ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION: THE CASE OF COMMERCIAL BANK OF ETHIOPIA

By: EYOEL ZERIHUN

May, 2018

ADDIS ABABA, ETHIOPIA

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ID. SGS/0610/2008A

A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL OF GRADUATES STUDIES IN PARTIAL FULLFULLMENT OF THE REQUIRMENTS FOR THE DEGREE OF MASTER OF MARKETING MANAGEMENT

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DECLARATION

I declare that this thesis is my original work and prepared under the guidance of **Dr. Hailemicheal Mulie.** All the sources of material used for this thesis have been duly acknowledged. I further confirm that this thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of awarding any degree.

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ENDORSEMENT

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

Dr. Hailemichael Mulie   _____

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Advisor   **Signature & Date**

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ACKNOWLEDGEMENTS

LIST OF ACRONOMY

ATM: Automatic Teller Machine

CBE: Commercial Bank of Ethiopia

SPSS: Statistical Package for Social Science Student

SERVQUAL: Service Quality

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ABSTRACT

Nowadays the market of the services providing firms is highly competitive and the expectation of the customer is increasing. The firms are required to focus more on the services they provide to satisfy the customer in order to achieve the goal of an organization. The main purpose of this study is to investigate the effect of services quality on customer satisfaction in Commercial Bank of Ethiopia. The study was applied an explanatory research design. Convenience sampling technique was used in the study to take a sample from the infinite population. Total samples of 384 respondents who received a premium banking service were taken as a respondent. The relevant data was gathered using questionnaire which was designed based on the model of the five factors of service quality which is developed by Parasuraman (1998) and used binary logistic regression analysis. The findings of the study indicate that the SERVQUAL dimensions: Tangibility, Reliability, Responsiveness, Assurance and Empathy had a positive and significant effect on customer satisfaction in CBE. Moreover, It was found that customers were satisfied with responsiveness, assurance, reliability and empathy and while they are unsatisfied with tangibility. It was recommended that managers should improve the visually attractiveness of equipment and modernity of the physical facilities. Furthermore, the bank management should arrange training programs so as to enhance employee's politeness and willingness, customer file documentation and delivery of prompt service. Finally, managers should measure customer' satisfaction and service quality seasonally to keep the services corresponded with customers' opinions.

Key Words: Service quality, Customer Satisfaction, SERVQUAL model, Commercial Bank of Ethiopia.

CHAPTER ONE

INTRODUCTION

This chapter consists of the background of the study, statement of the problem, objectives of the study, research questions, scope of the study, significance of the study and organization of the study.

1.1.Background of the Study

Understanding and meeting customers' expectations and subsequently being different from competitors are important in order to survive in the today's globalized world. The banking industry is one of the world's most known service industries which are very important for economic progress. In an increasingly global community and market place, banking service makes possible the rapid circulation of money throughout the world instantly. Banks are becoming more and more customer oriented with innovative ideas and approaches. Kotler (2012) suggested that to remain competitive, service organizations must deliver quality service to their customer's enable the organizations to being different from competitors as they stands to satisfy the customer need wants.

Accordingly, satisfying customer is the major issue in the business environment because it determines the survival or fail of the business performance. As said by Sakthivel et al., (2005) customer satisfaction is proved to be the major determinant for long term survival and financial performance of the company. Tong (2009) also confirmed that client's satisfaction is an essential determinant of success the organization and this can be done by providing quality services. Service quality is the most important that needs critical attention for an organization to outshine from their rivals. Service quality offers a way of achieving success among competing services particularly in satisfying customers. Walker (1990) explained that banking sector has provide a great attention to make continuous customer service quality improvement program just to make a better profit, build good images.

Zeithaml (2000) suggested good service quality is generally regarded as a way to enhance customer satisfaction, retain existing customers, acquire new ones, reduce costs, enhance corporate image, generate positive word-of-mouth and improve profitability. Tizazu (2012) also justified the positive relationship between service quality and customer satisfaction as well as its effect on firm's long run profitability. Thus, there is existence relationship between customer satisfaction and quality of service because the high quality services directly meet the customers expectation on customers and this leads to sustainable competitive advantage.

As part of its effort to meet the economy's appetite for enormous financial resources, the Commercial Bank of Ethiopia has provided different banking services and products to its customers so as to augment domestic savings. Subsequently, customer satisfaction is also crucial for CBE as its nature of banking service and products are characterized by intensive contact with customers who have different needs and wants. Understandings, the importance of customer satisfaction and to attain higher service quality outcomes branches of CBE have proved a premium banking service to its top customers by segregate dedicated windows. This shows that Commercial Bank of Ethiopia pays particular attention to customer satisfaction and service quality. Therefore, this research stands to investigate services quality and its effect on customer satisfaction on the premium customers of Commercial bank of Ethiopia.

1.1. Statement of the Problem

Many businesses, big and small, are routing more efforts to retain existing customers rather than to acquire new ones. This is because the cost of acquiring a new customer is greater than the cost of retaining existing customers. Customer satisfaction and service quality are interlinked. Chau and Kao (2009) explained that If customers are offered services that they expect or that exceed their expectation, they will have a positive view about a firm while if customers feel they got less value than what they expected, their attitude towards a given firm will be negative. Due to this Mohsan et al., (2011) clarified that service quality is a determining factor of customer satisfaction.

According to Mohammad and Alhamadani (2011) there is positive and significant effect service quality on customer satisfaction. Ojo (2010) found that there is a positive relationship between service quality and customer satisfaction. In view of this, customers are supposed to

be regarded as the most important factor in commercial bank of Ethiopia. That is why it appears the principle that "customer is a King" is to all employees of CBE bank to enable them to satisfy the customer at all times. Accordingly, to sustain in the market service quality becomes the most critical component of competitiveness for banking industry in general and commercial bank of Ethiopia in particular.

Unlike to general public customers, CBE has launched a new system which gives a privileged service to its premium customers. Premium customers in CBE are those who received prompt responses with segregated windows, separate parking lots, consultancy services, and immediate preferential banking facilitates. However, as outlined in the customer's suggestion book of Aradagiorges and Addis Ababa branches dated September, 2017; the customers wrote that there is dissatisfaction on the services quality provided by the bank. The cause of dissatisfaction were customers complain on queues time for low transactions, absence of adequate gust chairs, poor system network, low customer treatment and obsolete customer file documentation and. Even though the services provided by commercial bank of Ethiopia has shown continues improvement still as such dissatisfaction is observed even in it's the specialized branches of Commercial bank of Ethiopia which are more premium customers have existed.

To this end, there are few studies have conducted service quality and customer satisfaction in Commercial bank of Ethiopia (Bethlehem, 2015; and Kibrom, 2010). Those studies focused on the effect of service quality on customer satisfaction in Commercial Banks in Ethiopia. These studies took the general public customers of CBE as a sample and have following gap: they were not examined customer satisfaction in Commercial bank of Ethiopia from the premium customers of CBE branches perspective. Therefore, this study is attempted to investigate the effect service quality on customer satisfaction of Commercial bank of Ethiopia by using SERVQUAL dimensions and taking the premium customers of CBE as a sample.

1.3. Research Questions

The main research question of this study is to how the service quality affects the customer satisfaction of Commercial bank of Ethiopia by using SERVQUAL model?

This study tried to answer the following basic research questions.

