention and care to customers;
- **Responsiveness:** Is the willingness to provide help and prompt service to customers; and finally
- **Assurance:** Refers to the knowledge and courtesy of employees and their ability to convey trust and confidence.

Sudesh (2007). Revealed that poor service quality in public sector banks is mainly because of deficiency in tangibility, lack of responsiveness and empathy. Private sector banks, on the other hand, were found to be more reformed in this regards. Above all, the foreign banks were relatively close to the expectations of their customers with regard to various dimensions of service quality.

Further, the study revealed that there existed service quality variation across demographic variables and suggested that management of banks should pay attention to potential failure points and should be responsive to customer problems.

Al-Fazwan (2005), in his study found that the bank should concentrate on accessibility dimension. He stated that the particular bank should take maximum efforts to raise the level of services to meet out the customer expectations.

Gap 1: The manager perceives the customers' expectations differently from the customers.

Gap 2: The service quality specifications do not agree with management perceptions of quality expectations.

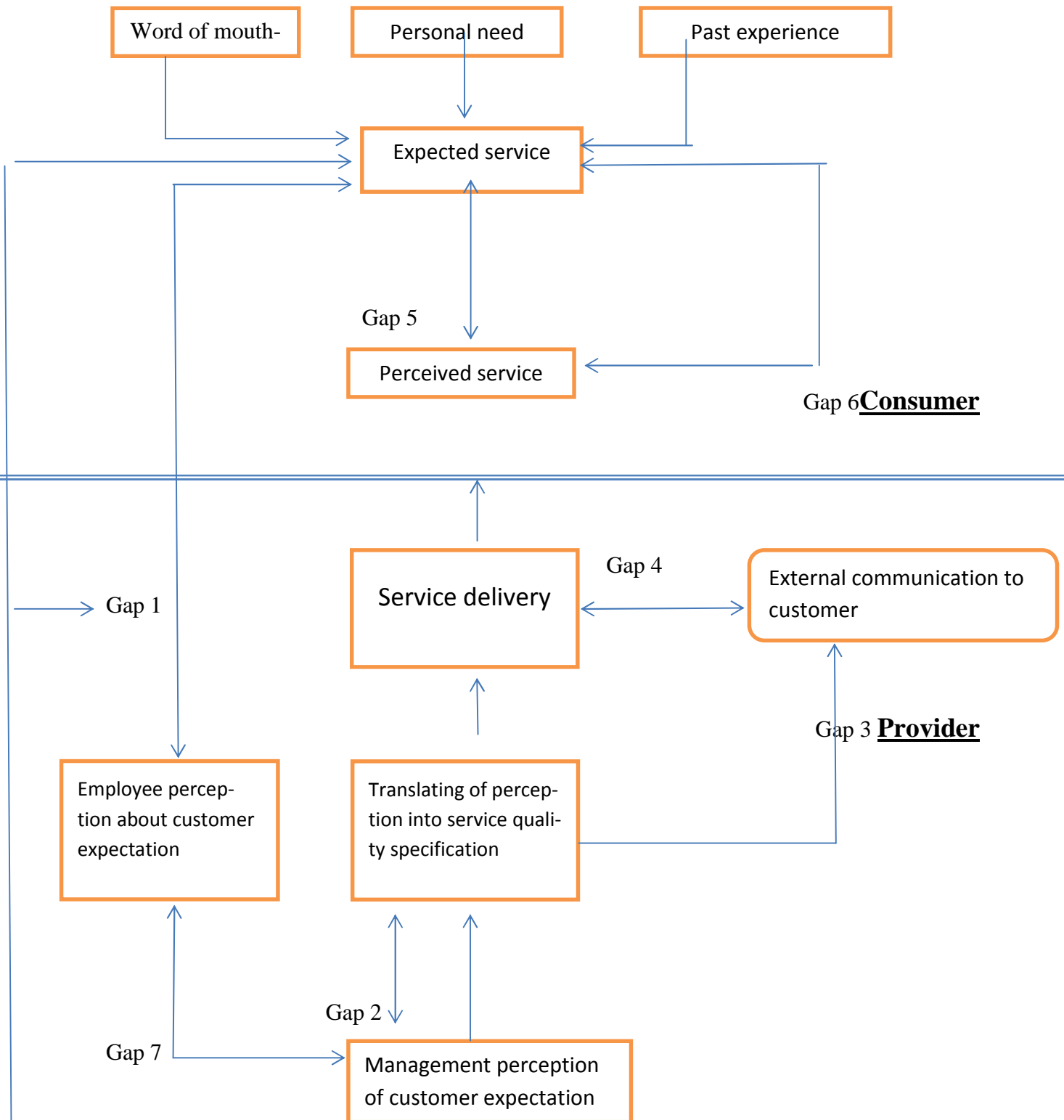
Gap 3: Difference between quality specifications of the promised service and the final service delivered.

Gap 4: Promises made by market communication activities are not met by the service.

Gap 5: Difference between the expectations of what firms should provide in the industry and Their perceptions of how a given service provider performs.

Gap 6: Difference between the expectations of what firms should provide in the industry and their employee's perceptions of consumer expectation.

Gap 7: Difference between the employee's perceptions of consumer expectation and management's perceptions of consumer expectation.



Source: Parasuraman, Zeithaml and Berry (1985)

Figure 2.1: Gap Model of Service Quality

2.5.1.1 Factors that influence customers perception and expectation

These factors determine customers' perception and expectation of quality service are:

- A. Explicit service promises
- B. Implicit service promises,
- C. Word-of-mouth communications, and
- D. Past experience.

A. **Explicit service promises**: - Are personal and non-personal statement about the service made by the organization to customers. The statements are personal when they are communicated by salespeople or service or repair personnel; they are non-personal when they come from advertising, brochures, and other written publications. Explicit service promises are one of the few influences on expectations that are completely the control of the service provider. (Zeithamal and Bitner, 2004).

