ST. MARY'S UNIVERSITY

SCHOOL OF GRADTUATE STUDIES

DEPARTEMENT OF MARKETING MANAGMENT

THE EFFECTS OF LOAN SERVICCE QUALITY ON CUSTOMER SATISFACTION IN BERHAN INTERNATIONAL BANK

BY:

SELAMU WABATO

ADVISOR:

GETIE ANDUALEM IMIRU (PhD)

JUNE, 2018

ADDIS ABABA, ETHIOPIA

ST. MARY'S UNIVERSITY

DEPARTMENT OF MARKETING MANAGEMENT POST GRADUATE PROGRAM

THE EFFECTS OF LOAN SERVICE QUALITY ON CUSTOMER SATISFACTION IN BERHAN INTERNATIONAL BANK

By:

SELAMU WABATO

APPROVED BY BOARD OF EXAMINERS:

_____   _____

THESIS ADVISOR   **SIGNATURE**

_____   _____

INTERNAL EXAMINER   **SIGNATURE**

_____   _____

EXTERNAL EXAMINER   **SIGNATURE**

LETTER OF CERTIFICATION

This is to certify that SELAMU WABATO carried out the thesis on the topic entitled The Effects of Loan Service Quality on Customer Satisfaction in Berhan International Bank .This work is original in nature and is suitable for submission for the award of Master of Marketing Management.

_____

Dr. GETIE ANDUALEM

(The Project Advisor)

Declaration

I declare that this thesis is my original work, prepared under the guidance of Gatei Andualme (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for earning any degree.

Name

Selamu Wabato…………………………Signature…………Date………………….

St. Mary's University, Addis Ababa Ethiopia.

ACKNOWLEDGMENTS

ACRONYMS

NBE	National Bank of Ethiopia
SERVPERF	Service performance
SERVQUAL	Service Quality
VIF	Variance inflation factor
GDP	Gross Domestic Products
NPS	National payment System
BB	Berhan Bank
ASQ	American Society for Quality
ISO	International standard Organization
BIB	Berhan International Bank
VIF	Vrante inflation factor

Table of contents

List of Table

Abstract

The aim of the study is to investigate the effect of service quality on customer satisfaction regarding quality of credit services specifically provided by Berhan Bank. Service quality is studied within a spectrum of different dimensions. Empathy, responsiveness, Tangibility and reliability respectively find out the service quality dimensions may enhance customer satisfaction in a better way. Respondents are chosen from a range of various categories and the samples were drawn using purposive sampling. This research mainly focuses on Berhan Bank credit customers. This study used SERVPERF model of measuring service quality developed by Cronin and Tailor in 1992, which used five dimensions (tangibility, reliability, responsiveness, empathy and assurance). Questionnaires were distributed 250 credit customers of the bank. A 100% response rate is yielded. Findings indicate that service quality and all its dimensions have significant and positive association with customer satisfaction. Mainly, Empathy and Responsiveness resulted in high relationship, high significance and high predictors of customer satisfaction.

Key words: SERVQUAL, SERVPERF, Customer satisfaction,

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

This chapter presents the background of the research, back ground of the organization, statement of the problem, research objectives, research questions, and significance of the study, scope of the study and organization of the study. There are numerous factors contributing to an important increase of the role of service activities. Fast development and application of modern technology widened the offer of service sector significantly changing the structure of the overall economy (Biserka, 2008). Additional factors contributing to the growth of the service sector are an aging population, longer life expectancies, increased leisure time, higher per capita income, and increased time pressure, more female work force participation, changing social and cultural values (Lee, Donghoon, and Kenneth, 2006). Hence, Service marketing concepts and strategies have developed in response to the tremendous growth of service industries resulting in their increased importance to the world economy.

Service marketing is different from goods marketing in significant ways and it requires different strategies and tactics that traditional marketing do not fully reflect. According to Kotler (1997), it requires using more than just the four Ps (price, product, place, and promotion) in the marketing mix elements. There are additional elements known as people, physical environment and process in service marketing mix. It also requires internal marketing and interactive marketing. Internal marketing means that the service firm must orient and motivate its customer contact employs where as Interactive marketing implies that service quality depends on heavily on the quality of the buyer seller interaction during the service encounter. Problems commonly encountered in service organization not faced by goods business are the inability to inventory, difficult in controlling demand and supply, and challenges in controlling the performance quality of human interactions need to be articulated and tackled by managers (Zeithanal and Bitner, 2003). Companies continually search for new ways to gain an edge over their competitors around the globe. Delivering a quality service more than competitors is one strategy in which one firm gets the overhand in the contest. Quality can be company's

assurance of customer allegiance and out path to sustained growth. Service quality is widely regarded as a driver of corporate marketing and financial performance. Joseph and Andersa (2003) highly stress the importance of creating a good customer relationship to survive in this competitive environment. They further implied the consideration insurance providers should give in developing strategies those encompass needs of the customer. Generally it is very important to pay attention to study of service quality, its dimensions and measuring method in order to improve it continuously. Continuous offer of high quality service is extremely important to reach consumer satisfaction which is reflected positively to competition and to profitable business of service companies.

Customer satisfaction is considered to be one of the most important outcomes of all marketing activities in a market-oriented firm. The obvious need for satisfying the firm's customer is to expand the business, to gain a higher market share, and to acquire repeat and referral business, all of which lead to improved profitability (Barsky, 1992). Most researchers and practitioners accept the notion that customer satisfaction is positively associated with desirable business outcomes (Keinninghan, Perkin , Akosoy and Estrin , 2005). Therefore companies should strive to improve their customer satisfaction level consistently.

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. This was the year the vision of our founders came to fruition. Berhan bank was launched and inaugurated in 2009, opening its first branch in Bole. From the onset, it was the first local bank to operate using core banking solution, fully automating and networking our branches.

It achieves commendable gross profit of Birr 26 million while our total deposits and assets grew by 211.6 percent and 140.8 percent from our 1st year of operation. The branch network grew to 12 branches. Apart from operational achievements, it initiated the establishment of Berhan Insurance Company and also became the first bank to interface with the National Payment

System (NPS) launched by the National Bank of Ethiopia (NBE).With a more than doubled customer base, it began to gain prominence in the industry, reaping a high profit of Birr 46.5 million, a 79 percent growth from the preceding year.

The bank takes part in bridging the gap presented in the credit system. Parallel to aiming for credit benefits, and it promotes access to credit and accumulation of fixed asset to be made available not only for the business people but also for the professional, civil servant and the self employed through provision of personal loan. This paves the way for equitable distribution of credit resource. Businesses need a steady flow of cash to keep operations running smoothly. Because there will be times when access to liquid funds is tight, Berhan International Bank has flexible loans, overdraft facility and mortgage options that can help you manage your payables, finance real estate transactions, and take advantage of expansion and growth opportunities. The Bank offers financing solutions with a variety of rates and terms to meet your specific borrowing needs.

It offers term loans, granted to customers to be repaid within a specific period of time with interest. The loan could be repaid in a lump sum on maturity, or in periodic installments (i.e. monthly, quarterly, semi-annually), depending on the nature of the business, the cash flow pattern and agreement of borrower and the Bank. (Annual report, 2016)

The definition of quality depends on the role of the people defining it. The difficulty in defining quality exists regardless of product or service, and this is true for both manufacturing and service organizations. Further complicating the issue is that the meaning of quality has changed over time. Today, there is no single universal definition of quality. Some people view quality as "performance to standards." Others view it as "meeting the customer's needs" or "satisfying the customer".

According to the American society for quality (ASQ), quality is a subjective term for which a person has his or her own definition, and terms of technical usage,"quality" carries two meaning; the distinctiveness of a product or service that is able to satisfy the stated need of a customer and a product or service that is free from any deficiency.

ISO 8402-1986 standard defines quality as the totality of features and characteristics of a

product or service that bears its ability to satisfy standard or implied needs. The quality of something can be determined by comparing a set of inherent characteristics with a set of requirements. If those inherent characteristics meet all requirements, high or excellent quality is achieved. If those characteristics do not meet all requirements, a low or poor level of quality is achieved.