- ✓ How does tangibility affect customer satisfaction in Commercial Bank of Ethiopia?
- ✓ How does reliability influence customer satisfaction in Commercial Bank of Ethiopia?
- ✓ How does responsiveness affect customer satisfaction in Commercial Bank of Ethiopia?
- ✓ How does assurance influence customer satisfaction in Commercial Bank of Ethiopia?
- ✓ How does Empathy affect customer satisfaction in Commercial Bank of Ethiopia?

1.4. Objective of the study

The general objective of this study is to investigate the effect of service quality on customer satisfaction in case of Commercial Bank of Ethiopia.

1.4.1. Specific objective(s)

- To examine the relationship between tangibility and customer satisfaction in Commercial Bank of Ethiopia.

- To show the connection between reliability and customer satisfaction in Commercial Bank of Ethiopia.

- To identify the linkage between responsiveness and customer satisfaction in Commercial Bank of Ethiopia.

- To scrutinize the relationship assurance and customer satisfaction in Commercial Bank of Ethiopia.

- To detect the association between empathy and customer satisfaction in Commercial Bank of Ethiopia.

1.5. Hypothesis Testing

The alternate hypothesis of this study is to analyze critically;

H_1: There is a significant positive relationship between tangibility and customer satisfaction of Commercial Bank of Ethiopia.

H_2: There is a significant positive relationship between reliability and customer satisfaction of Commercial Bank of Ethiopia.

H_3: There is a significant positive relationship between responsiveness and customer satisfaction of Commercial Bank of Ethiopia.

H_4: There is a significant positive relationship between assurance and customer satisfaction of Commercial Bank of Ethiopia.

H_5: There is a significant positive relationship between empathy and customer satisfaction of Commercial Bank of Ethiopia.

1.6. Significance of the Study

The findings of the study have given a good insight for the bank management and all stake holders about the effect of service quality on customer satisfaction and it helps for the bank management body and other responsible organs to propose a sound policy to enhance for any service quality gap and for further improvements. The study was also given important practical implications for Commercial bank of Ethiopia managers to know about the linkage and its effect of service quality on customer satisfaction. Generally, studying and measuring the customer satisfaction levels in Commercial bank of Ethiopia have a lot of importance to the existing literature by providing a practical evidence for the Bank in particular. Finally, this study can be used as a foundation for other researchers who would like to undertake research on similar and/or related area of study.

1.7. Scope of the study

The study is confined to the effect of service quality on customer satisfaction measured in Commercial Bank of Ethiopia. Methodologically, the research is focused SERVQUAL factors and it also restricted only to customers who received premium services from the Bank. Additionally, though customer satisfaction and service loyalty 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. Geographically the study is confined to North Addis Ababa District Specialized branches under North Addis District Addis Ababa branches.

1.8. Limitation of the study

All research has its limitation and this study is no exception. One is, the survey was only conducted in Commercial bank of Ethiopia, North district specialized branch, and in strict sense the results cannot pertain to other Commercial banks of Ethiopia branches, type of customers and private commercial banks. Another limitation is on the scope of the study which is focused on to show the relationship service quality and customer satisfaction so that the research is restricted to its own objectives.

1.9. Organization of the Study

The content of this research consists of five chapters. The first chapter deals the background of the study, statement of the problem, research questions, objectives of the study, and the significance of the study and scope of the study. This is followed by the literature review (chapter two), which analyses the existing literature about the subject field to develop the conceptual framework of the study. Chapter three describes the research methodology in which the execution of this study to achieve the research objectives. Thereafter Chapter four focuses on the results of analysis and discusses the findings. Finally the researcher portrays the conclusions drawn from the findings and gives relevant recommendations on the basis of the conclusions; this is presented in Chapter five.

CHAPTER TWO

LITERATURE REVIEW

This introductory to the briefly literature review, among other things, presents the background of the study, which discusses issues relating to the banking industry with some theoretical view points on Quality Services. Specifically, the section presents a discourse on major developments in the banking sector in recent times and the relevance of services in the banking sector.

2.1. Theoretical Review

2.1.1. Nature of Service and Customer Expectation

In the aftermath of globalization, the operating environment of the banking industry has become more dynamic and competitive. In search of competitive advantage banks are placing more focus on service quality. As banks compete in the market place with generally undifferentiated product, service quality becomes a primary competition weapon (Kumar, 2008). As evident that globalization is also present in the financial institution and to be more specific in the banking industry, then it may appear any bank that wants to compete in the banking industry must offer a service that creates customer satisfaction. A service is any action or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything and from which its production may or may not be tied to the physical product (Kottler, 2012). He provides four major characteristics for services: They are intangible, inseparable, variable and perishables.

Kottler (2012) define customer expectation as, the degree to which a product or service can meet or exceed the customer expectations. It is important to understand the customer expectations from a certain product or service, and how they are formed. The expectation of a customer can vary on a situation and also differ from customer to customer. Expectation can be very high where there are a lot of alternatives to meet the need. From the firm's point of view, they look about two factors related with the product or service.

2.1.2. Customer Satisfaction

'Customer Satisfaction' is a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performances or outcome in relation to his or her

expectations (Kottler, 2012).As a result, satisfaction is a function of performance vis-a-vis expectation. Kottler argues that companies should aim for high customer satisfaction because customers, who are just satisfied, find it easy to switch when a better offer comes along. High satisfaction creates an emotional bond with brand not just a rational preference for the product or services. There is general agreement that, satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's performance in relation to its expectations (Philip, 2003). Customer satisfaction is actually a term most widely used in the business and commerce industry. It is a business term explaining about a measurement of the kind of products and services provided by a company to meet its customer's expectation. To some, this may be seen as the company's Key Performance Indicator (KPI). In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. It is well established that satisfied customers are key to long-term business success (Schneider, 2000). It is also defined as a global issue that affects all organizations, regardless of its size, whether profit or non-profit, local or multi-national.

Companies that have a more satisfied customer base also experience higher economic returns (Aaker and Jacobson, 1994). Apparently, many researchers conceptualize customer satisfaction as an individual's feeling of pleasure (or disappointment) resulting from comparing the perceived performance or outcome in relation to the expectation (Walker, 2001).There are two general conceptualizations of satisfaction here, namely, the transaction-specific satisfaction and the cumulative satisfaction (Yi and La, 2004). Transaction-specific satisfaction is the customer's very own evaluation of his or her experience and reaction towards a particular service encounter (Cronin and Taylor, 1992; Boshoffand Gray, 2004). This reaction is expressed by the customer who experiences a product or service for the first time. However, in general customers assess their level of satisfaction after the consumption of a product or a service.

2.1.3 Service Definition

A service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything.   The advance economies of the World are now dominated by services and virtually all companies view services as critical to

retaining their customers today and in the future. Even manufacturing companies that, in the past, have depend on their physical goods for their existence but now their come to see and recognize that service provides one of their few sustainable competitive advantages (Zeithaml& Bitner, 2003). Different authors give different definitions for service.

Kotler (1997) defines service as follows:

Service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product‖. Gronroos (1983) defines service as:

"An activity or series of activities of more or less intangibles nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and / or systems of service provider, which are provided as solutions to customer problems".

2.1.4 Service Characteristics

A company must consider five main service characteristics when designing marketing programs: intangibility, inseparability, variability, perishability and lack of ownership (kotler, 1999).

1. Intangibility

 Service intangibility means that senders cannot be readily displayed, so they cannot be seen, tasted, felt, and heard or sine lied before they are bought. Because service offerings lack tangible characteristics that the buyer can evaluate before purchase, uncertainty is increased. To reduce uncertainty, buyers look for 'signals' of service quality. They draw conclusions about quality from the place, people, equipment, communication material and price that they can see.