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

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

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

2.5.2 SERVPERF

SERVPERF was developed by Cronin and Taylor in 1992. It is a modification of the SERVQUAL model and based upon the performance theory. The fact that SERVPERF does not consider customer expectations; it becomes the only difference between SERVPERF and SERVQUAL. It brings into consideration only customer perceptions of service performance. Therefore disconfirmation scale, which is the gap between expectations and perceived performance of service, is not used by this model; SERVPERF has only one part, which is the perceived performance of service. In this instrument, customers are only required to rate their perceptions of performance of the same attributes that are covered in the SERVQUAL model. The five dimensions, i.e. Reliability, responsiveness, tangibles, empathy and assurance, identified in the SERVQUAL model are equally applicable to the SERVPERF model.

2.5.3 BSQ

BSQ scale was proposed by Bahia and Nantel in 2000 when they have conducted a study on banks' service quality in Canada. The BSQ is the acronym for Bank Service Quality. The BSQ scale is the extension of SERVQUAL scale. In SERVQUAL scale there are five dimensions, while BSQ scale is composed of six dimensions with 31 attributes. The service dimensioned proposed in the BSQ include Effectiveness & Assurance, Access, Price, Tangibles, Service Portfolio and Reliability.

2.6 Customer Satisfaction

As stated by Kotler & Armstrong, (2010), satisfaction as a person's feelings of pleasure or disappointment resulting from the comparison of service/product's perceived performance in reference to expectations; Customer's feelings and beliefs also affect their satisfaction level. Satisfaction may be defined as a consumer's post-purchase evaluation of a product or service (Zeithaml & Bitner, 2003).

The studies of Lee et al. (2000); Gilbert and Veloutsou (2006); Sulieman (2011) and Buttle (1996) suggest service quality leads to customer satisfaction. To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an originator of cus-

customer satisfaction. As service quality improves, the probability of customer satisfaction will increase.

Responsive companies measure customer satisfaction directly by conducting periodic surveys. While conducting customer satisfaction data, it is also useful to ask additional questions to measure repurchase intention and to measure the likelihood or willingness to recommend the company and brand to others (Kotler, 2004). The most widely accepted model of customer satisfaction is the expectancy disconfirmation paradigm. In this model, when a consumer's expectation of performance is met, the expectation is said to be confirmed. When actual performance is below the expected level of performance, the expectation is negatively disconfirmed and when actual performance exceeds the expected level of performance, the expectation is positively disconfirmed. Overall satisfaction is considered a multi-attribute model in which overall satisfaction has multiple components.

In attempting to measure customer satisfaction, it is possible that attributes can have different satisfaction implications for different consumer and market segments the usage context, segment population, and market environment can influence satisfaction and product use (Anderson and Mittal 2000).

Researchers are divided over the antecedents of service quality and satisfaction. Whilst some believe service quality leads to satisfaction, others think otherwise (Ting, 2004). The studies of Lee et al. (2000); Gilbert and Veloutsou (2006); Sulieman (2011) and Buttle (1996) suggest service quality leads to customer satisfaction. To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction.

Generally most of the researchers found that service quality is the antecedent of customer satisfaction (Bedi, 2010; Kumar et al., 2010; Yee et al., 2010; Kumar et al., 2009; Naeem and Saif, 2009; Parasuraman et al., 1988). Quality customer service and satisfaction are recognized as the most important factors for bank customer acquisition and retention (Jamal, 2004; Armstrong and Seng, 2000; Lassar et al., 2000). Service quality is considered as one of the critical success factors that influence the competitiveness of an organization. A bank can differentiate itself from competitors by providing high quality service. Service quality is one of the most attractive areas for researchers over the last decade in the retail banking sector (Staf-

ford, 1996; Johnston and Jeffrey, 1996; Angur et al., 1999; Lassar et al., 2000; Sureshchandar et al., 2002; Gounaris et al., 2003; Choudhury, 2008)

2.7 Empirical Review

Cronin et al., (2000) mentioned in their study that satisfied customer repeat his/her experience to buy the products and also create new customers by communication of positive message about it to others. On the other hand, dissatisfied customer may switch to alternative products/services and communicate negative message to others.

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.

Ha and Jang (2009) conclude in their study that service failure occurs when customer perceptions do not meet customer expectations. The problem with service failure is that it may lead to a destroyed relationship between the customer and the organization. Thus the importance of customer satisfaction in today's dynamic corporate environment is obvious as it greatly influences customer's repurchase intentions whereas dissatisfaction has been seen as a primary reason for customer's intentions to switch. Satisfied customers are most likely to share their experiences with other five or six people around them.

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.

Mahider Getachew (2013) study on the” perceived, expectation of customer on quality service delivery in the case of Abay bank” in St’ Mary university and the study found delivering high quality to customers has effect on customers satisfaction and loyalty of customers.

The studies of Lee et al. (2000); Gilbert and Veloutsou (2006) and Sulieman (2011) suggest service quality leads to customer satisfaction. To achieve a high level of customer satisfaction, they suggest that a high level of service quality should be delivered.

Similarly, Sureshchandar, Rajendran and Anantharaman(2003) examined service quality in public, private and foreign banks in India. Yavas, Bilgin and Shemwel(1997) investigated the relationship between servicequality, customer satisfaction, complaint behavior and commitment in the banking industry of Turkey and found that customer contact personnel played a vital role in the delivery of high quality service. In addition to the banking sector, SERVQUAL has been applied to other sectors also, in different countries such as higher education institutions, airport services, tourism sector services, accounting firms, medical services etc. (Buttle, 1996; Fick and Ritchie, 1991; Lam, Wong and Yeung 1997; Lee and Yoo 2000).

2.8. Conceptual Framework

The conceptual framework presented below it is adopted from the Parasuraman et.al. (1985) gap model theory.



Fig.2.2 Relationship between the dimension of SERVQUAL and customers satisfaction.

Source:Parasuraman modified for the study

2.9 Research Hypothesis

Based on objective and literature review, the hypothesis is developed for this research, that is

HA: There is a significant impact of service quality on overall customer satisfaction.

Alternative Hypothesis (HA): Service quality has significant impact on overall customer satisfaction.