1.2 Statement of Problems

Loan service is mainly granted by banks including to several other functions like mobilizing deposits, local and international transfers, and currency exchange service. Banks are one of the most important financial intermediaries whose primary function, as well as their reason of existence is to mobilize funds and pass them over or lend to those which need to finance businesses or projects. Because of their intermediary function, banks also serve as a vehicle for the economic and social development of a country. The degree of the development of the banking system in any country is measured by its ability to deliver these functions efficiently (Touny, 2014). As (Chaoprasert & Elsey, 2004) said the interrelated nature of customer satisfaction and service quality revealed that satisfaction of customers depends on service quality. This is particularly true in the less developed countries like Ethiopia where capital markets are either under developed or virtually non-existent to meet the credit needs of society. If the provided loan service quality is poor it will cause dissatisfaction of clients and if providing poor loan service is to be lengthened, Berhan would lose its valuable customers to their competitors 'which are other private and commercial bank.

From this inception, Berhan Bank has been known by its uniqueness of service quality among other banks in Ethiopia. However, the effect of existing loan service quality on customer satisfaction has not been studied intensively. And this may lead to missing what the main qualities the clients are looking. Since, Berhan Bank primary strategy was to operate in one branch strategy the credit department exists in the main branch. The current loan customer satisfaction of Berhan should be known as to how to adjust the service quality. Service process performance in the banking industry should be measured continuously.

A preliminary study conducted with 15 Berhan bank's loan customers by the researcher (conducted at branch conveniently) regarding the credit service quality revealed that there exist some dissatisfaction with the credit service of the bank. Poor customer handling in certain areas of loan services delivery may cause customer dissatisfaction.

It should be noted that extensive work has been done on service quality and customer satisfaction in banking industry (Bowen and Hedges (1993), Carman (1990), Ding (2004), Jain and Gupta (2004). Only a few studies concerned on service quality, loan acquisition and customer satisfaction exists. Thus, this study was designed to study the effect of loan service quality as an independent variable on dependent variable i.e. customer satisfaction using the five factors of service quality Parasuraman (1988), by focusing on the loan service provided by Berhan Bank, Ethiopia.

1.3 Research objective

As research is guided by an objective, this section presents the intended outcomes of this study. The formulated main objective and the specific objective that elaborate the research are presented below:

1.3.1 General Objective

The general objective of this study was to examine the effect of loan service quality on customer satisfaction in Berhan International Bank.

1.3.2 Specific Objective

The specific objectives of this research include:

i. To examine the relationship between tangibility and customer satisfaction in loan service.

ii. To assess the effect of empathy on customer satisfaction in loan service.

iii. To identify the relationship between responsiveness and customer satisfaction in loan service.

iv. To assess the association between assurance and customer satisfaction in loan service.

v. To evaluate the relationship between reliability and customer satisfaction in loan service.

5

1.4 Research questions

In light of the research objectives stated in the above section, the research makes an attempt to find out answers to the following basic questions:

i. To what level tangibility affect customer satisfaction in loan acquisition service?

ii. To what extent does empathy affect customer satisfaction in loan acquisition service?

iii. To what level responsiveness affect customer satisfaction in loan acquisition service?

iv. To what extent does assurance affect customer satisfaction in loan acquisition service?

v. To what level reliability affect customer satisfaction in loan acquisition service?

1.5 Significance of the study

This study will help Berhan International Bank managers and employees to focus on how to provide service to satisfy customer. The researcher hopes that from the suggestions and recommendations the managers of BIB can make a better decision in order to become effective on handling their customer. This thesis will also help other researchers to conduct further studies on service quality and its effect on customer satisfaction. In addition to this, this thesis will help readers to gain knowledge and better understanding in the area of service quality and customer satisfaction.

1.6 Scope of the study

Poor credit services particularly true in the less developed countries like Ethiopia where capital markets are either under developed or virtually non-existent to meet the loan needs of society. Berhan international banks should managed the risk to earn profits and maximizing credit needs of the society the study focused on Berhan International Bank targets only the loan customers, who have an experience regarding the service quality in acquisition of credit or loan, and assessed the effect of loan service delivery (quality) dimensions in terms of (Reliability, Responsiveness, Tangibility, Empathy and Assurance) towards customer's satisfaction.

1.7 Organization of the Study

Chapter one explains the issue that will be discussed in this study. It also high light, the background of the research, back ground of the organization, statement of the problem , research objective ,research question, significance of the study, scope of the study and organization of the study.

Chapter two provides review of the most important theoretical concepts such as quality, service, service quality; it will thoroughly discuss dimension of service quality that have close relation with customer satisfaction, the relationship between service quality and customer satisfaction. It further provides an insight into these concepts by focusing on previous research in this area and presents reviewed literature relevant to this study.

Chapter three describes the research design utilized. Specifically, the chapter describes research design, target population, sampling techniques and sample size determination, the measuring instrument used, the procedure followed to gather data, and the statistical techniques used to analyze the data and finally, ethical consideration that should be taken into account.

Chapter four reports on the results of the empirical analysis. Further, it proceeds with an analysis of the different statistics on the variable under consideration..

Chapter five describes the result of the study in greater detail and the limitation of the study and the implications for future research are addressed finally, the chapter concludes with recommendation.

CHAPTER TWO

2 REVIEW OF RELATED LITERATURE

This chapter describes the general overview for the concept of service quality and customer satisfaction by summarizing and examining the accumulated literature in the area. It begins by defining the basic concepts in service quality theory and customer satisfaction and gives a detail description for the SERVPERF instrument that will be used in measuring service quality for Berhan Bank .After critical reviews; the conceptual framework of the study is drawn.

2.1 Theoretical Review

2.1.1 Service Quality Models

2.2 Service and Service Attributes

2.2.1 Service

Now a days, service industry accounts for a big part in the national economy structure. In order for a company's offer to reach the customers there is a need for services. These services depend on the type of product and it differs in the various organizations. Service can be defined in many ways depending on which area the term is being used. Service is invisible operation, tools that bring benefits and make customers satisfied. It differs from physical products, which can be measured, tasted or counted. Different researches define service in different ways; the followings are some of popular definition:

- Zeithaml and Britner (2000) defined service as an activity, a process, and method to conduct a work to create usage value to customers in response to their needs and expectations.

- "Any intangible act or performance that one party offers to another that does not result in the ownership of anything" (Kotler & Keller, 2009, p. 789).

- Kotler and Armstrong (2004) defined service as activities or benefits that providers can contribute to customers to establish, maintain, and expand long tern cooperation with

customers. In this research, service is understood as activities, benefits to customers to satisfy their needs and service is not a tangible product. In all, service can also be defined as an intangible offer by one party to another in exchange of money for pleasure.

2.2.2 Service Attributes

Service is intangible unlike material goods, so it has its unique attributes such as intangibility, non-homogeneity, unstorability. Nguyen et al., (2006) introduced the five basic attributes of service.

1) Intangibility

Service is intangible with no shape, people cannot see nor feel it before using. Customers only feel about service quality when they use it, interact with it, and cannot know service quality in advance. In other words, service quality depends on subjective feelings of users, so it is difficult to measure service accurately by specific technical indices.

2) Variability/Non-homogeneity

Service quality does not stay the same at different times of conducting the service; the quality depends on customers' personal feelings of the service. With the same process of providing service, but feelings of the service quality by different customers at different times might be different; feelings of a service by different customers might be different. Service can be evaluated from the weak level to perfect by different customers up to their expectations. Due to this characteristic, standardizing service seems to be more difficult than standardized specification of other visible products.

3) Inseparability

It is difficult to distinguish service delivery and service usage; they are two separate activities. A service cannot be separated into service creation and service usage; they are at the same time. This is the basic difference between service and other tangible commodity, which are produced and then distributed to customers. Service is the process of delivery and usage at the same time, customers and service provider participate during the time of service creation.

4) Perishability/ Unstorability

As services have the delivery and usage at the same time; they cannot be stored like other tangible commodity. In other words, services cannot be stored before distribution or usage.

5) Simultaneity

Service creation happens at the same time as service usage. We cannot separate those two behaviors. In order to understand service quality, it is equally important to define what quality can be defined as "the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs" (Kotler et al., 2002, p. 831). It is evident that quality is also related to the value of an offer, which could evoke satisfaction or dissatisfaction on the part of the user.

2.3 Service Quality

Service quality can have many different meaning in different context. Parasuraman (1985) define service quality as:-

*"*The difference between customer's expectation of services and their perceived service. If the expectation is greater than the service performance, perceived quality is less than satisfactory and hence customer dissatisfaction occurs'.