Therefore, the service provider's task is to make the service tangible in one or more ways.

Whereas product marketers try to add intangibles (e.g. fast delivery, extended warranty,

After sales service) to their tangible offers, service marketers try to add tangible cues suggesting high quality to their intangible offers.

Consider a bank that wants to convey the idea that its service is quick and efficient. It must make this positioning strategy tangible in every aspect of customer contact. The bank's physical setting

must suggest quick and efficient service: its exterior and interior should have clean lines; internal traffic flow should be planned carefully; and waiting lines should seem short. The bank's staff should be busy and properly dressed. The equipment - computers, copying machines, desk should look modern. The bank's advertisements and other communications should suggest efficiency, with clean and simple designs and carefully chosen words and photos that communicate the bank's positioning.

2. Inseparability

Service inseparability means that services cannot be separated from their providers, whether the providers are people or machines. If; a person provides the service, then the person is a part of the service. The other feature of the inseparability of services is that other customers are also present or involved. The implication for management would be to ensure at all times that customers involved in the service do not interfere with each other's satisfaction.

3. Variability

As services involve people in production and consumption, there is considerable potential for Variability. Service variability means that the quality of services depends on who provides them, as well as when, where and how they are provided. As such, service quality is difficult to control. Even the quality of a single employee's service varies according to his or her energy and frame of mind at the time of each customer contact. For example, two services offered by the same solicitor may not be identical in performance.

Service firms can take several steps towards quality control. First, they can select and train their personnel carefully. Second, they can motivate staff by providing employee incentives that emphasize quality, such as employee-to-the-month awards or bonuses based on customer

Feedback. Third, they can make service employees more visible and accountable to consumers. A firm can check customer satisfaction regularly through suggestion and complaint systems, customer surveys and comparison shopping. When poor service is found, it is corrected. Fourth, service firms can increase the consistency of employee performance by substituting equipment for staff (e.g. vending machines, automatic cash dispensers), and through heavy enforcement of standardized as well as detailed job procedures.

4. Perishability

Service perishability means that services cannot be stored for later sale or use. The perishability of services is not a problem when demand is steady. However, when demand fluctuates, service firms often have difficult problems. Service firms can use several strategies for producing a better match between demand and supply. On the demand side, differential pricing — that is, charging different prices at different times - will shift some demand from peak periods to off peak periods. On the supply side, firms can hire part-time employees to serve peak demand. Peak-time demand can be handled more efficiently by rescheduling work so that employees do only essential tasks during peak periods.

5. Lack of Ownership

Service products lack that quality of ownership. The service consumer often has access to the Service for a limited time. Because of the lack of ownership, service providers must make a special effort to reinforce their brand identity and affinity with the consumer by offering incentives to consumers to use their service again.

2.1.6. Service Quality

It is very difficult if not impossible to arrive at a universal definition of what constitute quality. Quality is an elusive and indistinct construct (Parasuraman et al., 1985) and it is often construed to mean imprecise adjectives like goodness, or luxury or shininess or weight. Unlike a product whose quality can be determined largely by examining its physical features like style, hardness color, texture, packaging among others, three main characteristics possessed by a service – intangibility, heterogeneity and inseparability – makes it difficult to measure its quality. Thus, the intangible nature of services means, firms may find it difficult to understand how consumers perceive their services. Secondly, the heterogeneous nature of services performance often varies from producer to producer, consumer to consumer or from day to day makes it difficult to ensure consistency in its delivery. Third, production and consumption of many services are inseparable and such quality in services cannot be engineered at the manufacturing plant and delivered to the Customers. The concept of quality may therefore be likened to the popular saying "beauty lies in the eye of the beholder", meaning what one person may perceive as quality may be different from what another perceives. Though the definition of service quality may vary from one person to another and even differs in different situations, it can be assessed by probing whether perceived service

delivery meets, exceeds or fails to meet customer expectations (Cronin and Taylor, 1992). In service marketing literature, service quality is generally defined as the overall assessment of a service by the customers, (Eshghi et al., 2008) or the extent to which a service meets customer's needs or expectations, (Asubonteng wt. al., 1996).

2.1.7. Relationship between Service Quality and Customer Satisfaction

In today's increasingly competitive business environment, service quality is essential for the success of any organization. Service quality is important aspect that affects the competitiveness of business. Banks should always increase the quality of service continuously since there is no assurance that the current outstanding service will be suitable for future. Thus, banks should develop new strategy to satisfy their customer and should provide quality service to gain competitive advantage over competitors (Siddiqi, 2011). Service quality is considered an important tool for a firms struggle to differentiate itself from its competitors (Ladhari, 2009).

Parasuraman et al (1988) defined service quality and customer satisfaction as follows: Service quality is a global judgment, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction. Satisfaction is a post consumption experience which compares perceived quality with expected quality, whereas, service quality refers to a global evaluation of a firm's service delivery system (Parasuraman et al., 1985). The relevance of service quality to companies is emphasized especially the fact that it offers a competitive advantage to companies that strive to improve it and hence bring customer satisfaction.

The studies of many researchers 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 by the service provider as service quality is normally considered an antecedent of customer satisfaction (Mesay, 2012). As service quality improves, the probability of customer satisfaction increases. Quality was only one of many dimensions on which satisfaction was based; satisfaction was also one potential influence on future quality perceptions (Clemes, 2008). Siddiqi (2011) described that all the service quality attributes are positively related to customer satisfaction and customer satisfaction is positively related to customer loyalty in the retail banking settings. Furthermore, Daniel (2012) also stated that

high quality of service will result in high customer satisfaction and increase loyalty. On the relationship between Service quality, satisfaction, perceived value among customers in commercial banking in Nakuru Municipality, Kenya, Daniel (2012) concluded that service quality and customer satisfaction were positively and significantly associated.

2.1.8. Parasuraman's SERVQUAL

According to Parasuraman et al. (1985), a perception of service quality is a result of a comparison between what consumers consider the service should be and their perceptions about the actual performance offered by the service provider. Parasuraman et al. (1985) postulated five dimensions of the service experience in their well-known SERVQUAL model: reliability, responsiveness, empathy, assurance, and tangibility.

2.1.8.1. 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. It 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).

2.1.8.2. 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 (1988) that the conversion of negative wording to positive wording as suggested by 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).

2.1.8.3. 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).

2.1.8.3. 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).

2.1.8.4. 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).

2.2. Empirical Review

Akalu (2015) focused to examine the effect of service quality on customer satisfaction in selected insurance companies in Addis Ababa by applying SERVEQUAL model. The finding indicated that the five service quality dimensions have positive and significant relationship with customer satisfaction. Nogath(2014) studied on the effect of Service Quality on Customer Satisfaction in Banking Industry: A Case Study of Crdb Bank in Njombe and Iringa Regions. The study is qualitative research in nature and used the theoretical framework of SERVIQUAL model developed by Parasuraman (1988). The findings of the study indicated that the customer of the CRDB Bank Ltd was satisfied with the services provided.

Saghier and Demyana (2013), in their research on service quality dimensions and customers' satisfactions of banks in Egypt also revealed that customer satisfaction in the Egyptian banking services is significantly affected by Reliability, Empathy, Assurance and Responsiveness, while the effect of the dimension of Tangibility does not have any significant impact on customer satisfaction. Rahaman et al (2011), explored service quality of the private commercial banks in Bangladesh, the findings from their study revealed that, one of the primary causes of service quality design failure is the lack of understanding of the evolving need and preferences of targeted customers.