Null Hypothesis (H0): Service quality has no significant impact on overall customer satisfaction.

HA: Tangibility has a significant effect on customer satisfaction.

H0: Tangibility has no a significant effect on customer satisfaction.

HA: Assurance has a significant effect on customer satisfaction.

H0: Assurance has no a significant effect on customer satisfaction.

HA: Responsiveness has a significant effect on customer satisfaction

H0: Responsiveness has no a significant effect on customer satisfaction.

HA: Reliability has a significant effect on customer satisfaction.

H0: Reliability has no a significant effect on customer satisfaction.

HA: Empathy has a significant effect on customer satisfaction.

H0: Empathy has no a significant effect on customer satisfaction.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter presents details of the research design, sample size and sampling technique, data source and Data Gathering Instruments, procedure of data collection, questionnaire, the method of data analysis, pilot test and Ethical Considerations.

3.1 Research Design

A research design is a master plan that specifies the methods and procedures for collecting and analyzing the needed information. A research design provides a framework or plan of action for the research. (Zikmund, Babin, Carr and Griffin, BRM, Eight Edition PP-66).

Among the various types of research designs, the researcher used both descriptive and explanatory research designs. In this research the researcher used descriptive method was because the researcher was interested in describing the existing situation of service quality dimension- and explanatory study design used to understand and control the relationship between the dependent variables customer satisfaction and independent variables Tangibility, responsiveness, responsiveness, assurance, reliability and empathy. Qualitative information will also be used to investigate the opinion of customers by interview. The study is also cross-sectional as relevant data was collected at one point in time.

The researcher used both qualitative and quantitative research design, where much emphasis was given for the quantitative research design a type of research that is explain phenomena by collecting numerical data that are analyzed using mathematically based methods (in particular statistics). The researcher focuses heavily on quantitative research because, it is useful to quantify perceived service, situation, attitudes and behaviors and also be suitable for testing hypothesis. Whereas data that have been collected from interview have been the qualitative data types. This research design was used to know opinion on the service quality of BIB.

3.2 Sample Size and Sampling Technique

The researcher applied systematic simple random sampling. The total sample size is determined by using the following sample size determination formula developed by Taro Yamane (1967).

$$\frac{N}{1+Ne^2} = n$$

Where:

n=The sample size

N=The population size

e=(0.04.....0.08) the level of precision or sampling error for this study 0.07 was chosen for the confidence interval level at 93%.

Accordingly to the data of BIB the total sample size of the customers in GREEN section is 95,000 and it's calculated as follow:

$$\frac{90,323}{1+90,323+0.07^2} = 204$$

For the sake of assuming 2 non-response rate at each branch, the researcher over sample the size and increased it to 224 by adding one more on each branches.

Table -3.1 The Proportional Distribution of Questionnaire

S.N	Section GREEN branches	Number of customers (x)	Percentage proportion (100x/90,323)=P	No of questionnaire distributed for each branches(224*P/100)=N
1	22 Mazorya	8670	9.6%	22
2	Bole	9234	10.2%	23
3	Merkato	11538	12.7%	28
4	Megenagna	8496	9.4%	21
5	Piassa	9230	10.2%	23
6	Lideta	8700	9.6%	22
7	Kerra	8320	9.2%	21
8	Kidestemariam (5kilo).	8205	9.1%	20
9	Saris	8500	9.4%	21
10	Tekle Haymanot	9430	10.4%	23

After each branch sample size is determined, the researcher will use systematic random sampling method to select respondents for questionnaire. The rationale behind using systematic random sampling technique is because it helps the researcher to approach customers during the service hours thereby increases the response rate and it's easily accessible.

3.3 Source of Data

For the proper achievement of the objectives of the study; the researcher used primary and secondary data source. Primary data collected using questionnaires, observation and interview the customers on service quality offer and delivery by the bank are the main source of data for the research. Secondary data will also to understand the literatures in the area of service quality and customer satisfaction by using book, internet, journals and articles. In addition publications and reports of BIB were also used to conduct this research.

3.4 Data Gathering Instruments

Questionnaires were distributed to the customers of the bank at selected branches during the service hours to customers visited the branch. Intervene was made after the questionnaires in order to get more information about the perceived service by the customers. The researcher also observes the quality of service transaction made by the bank employee's and customer at different selected branch of BIB.

Questionnaire preferable by the researcher because of it involves seeking of data from the third party of service delivery institution. For an easy understanding and reading, the questionnaires were designed into three parts. The first part of the questionnaire sought on the general profile of the bank's customers like gender and frequency usage of the service. On the second part SERVQUAL instrument was used as questionnaire SERVQUAL comprises 22 items with five dimensions namely- tangibles, reliability, responsiveness, assurance and empathy The variables were attitudinal and measured using five scales labeled which are and *Strongly disagree, Disagree, Neutral, Agree, Strongly Agree*,

The third part of the questionnaire measures customer satisfaction level by using a seven response scale which are *highly dissatisfied (1), dissatisfied (2), slightly dissatisfied (3), neither satisfied nor dissatisfied (4), slightly satisfied (5), satisfied (6) and highly satisfied (7)* and finally they describe their reason on the level of satisfaction on open ended final question.

3.5 Procedure of Data Gathering

After my advisor approves the questioner the researcher asked permission from the bank top management to use the branch customers as survey data collector in their respective branches. The researcher also orientation to the managers explaining that the outcome of the research has nothing to do with specific branch's service performance and instead used for measuring the bank service quality. After the orientation, the questionnaires were dispatched to the branch then after finding voluntary respondents the questionnaire were distributed then after a short interview was made with the respondents and responses were collected.

3.6 Validity and Reliability Test

3.6.1 Validity

Before the questionnaire was distributed to the respondents, the validity of the instruments was checked by the advisor as to whether it measures what it supposed to measure. Accordingly, based on the approval obtained from the advisor, the questionnaire was used considering that, they are valid.