Zeithaml & Bitner (2003), states that service quality is a focused evaluation that reflects the customer's perception of Specific dimensions of service: reliability, responsiveness, assurance, empathy, tangibles. Expectation is viewed in service quality literature as desires or wants of consumer i.e. what they feel a service provider should offer rather than would offer (Parasuraman et al, 1988). Perceived service is the outcome of the customer's view of the service dimensions, which are both technical and functional in nature (Gro'nroos,1984)

Gro'nroos (1982) developed a service quality model that has three components of service namely; technical quality; functional quality and image. He maintains that the customer evaluation of perceived performance of service against his /her perceived service quality result in a measure of service quality. For both, technical and functional quality, you compare what you perceive you received to what you expected to receive. If your expectations were meet or

exceeded, you will believe you received a high quality service. If your expectations were not meet, you will feel the quality of service was poor. If the customer perceives they receive poor service, then the decision about future patronage will be based on that perception.

Hernon and Nitechki (2001), summarized the definition of service quality in four perspectives

1. Excellence:- The quality of excelling; possessing good qualities in high degree

2. Value:- it stress the benefit to the recipient

3. Conformance to specification it facilitates precise measurement , but users of a service may not know or care about internal specifications

4. Meeting and /or exceeding expectation: this definition is all encompassing and applies across service industries, but expectations change and may be shaped by experiences with other service providers.

2.4 Dimensions of Service Quality

Relative importance of dimensions Parasuraman (1988) has observed that their instrument (SERVQUAL) can be used to evaluate the relative importance of the dimensions of quality in influencing customers' overall perceptions of a service. The relative weight that customers seem to give to each quality dimension can be determined. One of the important results that have been reported in the early studies of relative importance is that customers are quite consistent in both their imputed and their direct rankings of the importance of the service quality attributes.

In an effort to conceptualize services quality (by taking in to account all the aspects of customer perceived services quality, including those already addressed in the existing instrument and those that are left out in the empirical services quality literature) Sureshchandar et al. (2001) identified five factors of services quality as critical from the customer's point of view .These includes: core service or service product; human element of service delivery; systematization of service delivery: non-human element; tangibles of service- service scopes; and social responsibility.

Services unique selling proposition can be woven around different criteria (tangibility, customization, labor intensity, etc.). This criterion in turn could be the key performance dimension. Different user groups can see each type of service in turn as performing on a number of factors across different dimensions. From among these factors, some are the key factors (KFs) and are relatively more important for the consumer. A number of these key factors could be simultaneously important for these user groups, though the relative importance of these dimensions may vary from one user group to another. There may also be a general shift in consumer preference for a dimension, for example, from "medical-care" through "patient-care" to "hospital-care," incase of the consumers of healthcare. Their importance may also vary from one consumer to another with regard to the second issues is which of the dimension of service quality will be dominant in the service quality, given that the measurement items have been operational zed (Lapirree, 1996). Based on this assumption, different researchers have raised different dimensions of services quality that should be paramount in the eyes and perceived attitude of the customer. Among this, Koushiki Choudhury (2007) suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India, namely, attitude, competence, tangibles and convenience.

The SERVQUAL scale is the principal instrument widely utilized to assess service quality for a variety of services. Parasuraman (1988) have conceptualized a five dimensional model of service quality such as: reliability, responsiveness, empathy, assurance and tangibility. Their measurement instrument is known as SERVQUAL, which has become almost the standard way of measuring service quality. Alternatively, SERVPERF is based on the "performance only" perspective and operationalizes services quality as customers' evaluations of the service encounter. As a result, SERVPERF uses only the performance items of the SERVQUAL scale (Brady et al., 2002; Cronin and Taylor, 1992, 1994). These five dimensions Includes:

- **Reliability,** which is concerned with the extent to which customers can depend on the organization to perform the promised service, to do it accurately and to get it right first time. Performing the service dependably and accurately is paramount to service customers, has been strongly supported by research (Zeithaml *et al*., 1990). According to Zeithaml *et al*. (1990), service providers' apologies start to wear thin when a company is careless in performing the service, when it makes frequent mistakes and

when it is casual about keeping its service promises. Under these circumstances, customers lose confidence in the firm and little can be done to regain it. The study by Zeithaml and Bitner (2003) further revealed that it is very important to do the service right the first time; in case a service problem does crop up, by resolving the problem to the customer's satisfaction, the company can significantly improve customer retention. However, companies fare best when they prevent service problems altogether and fare worst when service problems occur and the company either ignores them or does not resolve them to the customer's satisfaction

- **Assurance**, which is concerned with the extent to which the organization and its staff are competent, courteous, credible and trustworthy. It also considers the extent to which the consumer feels secure.

- **Tangibles,** which includes the appearance of physical facilities such as the interior of the branch, the appearance of staff and the appearance and quality of communication materials. The service quality factor tangibles are defined by whether the physical facilities and materials associated with the service are visually appealing at the bank. These are all factors that customers notice before or upon entering the bank. Such visual factors help consumers form their initial impressions. A crucial challenge in service marketing is that customers cannot see a service but can see the various tangibles associated with it - all these tangibles, the service facilities, equipment and communication materials are clues about the intangible service. If unmanaged, these clues can send to the customer's wrong messages about the service and render ineffective the marketing strategy of the company. On the other hand, improving quality through tangibles means attention to the smallest details that competitors might consider trivial. Yet, these visible details can add up for customers and signal a message of caring and competence

- **Empathy,** which is concerned with factors such as accessibility, good communications, understanding of customer's needs approachability and friendliness. On the other hand, Sandip Gosh Hasra and BL Srivastava (2009) in their study indicated that the bank should pay attention to these dimension of service quality and pay more attention to dimension of assurance-empathy to increase loyalty to a

13

company, willingness to pay, customer commitment and customer trust. Whereas, Sudesh (2007) revealed that poor service quality in public sector banks is mainly because of deficiency in tangibility, lack of responsiveness and empathy

- **Responsiveness,** which is concerned with how the organization, through its staff, responds to customers. Important issues include the extent to which staffs are helpful, prompt and able to solve problems

Moreover, in one key study Parasuraman (1988), reliability was demonstrated to be the most important dimension and empathy (a composite of understanding and access) the least important across a seemingly wide array of service types. Zeithaml et al. (1990) also report, using a variation of SERVQUAL that tangibles proves to be consistently unimportant. A pertinent question here is that whether such a generalization is possible. Chowdhary (2000) suggest that generalizations are difficult to make because of variation in the basic nature of services (labor or capital intensity) and that the type of industry affect the design of service. It was seen that empathy and responsiveness were found to be more important for labor intensive industry while tangibles and reliability affected the assessment of quality dimensions in case of capital intensive services.

Finally, research comparing the predictive validity of SERVQUAL with SERVPERF has been based on assessing which of the two measures is a better predictor of service quality. Service quality has been used as the criterion because it is a global representation of the quality of the service offered by an organization (Cronin and Taylor, 1992, 1994; Jain and Gupta, 2004; Kettinger and Lee, 1997; Quester and Romaniuk, 1997). In their comparison of SERVQUAL with SERVPERF, Cronin and Taylor (1992) built their argument for the superiority of SERVPERF over SERVQUAL by empirically showing that SERVPERF is a better predictor of service quality than SERVQUAL (Francois et. al, 2007). Yet, in response to the criticisms, Parasuraman (1994) claimed that many of those concerns are questionable and offered a set of research directions for addressing unresolved issues.

2.5 Measurement of Service Quality

2.5.1 SERVQUAL

Parasuraman (1988), developed the SERVQUAL model which is a multi-item scale developed to assess customer perceptions of service quality in service and retail businesses. The scale decomposes the notion of service quality into five constructs as follows: Tangibles, Reliability, Responsiveness, Assurance and empathy. It bases on capturing the gap between customers' expectations and experience which could be negative or positive if the expectation is higher than experience or expectation is less than or equal to experience respectively.

According to Gilmore, (2003), SERVQUAL is based on measuring customer satisfaction in terms of the relationship between expectations (E) and outcomes (O). If the outcome (O) matches expectations (E), then the customer is satisfied. If expectations (E) exceed the outcome (O), then customer dissatisfaction is indicated. If the outcome (O) exceeds expectations (E), then customer 'delight' may be the result.