Research conducted by Sackey et al (2012) on the effects of service quality on customer satisfaction, loyalty and retention using the SERVQUAL model revealed that Barclays bank in Ghana implements all the five service quality dimensions (Empathy, Assurance, Tangibility, Reliability, and Responsiveness), which is to say that the bank strives to be at its best when it comes to quality. This quality service has also become a major critical cause of satisfaction for the banks customers. However on Empathy level, staffs do not give customers their utmost attention and also make decisions without considering the impact those decisions might have on their customers. The research further showed that when it comes to responsiveness, customer requests and complaints are not authorized and resolved on time enough by the staff and managers of Barclays bank.

Also, Ojo (2010) investigated the relationship between service quality and customer satisfaction in the telecommunication industry with a focus on Mobile Telecommunication Network (MTN) Nigeria. A total of 230 respondents participated in the study. Regression

analysis and Pearson product moment correlation coefficient were employed in analyzing the data. The study revealed a positive relationship between service quality and customer satisfaction. The researcher therefore recommended that organizations should focus more attention on service quality, because of its effects on customer satisfaction.

Again, Khengeta al. (2010) employed the SERVQUAL model developed by (Parasuraman, et al., 1988) with five dimensions to evaluate the impact of service quality on customer loyalty among bank customers in Penang, Malaysia. Customer satisfaction was used as an intermediate variable. The findings show that improvement in service quality can enhance customer loyalty. The service quality dimensions that play a significant role in the equation are reliability, empathy, and assurance. The findings indicate that the overall respondents evaluate the bank positively, but still there are rooms for improvements.

2.3. Conceptual Framework

The general idea from the past literature is that there is a relationship between customer satisfaction and service quality; also that service quality could be evaluated with the use of five service quality dimensions (SERVQUAL) model of Parasuraman et al., 1988 and the most suitable and widely used for measuring service quality and customer satisfaction in banking industry. The SERVQUAL model of Parasuraman et al. (1988) with five dimensions consisting: Tangibles, Reliability, Responsiveness, Assurance, and Empathy and customer satisfaction as independent variables and dependent variable respectively.

Figure 1: Proposed Conceptual Frameworks adopted from Parasuraman (1988)
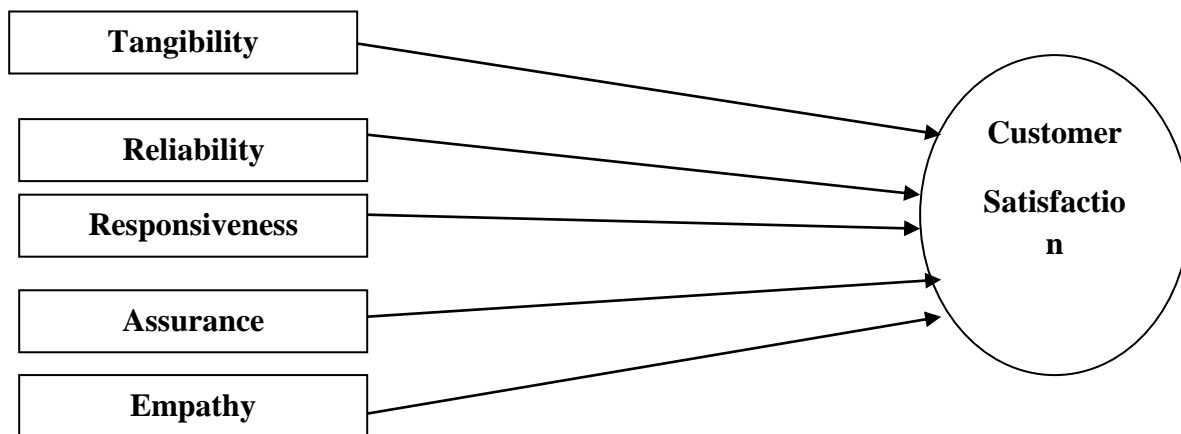
CHAPTER THREE

RESEARCH METHODOLOGY

This chapter is on the methodology part which outlines the key topics includes research design, research approach, target population, sample size, sampling techniques, sources of data and type, procedures of data collection and methods analysis.

3.1. Research Design

Research design is a conceptual structure within which research is conducted. It constitutes the blueprint for the collection, measurement and analysis of data (Kothari. 2004). As the proposed conceptual model, this study is designed to collect the information about the effect of service quality on customer's satisfaction in Commercial bank of Ethiopia. The research design for this investigation is explanatory because it is amid at to identify the causal relationships between service quality and customer satisfaction under the study scope. Moreover, answering the research objectives, this paper proposed an integrated conceptual framework for measuring customers' satisfaction which is SERVQUAL framework models was founded on the SERVQUAL model by Parasuraman et.al (1988).

Moreover, this study is used mixed approach because it enables the researcher to collect more comprehensive data and to mitigate the possible limitation of qualitative and quantitative approaches. Therefore, the data collected via open ended is examined by using qualitative analysis and the data collected through administered questionnaire is analyzed through quantitative approaches.

3.2. Population and Sampling Techniques

The target population of the study is North District premium customers of specialized branches of Commercial Bank of Ethiopia namely: Selassie branch, AratKillo branch, Addis Ababa branch and AradaGeorgis branch. The reason for choosing these bank branches are because of holding large number of premium clients, providing different kinds of using banking service and due attention is given by the top management. So by choosing that mentioned branches it made possible for the study to conduct effectively because the researcher can have an advantage in availability of premium customers.

Since the total population of this research is infinite or it is difficult to estimate the exact number of the whole population and hence according to Kothari (2004) the formula to find out the sample size (n) of infinite population or difficult to estimate the exact population is given as under

$$n = z^2.p.q/ e^2$$

Where, n= sample size

z= the value of standard value at a given confidence level

p= sample proportion

q= 1-p

e = acceptable error

So in this case we set e= 0.05, z = 1.96 and $\hat{p}$ = 0.5, and we get

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

$$n = \frac{0.9604}{0.0025}$$

$$n = \mathbf{384}$$

As a result, based on the formula this study needs a sample of 384 premium customers taken from the specialized branches of commercial Bank of Ethiopia.

The main objective of sampling was to ensure that the sample is a representative of the target population. To achieve the study objective, non-probability (convenience sampling) technique is applied in selecting a sample. This sampling technique is selected because it enables the researcher to draw a representative data by selecting samples from the population who are conveniently available and volunteering to participate in study. Also, the researcher used this technique in order to obtain a large number of completed questionnaires quickly and economically. In order to have a representative sample, the researcher is disseminated the questionnaire to sampled respondents with different backgrounds in terms of branches, age, gender, education background, and types of services. Furthermore, so as to increase the

representativeness of the sample, the researcher is distributed the samples equally for each North district specialized Commercial bank branches.

3.3. Sources of Data and Types

In this study, both primary and secondary data sources were used. The primary data source was premium customers of Commercial Bank of Ethiopia .On the other hand; the secondary sources of data were gathered from annual reports of Commercial Bank of Ethiopia and different Published and Unpublished materials. The quantitative data was collected through SERVQUAL standardized questionnaire as well as the qualitative data was collected from the open end questionnaire section.