3.6.2 Reliability

Prior to the actual data collection reliability test was conducted on selected customers to check whether the data collection instrument was consistent and dependable in measuring what it intends to measure. Accordingly 10 questionnaires was distributed and collected to measure the reliability of the instruments and the result was obtained using Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer the alpha coefficient is to 1.0, the greater the internal consistency and the reverse is true and the results of the questionnaires were 0.80. In this case, the researcher used the rule of thumb developed by George and Mallery (2003), where an alpha value ≥ 0.90 is excellent, ≥ 0.80 is good, ≥ 0.70 is acceptable, ≥ 0.60 is questionable, ≥ 0.50 is poor, < 0.50 is unacceptable.

The questionnaire result of all the constructs was above the acceptable range, so we can conclude that the data collection instruments were consistent and dependable

3.7 Method of Data Analysis

Statistical Package for Social Science (SPSS) was employed to analyze and present the data through the statistical tools used for this study, namely descriptive analysis, correlation and multiple regression analysis.

- **Descriptive Data Analysis**

The descriptive statistical results presented by tables, frequency distributions and percentages, statistics, which are computed for each variable in this study will be used in order to describe the respondent and general distribution of the data set to examine the gap enquiry of service quality dimensions.

- **Pearson Correlation Analysis**

In this study Pearson's correlation coefficient used to determine the relationships between service quality dimensions (reliability, empathy, responsiveness, tangibility and assurance) and customer satisfaction.

- **Regression functions**

In this study the equation of multiple regressions is generally built around two sets of variable, the dependent variables (*customer satisfaction*) and independent variables (*Tangibility, responsiveness, responsiveness, assurance, reliability and empathy*). By using regression equation on this study the researcher was able to be more effective at describing, understanding and controlling the stated variables. The model that relates the response Y to the predictors $X_1, X_2, X_3... X_n$, is assumed to be linear in the regression parameters (Chatterjee&Hadi, 2012).

$$Y_i = \beta_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$$

Where: Y is the dependent variable- customer satisfaction.

X_2, X_3, X_4, X_5 , and X_6 : are the explanatory variables.

β_1 : is the intercept term- it gives the mean or average effect on Y of all the variables excluded from the equation, or it is the average value of Y when the stated Independent variables are set equal to zero.

$\beta_2, \beta_3, \beta_4, \beta_5$, and β_6 : refer to the coefficient of their respective independent variable which measures the change in the mean value of Y , per unit change in their respective independent variables.

ϵ : refers to the error term

3.8 Ethical Considerations

Any information provided from the survey is treated with the strict confidence it deserves. The researcher will also conducted orientation to the managers explaining that the outcome of the research has nothing to do with specific branch's service performance and with his performance.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter consists of the presentation, analysis and the interpretation of data gathered through structured questionnaire. The data considered in this chapter is obtained by using SERVQUAL model. Under this section, , the relationship between the five service quality dimensions and customer satisfaction, the service quality gap score of Berhan International the overall customer satisfaction rating were presented and analyzed respectively and focus dissection with BIB customers is present.

4.1 Profile of Respondent

The study is conducted by distributing 224 questionnaires to the customers of BIB out which 214 (95%) were filled properly and interview with customers used for the purpose of data collection. The data collected from customers was first loaded into SPSS, so that the required output of frequency distribution for demographic data, correlation and multiple regressions for the basic questions of and the dependent variable customer satisfaction was obtained.

Table 4.1 Profile of Respondents

Variables		FREQUENCY	PERCENTAGE (%)
GENDER	MALE	128	59.8
	FEMALE	86	40.2
AGE	20-30	57	26.6
	31-40	101	47.2
	41-50	55	25.7
	> =50	1	0.5
REATIONSHIP WITH BIB	< =1 YEAR	48	22.4
	2 YEARS	82	38.3
	3 YEARS	50	23.4
	4 YEARS	34	15.9
FREQUNCYPERCIVED SERVICE	DAILY	28	13.1
	WEEKLY	117	54.7
	MONTHLY	69	33.2

Source: Own Survey, 2016.

Table 4.1 shows profile of respondents of Gender, Age, period of relationship with BIB and frequency of usage of service. The below table indicates that the evenly distribution of Male is 128(59.8%) and Female is 86 (40.2%) the Male respondents was slightly exceed that of Female.

With regard to the age the respondent between 20-30 year were 57(26.6%), from 31-40 year were 101(47.2%),from 41-50 were 55(25.7) and above 50 years were 1(0.5) the number of respondent is higher at the age between 31-40.

Based on the period of relationship with BIB 48(22.4%) of the respondents were less than and equal to 1 year involvement with BIB, 82(38.3%) of respondents have connection with BIB with for 2 years, 50(23.4%) of respondents were have 3 years relationship with BIB and 34(15.9%) of respondents have connection with BIB for 4.

The frequency of using the service offered by BIB by the respondents were 28(13.1%) used the service daily, 117(54.7%) used the service weekly and 69(33.2%) used monthly.

As indicated above the respondents with 2 years of using the service and those customers which used the service weekly are slightly exceed than other respondents the above data is summarized on the table below.

4.2 Data Analysis

The data that was collected from the questioners and interview was analysis on the below.

4.2.1 Descriptive Data Analysis

Descriptive statistic was used to analyze the quality of customers' service in BIB Tables below shows the mean score of service quality.

Table 4.2 Descriptive Data of Tangible

TANGIBLE	Mean	Standard deviation
BIB has modern looking equipment.	3.89	0.633
BIB has physical facilities are visually attractive.	3.88	0.621
BIB reception desk employees are neat looking.	4.16	0.576
Brochures or statements are visually attractive	3.92	0.506
AVERAGE TANGIBLE	3.96	0.442

Source: Own Survey, 2016.

Tangible which include the physical evidence of the service.; In this study it consist of the nature of the banks' equipment, the appearance of physical facilities dressing and neat appearance of employees' and the nature of the materials associated with the service the average mean score is 3.96 which means it is in the range of *agree* on the statement but it should be considered to make improve for better service quality.

Table 4.3 Gap Score for tangibility Service Quality Dimensions

DIMENSION	Average Expectation Score (E)	Average Perception Score (P)	Average Gap Score P - E =G
TANGIBLE	5	3.96	-1.04

Source: Own Survey, 2016.