SERVQUAL =Performance –Expectations

Weighted SERVQUAL = importance x (performance – expectations)

Tangibility: physical facilities, equipment, and appearance of personnel
Reliability: ability to perform the promised service dependably and
accurately **Responsiveness**: willingness to help customers and provide
prompt service

Assurance: knowledge and courtesy of employees and their ability to inspire trust and confidence

Empathy: caring individualized attention the firm provides to its customers

Early SERVQUAL model was developed based on ten dimensions but it is diminished in to five later. Assurance and empathy involve some of the dimensions that have been left like communication, credibility, security, competence, courtesy, understanding/knowing customers and access. This is because these variables did not remain distinct after the two stages of scale purification, Parasuraman (1988). (13) The five dimensions are measured with an instrument

using 22 items. Respondents are required to first give responses about their expectations of service and then their evaluation of the actual service. Satisfaction is calculated as the difference between perceptions and expectations, each item weight importance. Parasuraman et al. (1988) established that a mismatch between expectations and perceptions of performance causes dissatisfaction or a 'performance gap'.

2.6 Application of the SERVQUAL Model in Different Contexts

According to Munusamy et al., (2010), the following researchers assess the application of the model in different contexts. Kumar et al., (2009), used the SERVQUAL model in a research to determine the relative importance of critical factors in delivering service quality of banks in Malaysia. They end up with the recommendation that banks need to be more competent in delivering their services and fulfilling the assurance of customers and providing the banking services more conveniently.

Badri et al., (2003) made an assessment and application of the SERVQUAL model in measuring service quality in information technology centre. Based on their feedback, respondents felt that SERVQUAL is a useful indicator for IT center service quality in institutions of highereducation. Negi, (2009) used the model to determine customer satisfaction through perceived quality in the Telecommunication industry and found out that reliability, empathy and network quality proved to significantly effective in contributing to overall service quality and overall customer satisfaction with mobile services. Curry et al., (2002) further confirm the SERVQUAL model, potential applicability in measuring service quality in the public sector to determine customer priorities and measure performance. According to Nyeck, et al., (2002), the SERVQUAL measuring tool remains as the most complete attempt to conceptualize and measure service quality.

The general idea from the past literature on this idea is that, there is a relationship between service quality and customer satisfaction. Also that service quality could be evaluated with the use of five service quality dimensions and the most useable is the SERVQUAL scale. In getting right to the main point, this study tried to apply this instrument in the context of bank service and found if its dimensions could measure service quality and customer satisfaction, hence it is adequate to measure the assumptions.

2.7 Customer satisfaction

The most important concept of customer satisfaction is accepted all around the world is the expectancy disconfirmation theory. This theory was presented by Oliver in 1980, he presented that satisfaction stage is the resultant of distinction between anticipated and supposed performance. Satisfaction will be encouraging when the actual level of services or products is better than the anticipated (positive disconfirmation), whereas (negative disconfirmation) when the product or services level is lower than expected (Saleem & Raja,2014)

Agbor, (2011) defined customer satisfaction as, customer satisfaction is identified by a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time (i.e. post-purchase, post consumption) (Daniel and Berinyuy,2010). Customer satisfaction is conceptualized as being transaction-specific meaning it is based on the customer's experience on a particular service encounter (Cronin & Taylor,1992).

Concepts of customer satisfaction once customers are satisfied and have positive image about a particular firm, it will take some time for competitors to snatch or convince them and switch to their organization. Benefits derived by companies from customer satisfaction include repurchasing to increase sales or profits speak well about the products or services to others, as a result end up with loyal customers. Banks have different customers including individuals, groups, organizations, communities or nations which may have different interest but all of them need to be satisfied. So as a service giving industry, the banking service has to intensify its efforts to satisfy customers through the provision of quality services (Amoah-Mensah, 2010). The importance of customer satisfaction cannot be dismissed because happy customers are like free advertising (Mohsan et al.,2011).

Customer satisfaction plays especial role in highly competitive industries, where there is a tremendous difference between the loyalties of merely satisfied and completely satisfied or delighted customers. To improve its customer satisfaction levels, a company must first find out how satisfied or dissatisfied its current customers actually are (Lovelock and Wright,1999).

Customers' satisfaction calls for the retention of customers for the long term, which is more economical than attracting new customers Reichheld and Kenny (1990). According to Oliver (1997), customer satisfaction is an evaluation by the customer, after buying goods and services. The most time-honored view of customer satisfaction in the academic world is that customer satisfaction is the judgment assumed out of the comparison of pre-purchase expectations with post-purchase evaluation of the product or service. Achieving customer focus requires leveraging existing customer information to gain deeper insight into the relationship a customer has with the institution, and improving customer service-related processes so that the services are quick, error free and convenient for the customers (Shah,2012).

In fact, customer satisfaction is widely recognized as a key pressure in the formation of customers' future purchase intentions Taylor and Baker (1994). In today's highly competitive, increasingly consolidated world, offering personalized and differentiating services can be critical to a bank's success. It is a well-researched fact that investments in customer satisfaction, customer relationships and service quality leads to profitability and market share. Put differently, customer satisfaction leads to customer loyalty and this also leads to profitability. If customers are satisfied with a particular high quality service offering after its use, then they can be expected to engage in repeat purchase and even try line extensions and thus market share can be improved (Shah,2012).

2.7.1 The Importance of Customer Satisfaction

According to Nawaz, (2010), customers' satisfaction is the corner stone for relationship between marketing and management. It is the source of competitive advantage for organizations and there is also a positive relationship between customers' satisfaction and financial performance. Satisfied customers will also recommend others to use the service provider. It also provides many benefits for a firm, and higher levels of customer satisfaction lead to greater customer loyalty. In the long run, it is more profitable to keep good customers than to constantly attract and develop new customers to replace the ones who leave. Lovelock and Wright, (1999), accentuate that, highly satisfied customers spread positive word of mouth and in effect become a walking, talking advertisement for a firm, which lowers the cost of attracting new customers. High levels of customer satisfaction are an insurance policy against something going wrong. Long-term customers tend to be more forgiving in these situations, because an

occasional bad experience will be offset by previous positive ones, and satisfied customers are less susceptible to competitors' offerings.

2.8 Berhan bank credit facilities:

Berhan bank provides various types of credit products classified based on:

I.   Credit department's structure:-

   ➢ Corporate loans- loans having relatively big size shall be placed under corporate loans.

   ➢ Retail loans- all loans that are not included under corporate category shall be placed under the retail loan category which have relatively small size.

   ➢ Consumer loans- loans availed to individuals that are not engaged in business.

II. Classification of loans by product:-

   ➢ Term loans and merchandise loan

III. Export related loans

   ➢ Pre-shipment export credit, advance against export bills, letter of credit, irrevocable letter of credit, advance against import bills, import letter of credit settlement loan, overdraw from current account, bridge loan and line of credit.

IV. Real-estate, construction and mortgage loans

   ➢ Real-estate loans, construction loans, mortgage loan and home equity loans and home equity line of credit.

V.   Machinery and vehicles loans

   ➢ Loan for machinery and equipments, loans for trucks and automobile, project finance and letter of guarantee.

VI. Other credit products

   ➢ Syndicate financing, loan buy-outs and loan for micro-financing institutions. (Berhan bank credit legal document)

2.8.1 General Lending Procedures and Processing in loan Applications

According to Berhan documentation; credit request may originates from the customers themselves. In the process of granting credits documents should be presented by the customers as regards their collaterals and their trade license if they are traders or any identifying evidences for their work.

I. Getting started**:-**this is the first stage in which either the customer will come to the bank seeking for a loan or the branch manager initiates the customer to take out a loan for his business because the customer may not always know how to obtain credit from a bank.

II. Preliminary discussion with the customer**:-**after the first encounter the request for a loan can be processed. Then the borrower's credit worthiness is assessed. The request may not be processed if it falls outside the domain of the bank's credit policy. If it is accepted, the customer completes the bank credit application explaining the relevant details to be incorporated there in including the type of collateral he/she is able to offer.

III. Processing the loan application:-if the loan request of a borrower can be processed then the branch manager or other lending officers shall follow a detailed procedure in the appraisal of credit request and execution of the necessary documentation. The following general guideline is to be observed by lending officers of the bank whenever a loan request is presented to them.

IV. Loan application: the loan application should be in writing stating the following main points: amount of loan requested, the intended purpose for which the loan is to be used, the proposed collateral, mode of repayment and possible sources, duration of the loan, direct and indirect liabilities, the borrower's contribution to the project, a brief history of the firm or the borrower and its future plan, and any other information that may assist the lending in appraising the loan proposal.

V. Documentation:-along with the written loan application, the following and other documents should be submitted as may be demanded by the bank:-Trade license, registration certificate, investment certificate from the appropriate ministry or bureau,

financial statements (preferably audited and reflecting the current years position) including cash flow statement, especially if the borrower runs a sizable business, feasibility study other documents that may justify the need for the loan as may be required by the bank on the merit of each application.