3.4. Procedures of Data Collection

The questionnaires for this study were developed to address the variables of the conceptual model to investigate the effect of service quality on customer satisfaction in Commercial bank of Ethiopia. Hence, data of this research have been obtained by means of questionnaire consists of three sections. In the first part asked the background information. The second part of the questions is about service quality and used for statistical analysis purpose. In this study, the model of SERVQUAL developed by Parasuraman et.al (1988) with twenty two standardized questionnaires organized by means of five Likert point of scale ranging from strongly disagree (5) to strongly agree (4). The last section contained additional questions on the issues which were open ended in nature to allow the respondents to give area of further improvement and to offer any comments about the service quality of Commercial bank of Ethiopia.

3.5. Method of Data Analysis

After collecting the required data, the quantitative data is coded, entered, cleaned and verified in SPSS Version 23 software. Following the analysis is presented in three stages. First, the researcher presented descriptive statistics including measures of central tendency, standard deviation, percentages. Secondly, Spearman's correlation coefficient was used to determine the relationships between service quality dimensions (Tangibility, Reliability, Responsiveness, Assurance and Empathy) and customer satisfaction. Lastly, Binary regression analysis is used to examine the effect of service quality dimensions (Tangibility,

reliability, responsiveness, assurance, and empathy) on customer satisfaction in Commercial bank of Ethiopia.

3.6. Model Specifications of the Binary Logistic Regression Model

Binary Logistic regression is a statistical method for analyzing a data set in which there are one or more independent variables that determine an outcome. The outcome is measured with a dichotomous variable (in which there are only two possible outcomes).

In Binary logistic regression, the dependent variable is binary or dichotomous, that is it only contains data coded as 1, Satisfied, 0, otherwise. Yet, the independent variables is categorical The goal of Binary logistic regression is to find the best fitting (yet reasonable) model to describe the relationship between the dichotomous characteristic of interest (dependent variable = response or outcome variable) and a set of independent (predictor or explanatory) variables. Logistic regression generates the coefficients (and its standard errors and significance levels) of a formula to predict the binary logistic regression model as follows a logit transformation of the probability of presence of the characteristic of interest:

$$logit(p) = b_0 + b_1 X_1 + b_2 X_2 + b_3 X_3 + \ldots + b_k X_k$$

Where p is the probability of presence of the characteristic of interest, the logit transformation is defined as the logged odds (odd ratio):

$$odds = \frac{p}{1-p} = \frac{probability\ of\ presence\ of\ characteristic}{probability\ of\ absence\ of\ characteristic}$$

and

$$logit(p) = \ln\left(\frac{p}{1-p}\right)$$

Source:-Hosmer et al (2013)

3.7. Reliability and Validity

According to Mugenda and Mugenda (2003), two of the most important criteria for business research are reliability and validity. For this study, the researcher did go through to check the validity of the instruments as long as the study is used standardized twenty two questions

under five dimensions SERVQUAL model while the internal consistence reliability is detected by Cronbach's alpha. For scale the Cronbach's alpha values for the overall reliability of the items is 0.893 and hence according to Zikmund et al. (2010) the items in each of the domains are well understood by the respondents.

3.8.Ethical Consideration

Participation of respondents is strictly on voluntary basis. Participants were fully informed as to the purpose of the study and consent verbally. Measures were taken to ensure the respect, dignity and freedom of each individual participating in the study. In addition, participants were notified that the information they provide were kept confidential and not disclosed to anyone else.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

The major objective of this study is to investigate the effect of service quality on customer satisfaction taking Commercial Bank of Ethiopia as area of the study. Hence, this is chapter deals with the data analysis and presentation using descriptive and inferential statistics by the aid of the Statistical Package for Social Science Students (SPSS) software version 23.

4.1. Response Rate

During the survey a total of 384(100%) questionnaires were distributed to the sampled respondents, out of this giving 346(90.10%) completed response rate were returned.

Table 4.1: Response rate

Response rate	Items Response Rate	
	No.	percent
Sample size	384	100%
Appropriately filled	346	90.10%
Not collected	38	9.9%

Source: Own survey data, 2010

So, the analysis was made based on 346 successfully responded questionnaires and done in line with the research questions and objectives set in the proposal.

4.2. Demographic Distributions of Respondents

The analysis tried to provide information related to sex, age, years served and type of service years of respondent's.

Table 4.2: Respondents Profile

		Frequency	Percentage
Gender	Male	229	66%
	Female	117	34%
Total		**346**	**100%**
Age	18-25	11	3%
	26-35	45	13%
	36-40	159	46%
	41-50	128	37%
	Above 51	3	1%
Total		**346**	**100%**
	Less than 1year	0	0%
	1-3 years	59	17%
	3-6 years	97	28%
Years Served	Greater than 6 years	190	55%
Total		**346**	**100%**
	Saving account	134	38.7%
	Current account	159	46%
	Exporter	16	4.6%
Type of service	Local money transfer	37	10.7%
Total		**346**	**100%**

Source: Own survey data, 2018

As it is revealed in table 4.2, the data provides gender profile by count and percent as part of the overall profile. The results reveal that out of the 346 respondents 229 were males and 117 were females. This represents 66% males and 34% females respectively. Comparing the percentages of males and females, the sampled customer population is male dominated.

All the age groups in population were represented in the sample questionnaire. The majority group of respondents was 46% which fall into the 36 - 40 years age group, the second large group falls into the 41-50 years age group which was 37%, representing13% of respondents falls into the 26- 35 years of age group. Likewise, 3% and 2% of the respondents were fall in age group of 18 -25 and above 50 years respectively.

Regarding years of served, as indicated in table 4.2 majorities of the respondents of 190(55%) served in CBE more than equal to6 years, on the other hand, 97(28%) and 59(17%) respondents served in CBE3-6 years and 1-3 years respectively. The other demographic

variable to be considered in this study is type of service, as revealed in table 4.2 majorities of the respondents that is 159(46%) is current account holder, while, 134(38.7%) saving account holders. the remaining 16(4.6%) and 37(10.7%) of the respondents visit the bank for export and local money transfer purpose respectively.

4.3. Descriptive Analysis on Service Quality Measurement

In order to reflect the respondents view on customer satisfaction level of Commercial Bank of Ethiopia using service quality dimensions, the study used mean and standard deviation. The higher the standard deviation (SD) discloses the higher the disparity of the respondent' perception about a given low standard deviation implies that respondents express close observation on a common matter.

4.4.1. Tangibility

Regarding tangibility dimensions, respondents were requested to rate based on the five point Likert scale ranging from five for strongly agreed to one for strongly disagreed.

Table 4.3: Level on Tangibility Dimensions

S.N.	Item	Mean	SD	%age
1	I consider that the branch facilities and equipment are new and updated	1.80	0.681	35.92
2	I consider that the branch physical facilities are visually appealing	1.69	0.629	33.82
3	I realize that the branch employees are well dressed and appear neat	3.84	1.188	76.83
4	I see that the branch physical facilities are in keeping with the type of service provided	3.90	1.032	77.90
	Average	**2.84**		**56.80**

Source: Own survey data, 2018

The result in table 4.3 revealed that existence of modern equipment (Mean= 1.80, SD= 0.681), visually attractiveness of physical facilities (M= 1.69, SD= 0.629), employees dressing and neatness (Mean=3.84, SD= 1.188), suitability of branch office location (Mean=3.90, SD=1.032). Wholly, the overall mean for all tangibility items become 2.81(56%) implies that premium customers of commercial bank of Ethiopia were not satisfied with equipment and

service presentations. Moreover, the main cause of dissatisfaction of the customers were due lack of updated equipment and unattractive physical facilities.