According to Table4.3, the average mean scores of the tangibility dimensions of service quality is all negative, which indicate that customers are less satisfied by the bank services as their expectation is more than their perception of the overall service quality of the BIB.

Table 4.4Descriptive Data of Reliability

RELIABILITY	Mean	Standard deviation
When BIB promises to do something by a certain time, it does so.	4.15	0.464
When you have a problem, BIB shows a truthful interest in solving it.	4.12	0.526
BIB performs the right service at the first time.	4.21	0.520
BIB provides its service at the time it promises to do so.	4.20	0.514
BIB maintains error free records.	4.29	0.483
AVERAGE RELIABILITY	4.194	0.411

Source: Own Survey, 2016.

The highest mean was reliability (4.194) which involves the consistency and dependability of the service performance. In this research reliability attributes refers the ability of banks to promise to do something in a certain time and performing as promised, the banks capacity of showing sincere interest in solving their customers' problems, the

banks' ability to perform the service right the first time. Generally these statements *agree* by BIB customers.

Table 4.5 Gap Score for Reliability Service Quality Dimensions

DIMENSION	Average Expectation Score (E)	Average Perception Score (P)	Average Gap Score P - E =G
RELIABILITY	5	4.194	-0.806

Source: Own Survey, 2016.

The gap score is from reliability (-0.806), even if the ofreliability inservice quality was negative, this indicate that customer the gap between expectation and perception is very small.

Table 4.6 Descriptive Data of Responsiveness

RESPONSIVENESS	Mean	Standard deviations
Employees in BIB tell you exactly when services will be performed.	3.87	0.588
Employees in BIB give you quickly service.	4.45	0.544
Employees in BIB are always willing to help you.	4.14	0.503
Employees in BIB are never too busy to respond to your request.	4.00	0.508
AVERAGE RESPONSIVENESS	4.116	0.395

Source: Own Survey, 2016.

Employees in BIB have mean score 4.116 which many customers agree on the statement above. Data related to quick service to the customers was also conduct on the qualitative analysis BIB many customers told me they has excellent performance with giving quick service.

Table 4.7 Gap Score for Responsiveness

DIMENSION	Average Expectation Score (E)	Average Perception Score (P)	Average Gap Score P - E =G
RESPONSIVENESS	5	4.116	-0.884

Source: Own Survey, 2016.

The gap score from reliability (-0.806), even if the ofresponsiveness inservice quality was negative; this score indicate that the gap between expectation and perception of customers was very small.

Table 4.8 Descriptive Data of Assurance

ASSURANCE	Mean	Standard deviations
The behavior of employees in BIB encourages confidence in you.	3.70	0.562
You feel safe in your transactions with BIB.	4.09	0.537
Employees in BIB are consistently polite with you.	4.40	0.528
Employees in BIB have the knowledge to answer your questions.	4.56	0.560
AVERAGE ASSURANCE	4.186	0.369

Source: Own Survey, 2016.

Assurance dimension of service quality perceived by the customers of BIB was very good BIB. Employees are well educated to give the service but their behaviors have issue related to other statements above.

Table 4.9 Gap Score for Assurance.

DIMENSION	Average Expectation Score (E)	Average Perception Score (P)	Average Gap Score P - E =G
ASSURANCE	5	4.186	-0.814

Source: Own Survey, 2016.

The gap score from Assurance (-0.8164), the gap between expectation and perception is very small but the by making some improvement the perception of customers can be greater than expected.

Table 4.10 Descriptive Data of Empathy

EMPATHY	Mean	Standard deviations
BIB gives you individual attention.	3.94	0.419
BIB has operating hours convenient to you.	4.28	0.507
BIB has employees who give you personal attention.	3.66	0.613
BIB has your best interest at heart.	3.65	0.576
The employees of BIB understand your specific needs.	3.71	0.575
AVERAGE EMPATHY	3.846	0.395

Source: Own Survey, 2016.

The mean of empathy which includes the statements above statements was (3.846) which was the lowest mean score related to others.

Table 4.11 Gap Score for Assurance.

DIMENSION	Average Expectation Score (E)	Average Perception Score (P)	Average Gap Score P - E =G
EMPATHY	5	3.846	-1.154

Source: Own Survey, 2016

The highest gap score is given for empathy dimension (-1.154). On the other hand the smallest gap score is from reliability (-0.806). Which means BIB on the dimensions of empathy and tangible that customers are less satisfied by the bank services as their expectation is more than their perception. The remaining dimension of service the gap score between the expected and perceived is minimum but it must also improve.

4.2.2 Correlation Analysis

Pearson correlation test was conducted to check the magnitude of correlation between the dependent variable is Customer satisfaction and independent variables are dimensions of service quality. The researcher also used the same test to prove or disprove the alternative hypothesis. The following measure of association developed by Mac Eachron (1982) was used as a reference to check the magnitude of correlation.

Table-4.12 the measures of associations and descriptive adjectives

Measure of Association	Descriptive Adjective
> 0.00 to 0.20 ; < -0.00 to -0.20	Very weak or very low
> 0.20 to 0.30; < -0.20 to -0.30	Weak or low
> 0.30 to 0.60; < -0.30 to -0.60	Moderate
> 0.60 to 0.80; < -0.60 to -0.80	Strong or high
> 0.80 to 1.0; < -0.80 to -1.0	Very high or very strong

Source: *Basic Statistics in the Human Services*

Table 4.13 Relationship between Service Qualities and Customer satisfaction.

	TANGIBLE	RELIABILITY	RESPONSIVENESS	ASSURANCE	EMPATHY
Customer Satisfaction	0.319**	0.372**	0.388**	0.377**	0.451**

**correlation is sign at 0.01level (2-tailed)

Source: SPSS Correlation Output

H1: Tangibility has a significant effect on customer satisfaction

Tangibles: - Include the physical evidence of the service. In this study it consist of the nature of the banks' equipment, the appearance of physical facilities dressing and neat appearance of employees' and the nature of the materials associated with the service.