VI. Bank format: - the bank provides formats on which a customer would complete specific, general and financial information. The bank shall use its own format on which the borrower will have to fill in his assets and liabilities especially if the applicant does not have a ready financial statement or is not able to submit one.

VII. Interview:- after all the documentations are in order, the customer may be called in for interviews to obtain further information that has not been disclosed in the application or documents or that were not made clear to the lending officer. A general interview on his/her business and future plans can provide useful information. It is usually necessary to have prior preparation on the topics to be discussed and this should be to the point. In the interview important information must be skillfully extracted.Site visits:-if the loan interview indicates that the request for credit sound, a site visit to the business for a more detailed assessment is necessary. Site visits are useful for many reasons mainly to become acquainted with new customers; to review changes that are taking place when customers have been granted a continuity line of credit; to review such changes when a significant new loan is to be considered and to assess the manner in which the business is organized. Important benefits can accrue from regular and informal visits to seize up the customer, which might reveal his managerial ability at close range. Any diversification of funds by customer other than for which it was intended should be immediately corrected upon bank's advice. (Berhan bank credit legal document)

VIII. Credit Information: - if the borrower or the applicant is new to the bank, it is particularly necessary to obtain as much information as possible. Such information may usually be related to his honesty, ability, stability, managerial capacity, operational efficiency, financial history, etc. The information can be gathered from various sources, including banks, trade partners, suppliers and the like. Credit information from bank must be required at the earliest possible time, while other lending formalities continue to overcome unnecessary delays in processing the loan application.

IX. Credit Investigation:-when as much relevant and adequate information is obtained, the credit investigation can be conducted to determine the accuracy and the authenticity of the statements made during interview and at the time when financial position was declared. One must also look for information regarding payment habits and the character of the operator of the business. The Investigation process should be comprehensive and detail sufficiently far into the past to establish all pertinent facts regarding the applicant and his business. There is nothing more important than knowing a potential borrower as thoroughly and as fast as possible before making credit decisions.

X. Credit analysis:-the next step in the sequence of credit appraisal is conducting credit analysis of the applicant's financial condition should be done carefully. Ratios should be calculated to determine the applicant's liquidity position and ability to repay the debt. The decision to external credit to the customer should basically depend on such and many other factors outlined above. The nature of the financial analysis is determined by or depends upon the specific interest of the analyst.

XI. The credit decision:-the final decision as to whether the loan request should be approved or rejected is reached by comparing the statements made by the applicant with the information derived through the investigation process and by analyzing various credit factors such as capacity, capital, collateral, track record for repayments and others. At this point it is necessary to underline the need for fast processing of credit application so that credit decision is given without undue delay. Undue delay in credit processing leads to losing good borrowers, a situation which must always be avoided. The competitive environment dictates that priority attention must be given to test processing of credit applications. Formalizing or Execution of the loan documents:-once the loan approved, the terms and conditions to which the borrower and lender agree should be incorporated in a written agreement. All documents relative to the transaction should be completed and executed properly. The loan documents include a loan contract, any mortgage or assignments required to secure the indebtedness, evidence of adequate insurance coverage and the like. In particular, the branch manager must ensure that mortgage or the collateral has full legal authority to pledge the collateral offered and the spouse or legal heirs of the borrower, if legally required must sign the mortgage contract. Failure to

fulfill this requirement will jeopardize the banks right in the event of default and the branch manager will bear full responsibility of its and other legal requirements if not fulfilled prior to the disbursement of the loan. (Berhan bank credit legal document)

2.9 Service Quality and Customer Satisfaction

Abiyot and Gemechu (2016), Healthiness of financial system of a country depends on the success and competitiveness of financial institutions. Further, the study explored the relationship among service quality, customer satisfaction and customer loyalty in Ethiopian Banking industry. The study revealed that customers are not satisfied with all dimensions of service quality of commercial banks in Ethiopia, and customers are not loyal to the banks. The study, further, confirmed that service quality, customer satisfaction and loyalty were found to be significantly correlated. Moreover, the study disclosed the existence of significant difference between private banks and public banks for the variables mentioned. The study recommends that banks in general and Berhan bank in particular have to improve the tangibility, reliability, responsiveness, assurance and empathy dimension of service quality in order to satisfy customers and hence to make customers loyal to the banks.

1. **Tangibles and Customer Satisfaction**

Kahn and Fasih, (2014) found that banks with better ambience enhance customer satisfaction in a better way. Combining tangible and intangible attributes of premium quality in products and services provided by banks may create a strong and long-term relationship with their customers. This service quality dimension comprises of bank ambience, service equipment, human resources (staff) and the means of communication. In simple words tangibles are about creating foremost impressions. All organizations desire that their customers get an exceptional and positive foremost impression. Focusing on this particular dimension will help them to gain maximum benefit.

Ladharietal.,(2011) concisely explain the idea of tangibles role in banking sector. Service quality is key tool to achieve customer's attention. Varying behaviors and attitudes of customers demand high service quality to attain their perception of service.

H_1: Tangibles has significant effect on customer satisfaction in Berhan loan operation.

2. Reliability and Customer Satisfaction

The association between dimensions of service quality and customer satisfaction was investigated by (Khan and Fasih, 2014). They found a significant relationship between reliability of services on the satisfaction level of customers. The literature reveals an increased degree of positive relationship between service quality, customer satisfaction and performance (both financial and non-financial) where face-to-face dealing between customer and employee is the only focus. Technology expansion has had a great impact on the choice of service delivery standard and services marketing strategies. This has yielded many prospective competitive advantages including augmenting of productivity and enhanced revenue creation from new services (Khan and Fasih, 2014; Muyeed,2012).

H_2: Reliability has significant effect on customer satisfaction in Berhan loan operation.

3. Assurance and Customer Satisfaction

Assurance has been identified as a significant dimension of service quality by Parasuraman (1988). They propose that all of these dimensions significantly enhance customer satisfaction. It is believed that if the employees of financial institutions display trustworthy behavior, the satisfaction level of customers can be enhanced significantly. It may also positively influence repurchase intension of customers (Ndubisi, 2006; and Ndubisi & Wah, 2005; Khan and Fasih, 2014).

H_3: Assurance has significant effect on customer satisfaction in Berhan loan operation.

4. Empathy and Customer Satisfaction

A positive and significant relationship is found between empathy and customer satisfaction by Iglesias and Guillen (2004). It was proposed, that customers may remain unsatisfied with service quality if a gap is left in empathy. It was also established by Khan and Fasih, (2014) that customer satisfaction is significantly impacted by empathy. It makes customers contended and in the long-run serves as an important predictor in improving the financial performance of the organization.

H_4: Empathy has significant effect on customer satisfaction in Berhan loan operation.

5. Responsiveness and Customer satisfaction

Low, G.S.,& Lamb J.C.W., (2000)., in his research demonstrated that, the main sources of satisfaction are attentiveness, responsiveness; care and friendliness whereas the main sources of dissatisfaction are lack of integrity, reliability, responsiveness, availability and functionality. Further he argued that, all the reasons of dissatisfaction are not necessarily the other face of the sources of satisfaction though responsiveness is key component in providing satisfaction and the lack of it is a major source of dissatisfaction.

H_5: Responsiveness has significant effect on customer satisfaction in Berhan loan operation.

Many researchers have done their own study on the effect of service quality and customer satisfaction using SERVQUAL model on banking and other service giving organizations in different countries from them the articles listed in the following table are some of the researches which are the most recent and related with this study.

2.10   Review of Empirical Studies

Researchers have shown the positive relationship between service quality dimensions with customer satisfaction in their own studies. According to this study the dimensions that will be considered are depicted with customer satisfaction as follows:

Empirical Studies in the banking industry using SERVQUAL model

Author&	Title	Country	Findings
Khan & Fasih (2014)	Impact of Service Quality on Customer Satisfaction and Customer Loyalty: Evidence from Banking Sector	Pakistan	-Service quality is an excellent technique for enhancing customers' satisfaction level and loyalty. Findings indicate that service quality and all its dimensions have significant and positive association with satisfaction and loyalty of customers towards their respective financial service
Nimako et al.(2013)	Effect of Internet Banking Service Quality on Customer Satisfaction	Ghana	-Within Ghanaian banking industry, web design factors significantly influences Customer Satisfaction and that the rest of the Internet Banking Service Quality identified in the literature may not significantly linked to Customer
Zafar etal. (2012)	Service Quality, Customer Satisfaction and Loyalty: An Empirical Analysis of Banking Sector in Pakistan	Pakistan	-Service quality constructs and customer satisfaction are very important and there is positive and significant relationship between these variables it means the change of one point of each construct of service quality will have effect on the customer satisfaction.
Aghdaie & Faghani (2012)	Mobile Banking Service Quality and Customer Satisfaction	Iran	-Increase in service quality of the mobile banking can satisfy and develop customer satisfaction that ultimately retains valued customers.