4.4.2. Reliability

In line with this, the researcher sought to measure the extent of respondent's feedbacks on the quality services. The findings are presented based on mean and standard deviation depicted in table 4.4.

Table 4.4: Level on Reliability Dimensions

S.N	Item	Mean	SD	%age
1	I observe that the bank is giving the tasks or fulfilling the promised services in all branches.	4.24	0.833	84.82
2	I believe that the branch employee's competence and ability to solve customers' problems is appreciated.	4.17	0.917	83.40
3	I suppose that the branch employees fulfilling and doing the tasks and services at the first time of meeting.	4.15	0.846	73.60
4	I understand that the branch employees are providing the services at the predetermined time.	4.00	0.964	79.94
5	I think the branch employees are maintaining and keeping the customers records and files appropriately.	3.79	0.984	75.81
	Average	**4.07**		**81.41**

Source: Own survey data, 2018

As indicated that the bank is giving the promised services had got a mean score values of 4.24(84.82%). Likewise, employee's competence and ability to solve customers' problem appreciated` scored a mean score of 4.17(83.4%). As also specified in table 4.4, branch employees were serving at the first time of meeting got a mean values of 4.15(83.06%) while provision of services by employees at the predetermined time gained mean value of 4.00(79.94%). Finally, the bank employee's capacity to maintain and keep the customers records and files appropriately registered mean value of 3.79 (75.81%). In general, the overall mean score (Mean=4.07, SD=1.032) on reliability of bank services portrayed that customers were importantly satisfied with reliability of the bank services.

4.4.3. Responsiveness

Table 4.5 presents the reflection of CBE customers on responsiveness dimensions based on Likert five point of scale.

Table 4.5: Level on Responsiveness Dimensions

S.N.	Item	Mean	SD	%age
1	I recognize that the branch employees are informing customers about the time of receiving the service.	4.09	0.898	81.87
2	I realize that the branch employees are providing customers with prompt services with no delay.	4.04	0.936	80.85
3	I confirm that the branch employees are willing to help customers to get the service.	3.83	0.985	76.60
4	I assure that the branch employees are not too busy to respond the customer's request promptly.	3.90	1.032	77.90
	Average	**3.97**		**79.31**

Source: Own survey data, 2018

As revealed, the response of employees toward informing of the time of accomplishment service to their customers had a mean score of 4.09 which 81.7% respondents who agree to receive the needed service within the bank's standardized time. Furthermore, providing customers with prompt services with no delay and employees willingness to serve customers scored mean value of 4.04(80.85) and 3.83(76.50%) respectively. Regarding, employees active response to the customer recorded mean of 3.96(77.90%) with standard deviation of 1.032. Grossly, from the result table 4.5 can deduced that the overall mean values 3.97(79.31%) with the respect to all responsive dimensions showed an agreed result. This indicated that responsiveness dimensions have contributed to customer satisfaction in Commercial Bank of Ethiopia.

4.4.4. Assurance

Assurance relates to the capability of the service provider to deliver the output, specifically in terms of the knowledge, courtesy, and trustworthiness of the employees to the customer of the

service firm. The reflection of the respondents in these issues is presented in the following discussions.

Table 4.6: Level on Assurance Dimensions

S.N.	Item	Mean	SD	%age
1	I have strong trust by the branch employees.	4.11	0.956	82.7
2	I feel safe in your transaction with the branch employees.	4.03	1.014	80.68
3	I feel that the employees of CBE are polite.	4.02	0.989	78.53
4	I observe that the branch employee's get adequate support to do their jobs well.	3.93	0.937	80.40
Average		**4.02**		**80.47**

Source: Own survey data, 2018

As depicted in the table 4.5 respondents were importantly satisfied with employee trustfulness because the average score was 4.11 out of 5 points. The second item of assurance dimension showed that clients agree with bank's security transactions with mean score of4.03 (80.68%) while employee's politeness scored mean of 4.02(80.40%) and standard deviation of 0.937. Also a mean value of 3.93(78.53) is observed for the extent of employee's support to do their job while the other 1.07(21.47%) which remained to see support gap in the specialized branches of Commercial Bank of Ethiopia.

The overall results for the assurance items displayed that the respondents are agreed withall assurance items with mean score of 4.02(80.47).This implies that employees who are worked in the specialized branches of Commercial bank of Ethiopia are skilled worker because they are able to gain the trust and confidence of the customer. Also, customers were comfortable with security provided by the bank.

4.4.5. Empathy

The researcher sought to also reflect the customers view on the Commercial Bank of Ethiopia based on empathy dimensions and the responses of the customers is presented below.

Table 4.7: Levels on Empathy Dimension

S.N.	Item	Mean	SD	%age
1	I observe that the branch employees paying attention to each individual customer.	3.81	1.003	76.2
2	I perceive that working hours of the bank is convenient for customers visit.	4.18	0.952	83.68
3	I recognize that the branch employees are meeting customers patiently and compassionately.	4.11	1.003	82.15
4	I detect that the branch employees are happy in customer's success and achievements.	4.06	0.959	81.19
5	I observe that the branch employees are a clear understanding of the customer's particular needs.	4.06	0.972	81.27
	Average	**4.05**		**80.90**

Source: Own survey data, 2018

Table 4.7 revealed that the premium customers of the bank were highly satisfied by the working hours of the bank and this issue gained the highest score (Mean= 4.18, SD=0.952). The result suggested that introduction of branch less banking services like ATM, Mobile banking and Internet banking are more contribute to make the bank hours suited to premium customer's needs. On the other hand the above explained that the respondents are offered a lowest agreement for employees attributes to pay individual attention with mean value of 3.81and standard deviation of 1.003. The statistical numbers showed that the employees of the bank understood the needs of their customers. This is because the respndents gavea mean score of 4.06.Furethermore, the customers of the bank dispalyed that the branch employees were patient and compassionate as the mean score is 4.11(82.15%).Similarly, to the item that branch employees are happy in customer's success and achievements had got mean score (Mean= 4.06, SD=0.959).

The overall agreement level of the premium customers towards empathy issues were very good (Mean= 4.05). Accordingly, employees of the bank are providing caring and individualized attention service with patently and companionably.

4.5. Correlation Analysis

Bivariate correlations measure the strength and direction of the association between two variables. The correlation coefficient is ranges from 1 to -1. A correlation coefficient of +1 describes a perfect positive relationship in which every change of +1 in one variable is associated with a change of +1 in the other variable. A correlation of -1 describes a perfect negative relationship in which every change of -1 in one variable is associated with a change of -1 in the other variable. A correlation of 0 describes a situation in which a change in one variable is not associated with any particular change in the other variable.

By using the Spearman correlation coefficient the survey identified the existence of relationship between the SERQUAL dimensions and Customer satisfaction, the causality of these independent and dependent variable was established at 95% confidence level. Therefore, this correlation analysis helped to determine whether or not there is statistically significant relationships exist between the dimensions of service quality (i.e. Tangibility, Reliability, Responsiveness, Assurance, and Empathy) and customer satisfaction.