As indicated on table 4.13, the correlation (r) of tangibles is 0.319 and the p-value is 0.000 which is less than 0 .01 which is significant. From this one can understand that there is moderate positive relationship between tangibles and customer satisfaction. Therefore, the null hypothesis is rejected. This indicates that as tangibility increase the level of the customer satisfaction also increase.

H2: Reliability has a significant effect on customer satisfaction.

Reliability: -Involves the consistency and dependability of the service performance. In this research reliability attributes refers the ability of banks to promise to do something in a certain time and performing as promised, the banks capacity of showing sincere interest in solving their customers' problems, the banks' ability to perform the service right the first time. It also refers the banks capacity to carry out their services at the time they promised to do so and their ability of insist on error-free records.

As indicated on table 4.13 the correlation (r) for reliability is (0.372) and the p-value is 0.000 which is less than the significant level 0.01. This correlation coefficient (0.372) indicates that there is a moderate positive correlation between reliability and customer satisfaction in the BIB. Therefore, the null hypothesis is rejected. This indicates that as reliability increase the level of the customer satisfaction also increase.

H3: Responsiveness has a significant effect on customer satisfaction.

Responsiveness: -Refers the willingness or readiness of employee or professionals to provide service. In general in this research responsiveness includes the willingness and ability of employees of banks in informing the exact time when the service will be delivered to the customers, give prompt service, to help customers and to answer customers' questions.

As stated Table 4.13 the correlation (r) of responsiveness is (0.388) and p-value is 0.000 which is less than 0.01. This implies that there is a positive or moderate relationship between responsiveness and customer satisfaction in BIB. This means if the banks increase the res-

ponsiveness dimension of the service quality they can also increase their customers' satisfaction. This null hypothesis is rejected. Khalid et al (2011) also found that responsiveness and customer satisfaction has a strong relationship.

H3: Assurance has a significant effect on customer satisfaction.

Assurance: -Refers to the knowledge and competency of service providers and the ability to convey trust and confidence. For the purpose of this research assurance includes the behavior of banks' employees in instilling confidence in the customers, courteous employees for the customers and the knowledge of employees to answer the customers' question.

The above table shows that the correlation (r) of assurance is 0.377 at 0.02 significant levels. The result indicated that the p -value is 0.000, which is less than the significant level. This indicated that there is a positive or moderate relationship between assurance and customer satisfaction in the BIB. As a result we reject the null hypothesis.

H3: Assurance has a significant effect on customer satisfaction.

Empathy: -Refers to the banks' ability in giving individualized attention, the convenience operation hour, the existence of employees that can give individualized attention to the customer in the banks, the banks' capability in having the customers' best interest at heart and its ability in understanding of the customers' specific needs.

As per table 4.13, the correlation (r) of empathy is 0.451 and the significant level is 0.02. The p -value is 0.000 which is less than the significant level. As a result, null hypothesis is rejected and the conclusion would be that, there is a positive or moderate relationship between empathy and customer satisfaction. Meaning, the more employees of the bank increase the level of empathy, the more they can satisfy their customers.

In order to substantiate the result of this study, the researcher tried to see the previously conducted journals. Hence, the following result was obtained:

The studies of Lee et al. (2000); Gilbert and Veloutsou (2006); Sulieman (2011) and Buttle (1996) suggest service quality has a positive relationship between customer satisfaction. To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction.

Hence, the researcher concluded that, the result of the present correlation was consistent with the results of previous studies conducted by the aforementioned scholars.

4.2.3 Regression Analysis

The regression model considered customer satisfaction as dependent variable and score for the service quality dimensions as the independent variables. A multiple regression analysis is conducted to evaluate how well the five dimensions predict customer satisfaction.

Table 4.14(a): Regression Analysis Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.560 ^a	.313	.297	.470

a. Predictors: (Constant), Ave Empathy, Ave Res, AveTan, AveAssu, AveRelia

In the model summary R square value ($r^2=.313$) indicates the variance in customer satisfaction is explained by the model or predictor such as Empathy, Tangibility, Reliability, Assurance, and Responsiveness was 31.3% effect on customer satisfaction.

Beta value of standardized coefficient in table 4.5(b) indicates the contribution of each independent variable in order to predict the value of customer satisfaction. Under the Beta Coefficient table, the researcher was highly emphasized on the values of the standardized Beta coefficient in order to figure out the relative importance of each independent variable, in predicting the dependent variable.

Based on this tangibility 0.157, reliability with Beta value of 0.066, responsiveness 0.187, assurance 0.172 and empathy 0.224. This means the Beta value of *Empathy* 0.224 has strong contribution than any other independent variable. At the same time the Beta value 0.066 Reliability represents the least contribution than others.

Table 4.14(b) Dependent Variable Over all satisfactions of BIB

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.101	.485		2.271	.024
Ave Tangibility	.198	.084	.157	2.357	.019
Ave Reliability	.089	.100	.066	.890	.375
Ave Responsiveness	.265	.100	.187	2.639	.009
Ave Assurance	.261	.100	.172	2.607	.010
Ave Empathy	.321	.102	.224	3.133	.002

a. Dependent Variable: Over all satisfactions of BIB

To check which variables are making statistically significant unique contribution sig value should be ($P < 0.05$), if ($P > 0.05$) the value is not making statistically significant unique contribution based on this research Empathy ($P = 0.002$) and Responsiveness (0.009) was the highly significant this indicate that this dimension have a positive effect on customer satisfaction at BIB. Assurance ($P = 0.010$) has statistically significant unique contribution in predicting the customer satisfaction. However, Tangibility (0.019) and Reliability ($P = 0.375$) doesn't indicate any statistically significant unique contribution to the prediction of Customer satisfaction the reason why sig. value was greater than $P > 0.05$.

4.3 Overall Customer Satisfaction Rating

In order to generate the overall score of customer service, respondents were asked to rate the level of their satisfaction of 7 scale point. The responses of the question are show on graph 4.6(a). The overall satisfaction of the respondents indicates that only 4.206% were highly satisfied and 59.81% were satisfied, 35.51% were slightly satisfied, 0.467% was neither satisfied nor dissatisfied. Large number of respondents 59.81% have expressed that the level of their satisfaction was satisfied.