Siddiqi (2011)	Interrelations between Service Quality Attributes, Customer Satisfaction and Customer Loyalty in the Retail Banking Sector	Bangladesh	-SERVQUAL [service quality model] is a suitable instrument for measuring the bank service quality and also all the service quality attributes correlated positively with customer satisfaction.
Agbor (2011)	The Relationship between Customer Satisfaction and Service Quality: a study of three Service sectors in Umea	Sweden	-Service quality was significantly related to customer satisfaction but its dimensions are not the only factors that could lead to customer satisfaction in service sectors and service quality dimensions vary in the different service sectors.
Lau etal. (2013)	Measuring Service Quality in the Banking Industry: A Hong Kong Based Study	China	SERVQUAL is a suitable instrument for measuring service quality in the retail banking sectors in Hong Kong. Hence, banking industry practitioners can consider this instrument as a tool to assess and help improve their service quality.
Ramseook-Munhurrun (2010)	Service Quality In The Public Service	Mauritius	-SERVQUAL instrument, in this study was able to help to identify important areas for improvement in public organization service delivery and also to exceed customer expectations, it is necessary for even a public sector organization to continually improve the quality of service provided to its customers.
Munusamy et al. (2010)	Service Quality Delivery and Its Impact on Customer Satisfaction in the Banking Sector	Malaysia	The result of this study has proven that SERVQUAL model is still the effective model to measure customer satisfaction in the retail banking.

Daniel & Berinyuy (2010)	Using the SERVQUAL Model to assess Service Quality and Customer Satisfaction.	Sweden	-Grocery stores have to improve performance on all the dimensions of service quality in order to increase customer satisfaction since customers expect more than what is been offered by these stores.
Naik etal (2010)	Service Quality and its Effect on Customer Satisfaction in Retailing	India	-Services offered by retail units have positive impact and are significant in building customer satisfaction and also Service Quality dimensions are crucial for customer satisfaction
Naeem & Saif (2009)	Service Quality And Its Impact On Customer Satisfaction: An Empirical Evidence	Pakistan	-Service quality, if managed effectively, can contribute significantly towards customer satisfaction.
Shahin (2004)	SERVQUAL and Model of Service	India	-Organizations can at least assess five dimensions of service quality to ascertain the level of services provided, and to determine which dimensions need improvement.
Zhou etal. (2002)	A Critical Assessment of Servqual'S Applicability in the Banking Context of China	China	-The findings support SERVQUAL in terms of its role in exploring specific customer perceptions and expectations of service quality, and the gap between the two.

* Model used SERVQUAL mode

2.11 Conceptual Frame Work and Hypothesis:

The conceptual framework explains (Figure 1) the underlying process, which is applied to guide the study. As it is tried to explain, the SERVPERF model is appropriate for measuring service quality and customer satisfaction in banking services using the service quality dimensions.
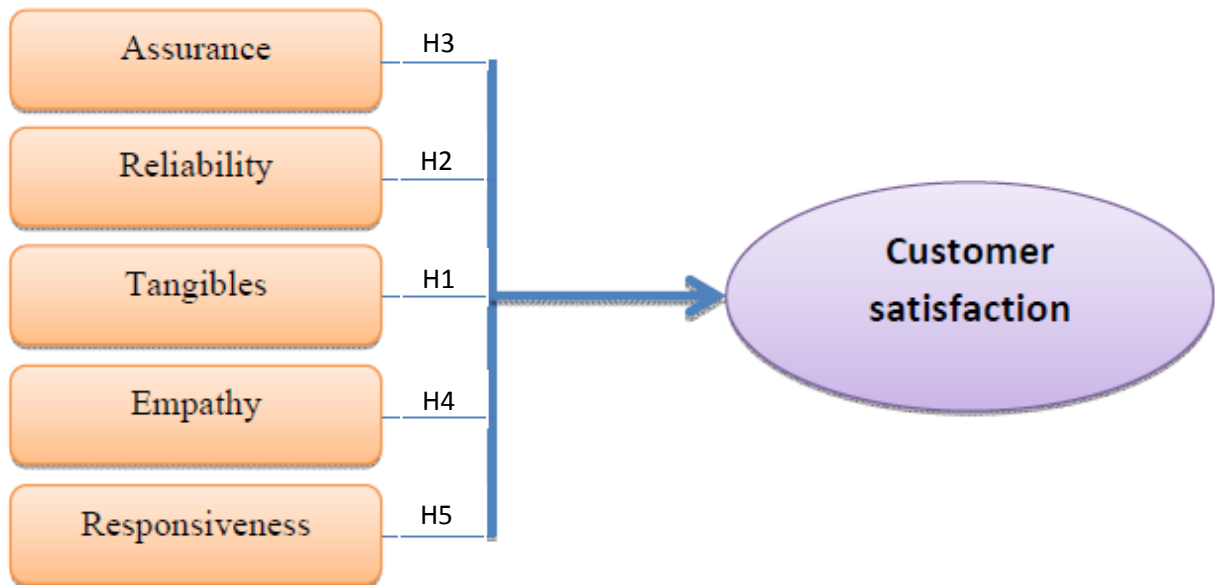
Source: Parasuraman,(2004)

The study used service quality dimensions that are (Reliability, Responsiveness, Tangibility, Empathy and Assurance) to measure the effect of service quality on customer satisfaction. Therefore, based on the revision made by Parasuraman, (2004) on the SERVPERF model, the research adopted the 22-items, in order to answer the research questions. Also, the five dimension of SERVPERF model has been proven to be the main yardstick used by most of the researchers in the evaluation of service quality (Agbor, 2011). Moreover, the SERVPERF model has been proven to be the best model to measure service quality in service sectors especially with the customer perspective. Also, it has been stated that service quality is the overall assessment of a service by the customers (Eshghi et al.,2008).

CHAPTER THREE

3 RESEARCH METHODOLOGY

This chapter describes the research design to be utilized. Specifically, the chapter describes research approach, Research design, target population, sampling techniques and sample size determination, the measuring instrument used, the procedure followed to gather data, and the statistical techniques used to analyze the data and finally, ethical consideration that should be taken into account.

3.1 Research Approach

Research approaches are plans and the procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation (Creswell, 2014). This plan involves several decisions of what should be used to study a topic.

As Denzin & Lincoln (2011) explained there are three types of research approaches which are qualitative, quantitative and mixed. Qualitative research emphasizes the process of discovering how the social meaning is constructed and stresses. Research using qualitative research referred to the meanings, concepts, definitions, characteristics, symbols and descriptions of things, while quantitative research is based on the measurement and the analysis of causal relationships between variables. Quantitative research referred to the measures and counts of things. Based on the suitability to answer the research question, quantitative approach was used.

According Creswell and John (2014), it is also important to classify the research approach in terms of whether it is inductive or deductive. First, the deductive approach known as testing a theory, in which the researcher develops a theory or hypotheses and designs a research strategy to test the formula ted theory, second, the inductive approach – known as building a theory in which the researcher starts with collecting data in an attempt to develop a theory. In general (but not always), quantitative research methods are associated with deductive approaches (based on logic),while qualitative research methods are associated with inductive approaches (basedon

Empirical evidence). In this study deductive approach was used because conclusion follows logically from premises (available facts) and based on theoretical background.

3.2 Research Design

As Creswell, 1994 Research design is the overall plan for connecting the conceptual research problems to the pertinent empirical research. It also reflects the purpose of the inquiry, which can be classified as exploration, description, explanation, prediction, evaluation and history.

The main aim of exploratory research is to identify the boundaries of the environment in which the problems, opportunities or situations of interest are likely to reside and to identify the salient factors or variables that might be found there and be of relevance to the research. The purpose of descriptive research is to provide an accurate and valid representation of the factors or variables that pertain/ are relevant to the research question while the main aim of explanatory research is to identify any casual links between the factors or variables that pertain to the research problem.