Table 4.8: Correlation between SERVQAL Dimensions and Customer Satisfaction

Variable	Customer Satisfaction	Sig (2-tailed)	N	Type of Correlation
Tangibility	0.153^{**}	.004	346	Spearman Correlation
Reliability	0.357**	.000	346	Spearman Correlation
Responsiveness	0.341**	.000	346	Spearman Correlation
Assurance	0.416**	.000	346	Spearman Correlation
Empathy	0.412**	.000	346	Spearman Correlation

**. Correlation is significant at the 0.01 level (2-tailed).

As revealed in table 4.8, customer satisfaction is positively correlated with tangibility with a coefficient value of 0.153 and the relationship between them is statically significant at5% critical level of significant. Likewise, customer satisfaction and reliability is positively correlated with a coefficient value of 0.357 and the linear relationship between them is statically significant at both 1% and 5% level of significant. Furthermore, as revealed in table 4.8 customer satisfactions is positively correlated with responsiveness with a coefficient value of 0.341 and the linear relationship between customer satisfaction and responsiveness is

statically significant at both 1% and 5% level of significant. Moreover, asalso revealed in table 4.8 customer satisfactions is positively correlated with assurance and empathy with coefficient values of 0.416 and 0.412 respectively and the linear relationships is/are statistically significant at both 1% and 5% level of significant.

In general, the correlation analysis results indicated that all the independent variables are positively significantly correlated with customer satisfaction at 5% significant level.

4.6. Important Assumptions of Binary Regression Model

Before directly dealing with the binary regression model the researcher check some important assumptions in relating to the Binary regression model. If the assumptions are violated and hence interpreting results from running binomial regression become spurious.

Assumption-1: In binary regression, the dependent variable should be measured in dichotomous scale. In this study, the outcome variable (customer satisfaction) is measured with a dichotomous variable in which there are only two possible outcomes, 1 satisfied and 0 otherwise.

Assumption-2: one or more independent variables, which can be either continuous (interval or ratio variable) or categorical (ordinal or nominal variable).

Assumption-3: There should be an independence of observations.

Assumption-4: No problem of multicollinearity. The presence of multicollinearity in the model is detected by using Variance Inflation Factor (VIF). As noted by Gujarati (2004), the rule of thumb suggested that if variance inflation factor exactly or exceeds 10 then there is a problem of multicollinearity. As shown in the appendix the output of VIF showed that a value of less than 10 for all the independent variables. Thus, knowing that there is no serious multicollinearity problem among the variables, they can be considered in the model estimation.

Accordingly, the model passes the entire assumptions of binary regression so that obtaining and interpreting the results are valid and correct.

4.7. Binary Regression Results

Binary regression is a statistical method for analyzing a data set in which there are one or more independent variables that determine an outcome. The outcome is measured with a dichotomous variable (in which there are only two possible outcomes). In this study the binary regression model is used to predict the customer satisfaction (using dichotomy scale of 1-satisfied and 0-unsatisfied) of with a set of SERVQUALvariables.

Table 4.9: Regression Result

Dependent Variable: Customer Satisfaction		
Method: Binary Regression Sampled Respondents: 346		
Independent Variables	Exp(B)	Sig. value
Tangibility	2.456	0.011
Reliability	2.189	0.020
Responsiveness	3.705	0.010
Assurance	9.347	0.000
Empathy	9.435	0.000
Constant	0.081	0.000
Nagelkerke R Square: 0.69		

Sources: SPSS Version 23 Output

As indicated in the table4.9, all SERVQUAL variables are positive and statistically significant at 5% critical point. The regression model showed that 69% ($NR^2 = 0.69$) of the observed variability in total customer satisfaction is explained by the service quality variables: Tangibility, Reliability, Responsiveness, Assurance and Empathy. This gives the regression a good fit while the remaining 31% of the total variation of customer satisfaction is accounted by the factors included in the error term.

In light of the summarized model results above the promising explanations for each significant independent variable are given consecutively as follows.

Tangibility: As table 4.9 reveals that tangibility and customer satisfaction has significant relationship with p-value of 0.011. That is any change in equipment, physical facility, employees dressing style and visually appealing materials will result a parallel change in customer satisfaction positively. Thus, a percentage improvement in tangibility has a probability to augment customer satisfaction by 2.456percent.

Reliability: Table 4.9 implies that reliability is significantly and positively influences customer satisfaction with p- value 0.020. That is any change in accuracy of service performance, order fulfillment, proper record, and keep services promise has a parallel change in customer satisfaction. Therefore, a one percentage change in reliability has a probability to increase customer satisfaction by 2.189 percent.

Responsiveness: The study sought to establish the linkage between customer satisfaction and responsiveness, the finding indicated that responsiveness dimensions is positively and significantly affect customer satisfaction at 5% critical value. That is a change understanding the needs and wants of clients, willingness of employees to serve customers promptly will change customers satisfaction positively. That is a percentage change in responsiveness has a probability to raises customers satisfaction by 3.705 percent.

Assurance: The results captured on the table 4.9 confirmed that the explanatory variableassurance has a significant and positive relationship with customer satisfaction. Hence, the value of the odds ratio; other things at constant one can assumed that when assurance dimensions such as change in employee politeness, employee trust, safe transaction and knowledgeable employees will cause change in customer satisfaction positively. Which is the probability percentage change in assurance will reveal 9.347 times percentage change in customer satisfaction.

Empathy: Table4.9 shows that empathy affects customer satisfaction significantly with P-value 0.000. It also indicates that they have positive relationship. That is giving individual attention, convenient working hours and meeting customer with patiently improved then customer satisfaction change in the same direction. That means a percentage change in empathy has the probability to result 9.435 times percentage change in customer satisfaction.

4.8. Hypotheses Testing

Here, the hypotheses were tested at 5% confidence level ($\alpha = 0.05$) and presented in the table below.

Table 4.10: Hypotheses Testing

Variables	Hypothesis (Null & Alternative)	P - Value	$\alpha =$ 5%	HO	H1
Tangibility	H0, H1	0.011	0.05	Reject	Accept
Reliability	H0, H2	0.020	0.05	Reject	Accept
Responsiveness	H0, H3	0.010	0.05	Reject	Accept
Assurance	H0, H4	0.000	0.05	Reject	Accept
Empathy	H0, H5	0.000	0.05	Reject	Accept

Sources: Research Hypothesis

According to the above table, p-values of SERVQUAL dimensions are lower than the value 0.05, hence the null hypotheses were rejected and alternative hypotheses were accepted. Therefore, the null hypotheses were rejected and alternative hypotheses were accepted because the SERVQUAL dimensions were positive and statistically significant with customer satisfaction which is in line with the research hypothesis.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of Research Findings

The major concern of the study is to investigate empirically the relationship between service quality and customer satisfaction in Commercial Bank of Ethiopia. To achieve the stipulated objectives, the study used standardized SERVQUAL questionnaire and gathered 346 sampled questionnaires. Descriptive and inferential statistics analysis was applied to examine whether the variables affects customer satisfaction or not. As a result of the analysis and interpretation, the following are the summary of the findings.

➢ The finding indicates that the respondents were generally dissatisfied to a high extent with tangibility things like staff and equipment. This is because the overall mean score was 2.84(56.8%). More importantly, the main causes of dissatisfaction were lack of modern equipment and unattractive physical facilities.

➢ Reliability of bank services is represented by overall mean score of 4.07(81.41%) showed that the respondents were generally satisfied to great extent with reliability of the bank services. However, representing 18.59% respondents still disagreed and notified that the need to do some improvement on marinating customer records and files appropriately.