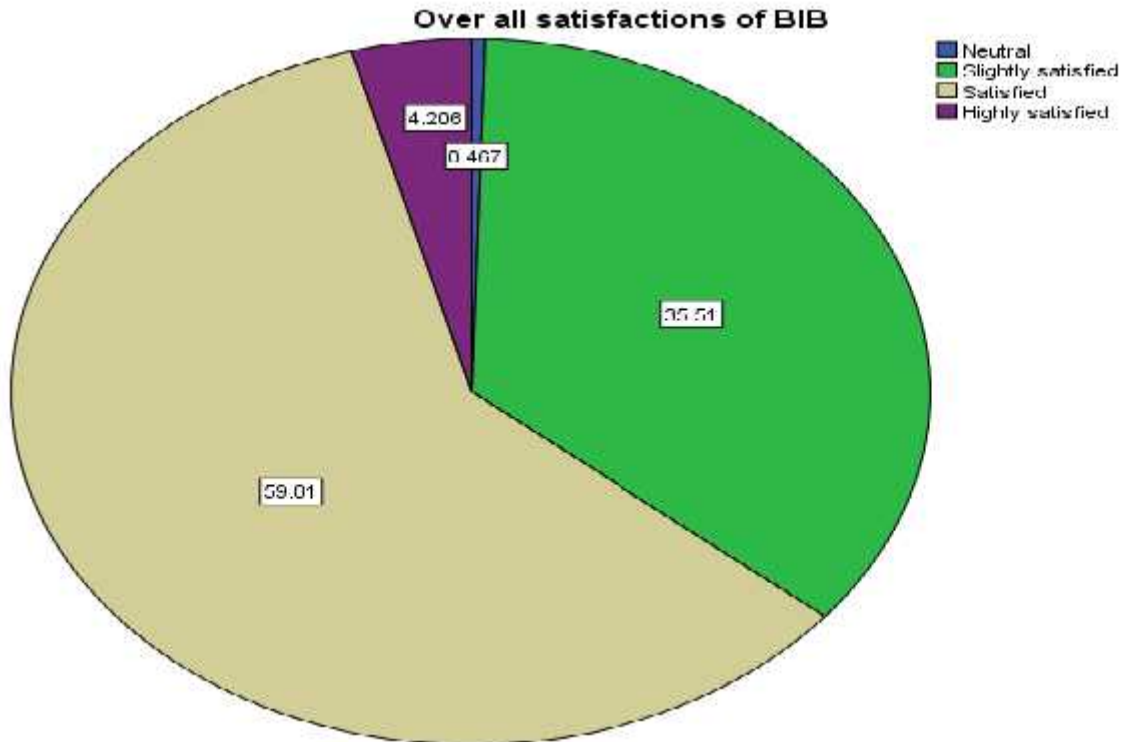


Fig 4.6 Overall customer satisfaction rating

4.7 Qualitative Analysis

After the questioners were fill filled by the customers of BIB a short dissection was made for better understand on overall customer service quality and in order to fill gap if there is in the questioners. The data that was collected is summarized below:

- Many customers agreed that BIB have good customer service but the number of branches is insufficient.
- Some customers agreed that BIB have unique service to customers related to other private banks like gating their statement in any branch and can made transaction even without their account book.
- BIB customers told me there service is fast and the operating hours is good.
- Some customers told me BIB need to establish its own building and find a way to have its own branch rather than renting.
- Many customers also told they are happy with the up-to-date modernize of BIB like it is not necessary to register for mobile banking they automatically register you when customer opened a new account at BIB.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

The main objective of the study was to know the perceived service quality at BIB and its effect on customer satisfaction in this chapter present summary of findings, conclusion & recommendation of the study wanted to identify the most important service quality dimensions for BIB and to show the gap between customers' perceived performances and expectation. The study uses the SERVQUAL instruments and focus dissection to measure the customer service quality perceptions in BIB.

5.1 Summary of Finding

After analyzing the information gathered through questionnaire the following findings are presented.

- a) The profile of respondents characteristic showed that the majority of the respondents are male and 47.2 % of respondents are 31-40 years of age. Moreover, the results of the study revealed that the majority of the respondents have banking relationship for 2 years (38.3 %) with BIB and 54.7 % of the respondents were majority of customers that used the service weekly.
- b) The average customer perception of service quality for all the five service dimensions showed a positive score. The highest mean is reliability (4.194) followed by assurance (4.18) and then responsiveness (4.116). The least mean score is for empathy (3.846) followed by tangible (3.96). In general, the quality of service offered by BIB agreed with the questioner statements.
- c) The average perception and expectation gap for all the five service dimensions was negative which indicate that customers are less satisfied by the bank services as their expectation is more than their perception on the overall service quality of the BIB. The highest gap score is given for empathy dimension (-1.154).
- d) There is a positive or moderate correlation between customer satisfaction and service quality dimensions are namely tangibility, reliability, responsiveness, assurance and empathy in the selected BIB as the quality of dimensions increase the level of customer satisfaction will increase.

- e) The explanatory variables selected for the model, i.e. tangibility, reliability, assurance, responsiveness, and empathy, explained 31.3 % percent (AdjustedR2= 0.313) of the variation in customer satisfaction. This implies narrowing the negative gap in the service quality dimensions will bring customers' satisfaction.
- f) This research showed empathy (P= 0.002) and responsiveness (0.009) was the highly significant this indicate that this dimension have a positive effect on customer satisfaction at BIB. Assurance (P=0.010) has statistically significant unique contribution in predicting the customer satisfaction. However, Tangibility (0.019) and Reliability (P=0.375) doesn't indicate any statistically significant unique contribution to the prediction of Customer satisfaction in BIB the reason why sig value was greater than $P > 0.05$.