The overall design of the research is both exploratory and Descriptive research. The purpose in this research is to explore and give explanation to the research questions posed. Descriptive type of research was used because it involves investigation which provides detailed picture of the situation and detail description of the findings displayed in tables. The research adopted Cross- sectional research which involves the measurement of all variable(s) for all cases within a narrow time span so that the measurements may be viewed as of that period.

3.3 Target population

The target population of the study was the credit customers of Berhan Bank S.C who are available at head office total 670 credit users. The reason of date available at head office, credit is both essential and sensitive service of any bank which means loan customers bring big business to the bank. The service provided during any stage of credit deliverance should be studied carefully so that any dissatisfaction regarding credit could be avoided. Customers in Berhan are very conscious of service quality which means they give high value on service issues so, making them happy and satisfied is one of any bank priorities.

3.4 Sampling Techniques

Purposive sampling method was used at head quarter as sampling techniques. The reason why this sampling selected is that; purposive sampling was selected since the researcher believed that there is a possibility to obtain a representative sample by using a sound judgment, which will result in saving time and money, the aim of this study is to assess credit service quality it only involves customers who utilized and experienced credit/ loan at head office.

3.5 Sample Size

The sample size has determined by the sampling calculation method Using taro Yamane (2005) formula, a sample size of 250 respondents were selected from the population and confidence level at 95%.

From 670 credit customers per contract 250 samples were drawn using this
formula: $n=N/1+N(e2)^2$ where n= sample size

$$N=populati$$
$$on\ e=0.05$$

$N=670/1+0.625\ (0.05)^2$

  $=250$

3.6 Method of Data Collection

The overall borrowers including personal, business and corporate are 670 per contract. However, 250 sets of questionnaires were distributed and there existed no non-response questionnaire. As a result, the 250 questionnaires were collected. All the 250 clients were contacted to take part in the study. According to the bank records, all these clients have their offices in Addis Ababa, thus, for the purpose of data collection all of them were contacted in their respective offices and also at branches conveniently.

- **Primary sources:** A Questionnaire survey using SERVPERF instrument with 22 items was designed to collect primary data from sample identified.

- **Secondary sources:** Secondary data was collected from magazines, web sites and from other relevant publications.

3.7 Data collection Procedures

Parasuraman (1985) indicates that service quality consists of eleven dimensions: reliability, competence, responsiveness, access, courtesy, communication, credibility, security, competence, tangibles, and understanding of customer. For present investigation five dimensions: Tangibility, empathy, Reliability, Responsiveness and Assurance were used. In order to measure service quality regarding credit service, SERVPERF instrument proposed by Cronin and Taylor (1992) was used to measure the service quality. The perceived quality model postulates that an individual's perception of the quality is only a function of its performance. Considering 22 performance items related to credit adequately define the domain of service quality and adjusted to fit with credit services of the bank.

The questionnaire has three parts. The first part of the questionnaire consists of issues related to general information of the respondent. The second part is concerned with the respondent's profile and the third part focused on questions used to assess service quality of the BIB. The adapted questionnaire includes four items correspond to the tangibles dimension; five items correspond to the empathy dimension, five items correspond to the responsiveness dimensions, four items to the assurance dimension, four items to reliability dimension and two items to the customer satisfaction. Respondents were asked to indicate their degree of agreement with each of the items on five point Likert scale. Respondent's perception were measured by requesting respondents to indicate, on a five-point Likert- scales, anchored on''1 = strongly disagree''2 = disagre''3 = neutral''4 = agree''5 = strongly agree.

3.8 Validity

Validity is an important term in research that refers to the conceptual and scientific soundness of a research study. It is a very important and useful concept in all forms of research methodology. Its primary purpose is to increase the accuracy and usefulness of findings by eliminating or controlling as many confounding variables as possible, which allows for greater confidence in the findings of a given study (Marczyk et al, 2005). As the SERVEQUAL instrument had been subjected to verification and analysis and used as a very useful instrument in different settings in the research world it holds good instrument validity.

3.9 Reliability

Reliability refers to the consistency or dependability of a measurement technique, and it is concerned with the consistency or stability of the score obtained from a measure or assessment over time and across settings or conditions. If the measurement is reliable, then the chance that the obtained score is due to random factors and measurement error (Marczyk , Matto and Festinger ,2005).

Reliability could be estimated mathematically or through pre-testing of the instruments. In this study, since the questionnaire items were adopted from previous studies in the SERVQUAL literature but modified to the bank service context, it was practical to discuss with experts in the industry to refine the instrument. As a result, the questionnaire items were adjusted by removing confusing words and to improve upon the clarity of the questions items to strengthen its reliability.

3.10   Method of Data Analysis

In order to meet the research objectives of this study, the data collected was edited, coded, tabulated, and presented for analysis. An analysis of the survey data was performed using SPSS 20. All the responses were assessed using of statistical techniques which are Descriptive statistics and inferential method which was used to interpret the data in general and for testing hypothesis and investigating research objectives respectively. The data analysis technique used was correlation and regression analysis. Pearson correlation analysis was conducted to determine the direction, strength, of the relationships between service quality dimensions and

customer satisfaction. Regression analysis was used to determine the prediction power of independent variables (tangibility, empathy, reliability, assurance, responsiveness) on dependent variable which is customer satisfaction.

3.11   Ethical Considerations

In this research the researcher tried his best to follow an ethical path in the collection, analysis and interpretation of the data. A letter from St. Mary's University had been acquired and presented to the human resource department of Berhan bank and permission was granted to conduct the research in the organization. During the collection of data customer cares of the selected branches were approached and helped the researcher in the collection of data as they are the contact point for every customer. Some of the basic tenants of the ethical behavior in research like voluntary participation and harmlessness, informed consent, anonymity and confidentiality and disclosure were kept in the research. In giving response to the questionnaire participants were informed why the research was conducted and how their response is confidential. Additionally they were aware they had the right to withdraw from answering the questionnaire at any moment they prefer.

.

CHAPTER FOUR

4 RESULTS AND DISSCUSION

In this chapter result of respondents demographic were presented. Furthermore, descriptive analysis, Pearson correlation, linear regression analysis and hypotheses testing were undertaken.

4.1 Demographic Variables and Analysis

The demographic characteristics of the respondents analyzed include gender, education level, position, type of industry, business entity, years banked and types of loan.

Table 1 Gender of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	161	64.4	64.4	64.4
Valid	Female	89	35.6	35.6	100
	Total	250	100	100	

Own survey,2018

Out of the 250 respondents, 64.4% were male and 35.6% were female. This shows the number of male debtors is more than the female debtors. Therefore, the number of male credit client greater than female credit customer served in Berhan bank.

Table 2 Academic Qualification of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than high school	21	8.4	8.4	8.4
	High school	115	46	46	54.4
	Diploma	20	8	8	62.4
	First degree	85	34	34	96.4
	Masters and above	9	3.6	3.6	100
	Total	250	100	100	

Own survey,2018

The above table portrays with regard to educational level of respondents, the highest number are the one who finished high school which comprising 46% of the credit users, followed by 34% of the respondents who have first degree , Less than high school which constitute 8.4% and 8% who have diploma, have master degree and above 3.6% .

Table 3 Position of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manager	99	39.6	39.6	39.6
	Finance manager	119	47.6	47.6	87.2
	Other	32	12.8	12.8	100
	Total	250	100	100	

Own survey,2018

Out of 250 respondents, 39.6 were managers using credit services, 47.6 were financial managers, those who didn't specify each had a representation of 12.8% were may be owners of their businesses.

Table 4 Type of industry of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturing	73	29.2	29.2	29.2
	Agriculture	61	24.4	24.4	53.6
	Trading (import/ export)	80	32	32	85.6
	Other	36	14.4	14.4	100
	Total	250	100	100	

Own survey,2018

Majority of the respondents here participated in the industry like trading (import and export) comprises 32% , manufacturing as their type of business which comprises 29.2 %, followed by agriculture which constitute 24.4% , other which are engaged in trade business, 14.4%.

Table 5 Business entity of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Private limited company	1	0.4	0.4	0.4
	Share Company	45	18	18	18.4
	Other	204	81.6	81.6	100
	Total	250	100	100	

Own survey, 2018

The highest percentage of respondents 81.6%, were from others may be individual loan or sole proprietorship and Share Company, followed by 18% and 0.4% were from private limited company which uses credit in the bank.