➢ The overall mean score of responsiveness perception of 3.97(79.31%) which a moderate agreement for the responsiveness items while the 21.79% remaining revealed that they were not satisfied with the responsiveness of bank. Because few respondents showed complaints about the willingness and speed of delivery services.

➢ Largely, the mean values 4.02(80.47%) of the respondents give agreement reflection for all assurance items however the variation on satisfaction for this SERQUAL variable is mostly caused by support gap.

➢ Empathy items showed a notable agreement result with overall mean score 4.05(80.90%) which approved that significant number of respondents were importantly satisfied by all empathy dimensions.

- Correlation analysis for SERQUAL variables and customer satisfaction ranges between 0.153 up to 0.416 indicated there is positive relationship at a significant level of p<0.05.
- Tangibility has a positive and significant effect on customer satisfaction in Commercial bank of Ethiopia.
- Reliability is statistically significant and positive relationship with the customer satisfaction in Commercial bank of Ethiopia.
- Responsiveness has a statistical significant and positive relationship with customer satisfaction in Commercial bank of Ethiopia.
- Assurance has a significant positive effect on customer satisfaction in Commercial bank of Ethiopia.
- Empathy is significant positive effect on customer satisfaction in Commercial bank of Ethiopia.

5.2. Conclusion

To remain competitive, service organizations must deliver quality service to their customers. Moreover, understanding and meeting customers' expectations are important in order to survive in the today's globalized world. The banking industry is one of the world's most known service industries which are very important for economic progress. Banks are becoming more and more customer oriented not only with innovative ideas and approaches but also in delivering quality services. This study used SERVQUAL framework to investigate the level of customer satisfaction in Commercial Bank of Ethiopia. After collected the needed data via questionnaire the study employed descriptive and inferential statistical analysis. Based on the finding it can be conclude that overall customers of Commercial Bank of Ethiopia were dissatisfied by tangibility dimensions particularly in equipment and physical facility. On the other hand the customers were satisfied for reliability, responsiveness, assurance and empathy dimensions though improvements in area of employee's politeness and willingness, customer file documentation and delivery prompt service still needed. Moreover, the relationship between the service quality dimensions and customer satisfaction was found to be statistically positive at 5% significant level.

Therefore, obtaining customer satisfaction depends to a large extent on ensuring the firm maintains high service quality standards. Putting in place quality mechanisms has significant effect on the level of customer satisfaction in Commercial Bank of Ethiopia and among the service quality variables that tangibility is the major sources of disatsisfaction which should be managed out to excell the service quality in Commercial Bank of Ethiopia.

5.2. Recommedation

Based on the finding and conclusion the researcher recommend the managements of Commercial Bank of Ethiopia as follows so as to improve service quality and boost its customer satisfaction.

- ❖ For the management of the Commercila Bank of Ethiopia, they should look into the customer complians (disagreement) manily on tangebility like shortage of physical facilities and modern equipments because these problems are not managed urgenly it seriously affects service quality of the bank and hence hurts the customer satisfaction level.

- ❖ To deliver the quality of service to the customers the employees have to polite and well mannered. To do this the human resources directorate has to hire and recruit staffs that are willing to assist customers appropriately. The recruitment environment enables the bank to have a competent staff with similar banks to get the best people with this kind of attitude.

- ❖ In order to overcome distasfaction as a result of unprompt services and unappropriate customer documemtation; the bank managements have to gear their efforts to connect the customers record and files to the database system to improve the service quality there by to enhance the customer satisfaction level.

- ❖ The human resources management of the bank should arrange training programs and motivational techniques to enhance the knowledge and skills of the employees as well as to shape the behaviors of employees in a way that can satisfy the customers of the bank.

- ❖ Finally, this study has shown that the service quality affect the customer satisfaction. So the service quality can differentiate a bank form the others banks. From the overall findings It cab infered that the better service attracts the customer, and can decrease if the service does not satisfy the expectations. To maintain a very high satisfied customer group the bank should focus more on service qualiy. To improve the service delivery in a way that boosts customers' satisfaction, the management of Commercial Bank of Ethiopia should exert their utmost effort to meet customers' expectation up to

the standard. The dimensions of service quality as presented in the analysis vary in the degree influence of satisfaction. Therefore, in order satisfy its customers the managements of the bank should emphasize on attributes of responsiveness, assurance, empathy, reliability, and tangibility in their descending order.

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Appendix

Descriptive Statistics

	N	Mean	Std. Deviation
tan1	346	1.7960	.68115
tan2	346	1.6912	.62917
tan3	346	3.8414	1.18839
tan4	346	3.8952	1.03232
rel1	346	4.2408	.83348
rel2	346	4.1700	.91670
rel3	346	4.1530	.84568
rel4	346	3.9972	.96383
rel5	346	3.7904	.98351
rep1	346	4.0935	.89810
rep2	346	4.0425	.93596
rep3	346	3.8300	.98541
rep4	346	3.8952	1.03232
ass1	346	4.1133	.95565
ass2	346	4.0340	1.01353
ass3	346	4.0198	.93672
ass4	346	3.9263	.98869
emp1	346	3.8102	1.00324
emp2	346	4.1841	.95202
emp3	346	4.1076	1.00271
emp4	346	4.0595	.95903
emp5	346	4.0637	.97237
Valid N (listwise)	346		

Reliability Statistics

Cronbach's Alpha	N of Items
.946	22

Correlations

		Tangibility	reliability	response	assurance	Empathy	cs
Spearman's rho	**Tangibility** Correlation Coefficient	1.000	.139[**]	.095	.121[*]	.052	.153[**]
	Sig. (2-tailed)	.	.009	.074	.024	.330	.004
	N	346	346	346	346	346	346
	Reliability Correlation Coefficient	.139[**]	1.000	.285[**]	.267[**]	.253[**]	.357[**]
	Sig. (2-tailed)	.009	.	.000	.000	.000	.000
	N	346	346	346	346	346	346
	Respons. Correlation Coefficient	.095	.285[**]	1.000	.211[**]	.236[**]	.341[**]
	Sig. (2-tailed)	.074	.000	.	.000	.000	.000
	N	346	346	346	346	346	346
	Assurance Correlation Coefficient	.121[*]	.267[**]	.211[**]	1.000	.172[**]	.416[**]
	Sig. (2-tailed)	.024	.000	.000	.	.001	.000
	N	346	346	346	346	346	346
	Empathy Correlation Coefficient	.052	.253[**]	.236[**]	.172[**]	1.000	.412[**]
	Sig. (2-tailed)	.330	.000	.000	.001	.	.000
	N	346	346	346	346	346	346
	Satisfaction customer (cs) Correlation Coefficient	.153[**]	.357[**]	.341[**]	.416[**]	.412[**]	1.000
	Sig. (2-tailed)	.004	.000	.000	.000	.000	.
	N	346	346	346	346	346	346

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Variables in the Equation

		df	Sig.	Exp(B)	95% C.I.for EXP(B)	
					Lower	Upper
Step 1[a]	tangibility	1	.011	2.456	.813	7.421
	reliability	1	.020	2.189	.656	7.302
	respons.	1	.010	3.705	1.373	9.993
	assurance	1	.000	9.347	3.385	25.815
	empathy	1	.000	9.435	3.514	25.334
	Constant	1	.000	.081		

a. Variable(s) entered on step 1: tangibility, reliability, respons., assurance, empathy.

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	reliability	.856	1.168
	respons.	.878	1.138
	assurance	.914	1.094
	Empathy	.910	1.098
	tangebility	.985	1.015

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