5.2 Conclusions

Based on the analysis of the data and findings the following conclusions are drawn:

1. From the demographic data of the respondents one it can concluded that the bank has customers who have relatively short term relationship with the bank as most of the respondents werevisited the bank for about two years. There is also potential for the bank to retain its customer for long period of time as the majority of its customers are aged below 40 years; if the service quality perceived from customers greater than expected service.
2. The perceived service quality by BIB was more over slightly satisfy the average mean score was The highest mean was reliability followed by assurance and then responsiveness The least mean score is for empathy (3.846) followed by tangible (3.96) BIB must have its own building and must give attention to its customer individually.
3. Since the bank service quality the expectation and perceived gap was score were negative it can conclude that BIB is not providing strong quality services to its clients but the service can satisfy the customers' in order to achieve comparative advantage the customer perceived must greeter than expected .
4. The correlation analysis showed that there exist significant and positive relationships between the service dimensions and customers satisfaction. Therefore, improvement

in service quality dimension increases customers' satisfactions, which result in customer retention, increased profitability and to achieve competitive advantage.

5. BIB must consider on the dimension of empathy, responsiveness Assurance; as the regression analysis shows more effect on customer satisfaction can be achieved by improving the above dimension based on the attitude of BIB customers
6. The interviewed customers agreed that BIB has good customer service like having unique services to customers related to other private banks like getting their statements in any branch and can make transactions even without their account book and it is not necessary to register for mobile banking they automatically register new customers when a customer opens an account in BIB, but the number of branches is insufficient and the bank must have its own building.
7. The overall satisfaction level of customers in BIB generally is good but it must be excellent to achieve competitive advantage by exceeding the expectations of customers

5.3 Recommendations

The Ethiopian banking sector more than ever is characterized by stiff competition. The sector is also converging to similar products as newly introduced banking products are easily imitated by competitors. These factors compelled banks to look for other competitive advantages in order to beat the competition.

The close look at the components of the service quality attributes showed that the majority of the attributes on which the bank has got a negative disconfirmation are related to the quality and skill of personnel. Therefore, improving the service quality requires development of the knowledge and skill of these personnel. This in turn reduces the expectation and perception gap significantly as it improves the perception scores creating the marketing orientation in general from top level managers to the lower level operational employees and hiring a fresh graduate who had the necessary service orientation and providing continuous training to them to develop their skill.

Investing on this segment of the human resources is also the best alternative to BIB to maintain sustained competitive advantage as the services providers' skill & specially the behaviors of the employee must be supervised by the managers because it has direct effect on customer satisfaction in BIB.

The investment outlay should also prioritize the physical evidences of the services like building their own, office equipment, physical facilities and the number of branches must increase so that customers can get the access nearby with high satisfaction. Reassessing the technology as to whether it is really the business model that pushes the Bank to adopt the present technology.

The level of satisfaction in BIB more over is satisfied that is good but it can upgrade to more high satisfaction level by carefully improvement in all service quality dimension because they have a positive relation with customer satisfaction and there gap score is negative.

Developing procedures, where customers get the necessary feedback quickly and Bringing a customer centric orientation to the Bank, where everybody involved in the operation has to show the necessary respect to the customers.

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Appendix

ST.MARY'S UNIVERSITY SCHOLL OF BUSINESS

Questioner to be fulfilled by BIB customers

Dear respondents

I am currently doing thesis on “*Effect of Service Quality on Customer Satisfaction at Berhan International Bank S.C*”.The purpose of this questionnaire is to gather primary data on the customer service quality provided by BIB and your level of satisfaction. All of your responses to the given question will be only used for academic research and keep confidential. In order to meet the intended purpose I kindly request you to provide me reliable and genuine information .I would like to forward my deepest thankfulness for your time to fill the questionnaire.

Guideline

- BIB = Berhan International Bank S.C
- Answer by making tic mark “ ” on the space provide.

1. Profile of respondent

Gender	Male	Female

Age	20-30	30-40	40-50	60& above

How long is your relations/s with BIB	1year	2 years	3 years	4 years	5years&above

How frequent you use the service of BIB	Daily	Weekly	Monthly

2.Perception of customers

Relate your opinions about BIB customer service describe on the statement below. Indicate your answer by making “ ” mark for the response of your choice under the number in the box on the right. The numbers have the following meanings:
1= Strongly Agree 2=Agree 3=Neutral 4=Disagree 5=Strongly disagree

TANGIBLE		1	2	3	4	5
1	BIB has modern looking equipment.					
2	BIB has physical facilities are visually attractive.					
3	BIB reception desk employees are neat looking.					
4	Brochures or statements are visually attractive at BIB.					

RELIABILITY		1	2	3	4	5
5	When BIB promises to do something by a certain time, it does so.					
6	When you have a problem, BIB shows a truthful interest in solving it.					
7	BIB performs the right service at the first time.					
8	BIB provides its service at the time it promises to do so.					
9	BIB maintains error free records.					

RESPONSIVENESS		1	2	3	4	5
10	Employees in BIB tell you exactly when services will be performed.					
11	Employees in BIB give you quickly service.					
12	Employees in BIB are always willing to help you.					
13	Employees in BIB are never too busy to respond to your request.					

ASSURANCE		1	2	3	4	5
14	The behavior of employees in BIB encourages confidence in you.					
15	You feel safe in your transactions with BIB.					
16	Employees in BIB are consistently polite with you.					
17	Employees in BIB have the knowledge to answer your questions.					

EMPATHY		1	2	3	4	5
18	BIB gives you individual attention.					
19	BIB has operating hours convenient to you.					
20	BIB has employees who give you personal attention.					
21	BIB has your best interest at heart.					
22	The employees of BIB understand your specific needs.					

3. Overall Customer Satisfaction

Please indicate your degree of satisfaction with the overall services provided by the BIB using the mark “ ” on the space provides.

Highly dissatisfied (1)	Dissatisfied (2)	Slightly dissatisfied (3)	Neither satisfied nor dissatisfied (4)	Slightly satisfied (5)	Satisfied (6)	Highly satisfied (7)

Your Reason

THANKS FOR YOUR TIME!