Table 6 Since how long you are associated with the bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 1 yr	120	48	48.2	48.2
	1-3 yrs	54	21.6	21.7	69.9
	4-6 yrs	53	21.2	21.3	91.2
	Above 7 yrs	22	8.8	8.8	100
	Total	250	100	100	

Own survey,2018

Majority of the respondents had banked with Berhan for below 1 year which is 48% of the respondents. Those banked from 1-3years represented are 21.6% of the respondents. Those banked from 4-6 years represent 21.2%. and above 7 years constitut 8.8%.

Tabel 7 Types of loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Mortgage loan	69	27.6	27.7	27.7
	Corporate loan	135	54	54.1	81.9
	Other	28	11.2	11.2	93.2
	Total	249	99.6	100	
Total		250	100		

Own survey,2018

Most of the respondents that are 54% utilized corporate loan, 27.6 % of the respondents utilized mortgage loans like merchandise loan, construction loan and other loan with11.2% may be personal loan or consumer loans.

4.2 Reliability

Reliability test was conducted to make sure the instrument used in the study was reliable. The elements under analysis are the twenty four expectation and perception elements with the additional one customer satisfaction measurement instrument. The cronbach alpha for the general instrument is found to be 0.949 which is more than the acceptable range (Saunders, Lewis and Thornhill 2012).

Table 8 Reliability result

Dimension	Cronbach'salpha
Tangibility	0.840
Empathy	0.810
Responsiveness	0.701
Assurance	0.844
Reliability	0.787
Customer satisfaction	0.837

4.3 Descriptive statistics of Service quality dimensions

The SERVPERF scores on tangibility, empathy, responsiveness, assurance, reliability have been calculated by the mean of service quality variables in each factor among the respondents.

Table 9: Summary of descriptive statistics

	Mean	Std.deviation
Tangibility	3.4320	.59227
Empathy	3.2040	52487
Responsiveness	3.2880	.68037
Assurance	3.5040	.77225
Reliability	3.2920	.86355
Customer satisfaction	2.9880	.79396

Own survey, 2018

All dimensions have a score of greater than two. The segment trend in the Assurance dimension indicated the highest mean of 3.5040, followed by Tangibility 3.4320, Reliability 3.2920, and Responsiveness 3.2880& Responsiveness 3.2880. With this mean result of this analysis, each variables of the service quality has an impact on customer satisfaction during the delivery of credit service.

4.4 Correlation Analysis

The table below shows the Pearson's correlation coefficient between the five service quality dimensions and customer satisfaction which is found using the SPSS 20. According to (Field, 2009) the classification of the correlation efficient (r) is as follows: 0.1 – 0.29 is weak; 0.3 – 0.49 is moderate; and > 0.5 is strong. Strong positive value of coefficient of correlation shows that that there is correlation between credit service quality and customer satisfaction. Positive values of correlation coefficient indicate that increase in one variable causes increase in other variable and decrease in one variable causes decrease in the other.

Table 10: Correlation between dependent and independent variables

s	Tangibility	Empathy	Responsiveness	Assurance	Reliability	Customer Satisfaction
Tangibility	1					
Empathy	.297**	1				
Responsiveness	.459**	.603**	1			
Assurance	.242**	.588**	.736**	1		
Reliability	.398**	.757**	.724**	.693**	1**	
Customer Satisfaction	.438**	.767**	.603**	.324**	.631**	1**

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

Own survey,2018

The results indicated that all the service quality indicators have positive correlation effect on customer satisfactions though there degree of effect varies. Therefore when the bank makes changes to one service quality dimension there is likely to positively raise customer satisfaction. The Empathy dimension yielded the highest positive relationship with customer satisfaction. Coefficient of (r=0.767).The Reliability dimension was the second highest positive regarding its association with customer satisfaction (r =0.631). Responsiveness also provided positive correlation coefficient regarding customer satisfaction which is (r=0.603). The Tangibility dimension have positive correlation coefficient with customer satisfaction (r=0.438). The last dimension which is Assurance showed the weakest correlation effect among other service quality variables with (r=0.324).

4.5 Regression analysis

Table 11 Regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.859[a]	0.738	0.733	0.41046	0.738	137.535	5

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	VIF
	B	**Std. Error**	**Beta**			
Tangibility	0.163	0.051	0.121	3.202	0.002	1.341
Empathy	1.053	0.077	0.696	13.727	0	2.397
Responsiveness	0.385	0.053	0.419	7.317	0	3.057
Assurance	-0.496	0.054	-0.483	-9.132	0	2.603
Reliability	0.101	0.071	0.087	1.42	0.157	3.465

This informed us the predicted change in the dependent variable for every unit increase in that predictor. This signifies that for every additional point or value in the empathy one could predict a gain of 0.696 points on the customer satisfaction provided that other variables being held constant the same are for Responsiveness Tangibility, Reliability and Assurance. Generally, customer satisfaction is primarily predicted by higher level of empathy, Responsiveness and Tangibility and to a lesser extent by Reliability and Assurance in Berhan bank. Empathy received the strongest weight in the model followed by Responsiveness and Tangibility this shows they are the dominant dimensions in Berhan bank. Based on multiple linear regression analysis, the above table 11 reveals the impact of each SERVPERF dimensions and their significance. The impact of empathy, Responsiveness, Tangibility, Reliability and Assurance on customers' satisfaction with Berhan bank are 0.696, 0.419, 0.121, 0.087 and -0.483 respectively, in their descending order. By examining this beta weight of data analysis result the finding shown that empathy followed by Responsiveness and Tangibility was making relatively larger contribution to the customer satisfaction.

According to (Greene, 2000), multi collinearity is a high degree of correlation among several independent variables. This test was performed concerned on two values Tolerance and VIF. In social sciences research, a VIF value as high as 10 and tolerance above 0.02 is considered to be acceptable (Field, 2009) Therefore, variables like Tangibility, empathy, Responsiveness, assurance, reliability were checked and tolerance resulted 3.202, 13.727, 7.317, -9.132, 1.42 respectively which indicates that the variables are highly predicted except assurance which is having negative value and its impact on customer satisfaction the specified bank is less. And VIF result is 1.341, 2.397, 3.057, 2.603 and 3.465 respectively which indicate a high degree of collinearity among the independent variable Regression analysis was used to measure the degree of relationship between Service Quality and Customer Satisfaction.

The impact of empathy, Responsiveness Tangibility, Reliability and Assurance on customers' satisfaction with Berhan bank are 0.696, 0.419, 0.121, 0.087 and -0.483 respectively, in their descending order. By examining this beta weight of data analysis result the finding shown that empathy followed by Responsiveness and Tangibility was making relatively larger contribution to the customer satisfaction.

In this study customer satisfaction was taken as dependent variable and tangibility, empathy, responsiveness, assurance and reliability were taken as independent variables. Value of adjusted R square is 0.733 for Service quality which shows that 73.3% change in Customer satisfaction is due to Quality credit Services and .2667 which shows that 26.67 % of change in Customer satisfaction is due to other factors.

CHAPTER FIVE

5   SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The specific objectives of this study were to assess each credit service quality on customer satisfaction using SERVPERF dimensions, in Berhan bank S.C. The data collated led to the following Summary, conclusions and recommendations on those objective. This study sought to assess the effect of credit service quality on customer satisfactions in Berhan bank in Addis Ababa.

The primarily specific objective of this paper was to examine the relationship between tangibility and customer satisfaction in credit service, the findings of the correlation analysis regarding empathy revealed that (r= 0.767) it has a positive and high relationship with credit customer satisfaction and followed by Reliability, and responsiveness which revealed (r=0.631) and (r=0.603) respectively. There has been a finding that moderate relation exist with tangibility (r=0.438). But assurance shows a weak and low relationship with customer satisfaction which accounted (r=0.324). Value of adjusted R square is 0.733 for Service quality which shows that 73.3% change in Customer satisfaction is due to Quality credit Services and .2667 which shows that 26.67 % of change in Customer satisfaction is due to other factors.

VIF value as high as 10 and tolerance above 0.02 is considered to be acceptable (Field, 2009) Therefore, variables like Tangibility, empathy, Responsiveness, assurance, reliability were checked and tolerance resulted 3.202, 13.727, 7.317, -9.132, 1.42 respectively which indicates that the variables are highly predicted except assurance which is having negative value and its impact on customer satisfaction the specified bank is less. And VIF result is 1.341, 2.397, 3.057, 2.603 and 3.465 respectively which indicate a high degree of colinearity among the independent variable Regression analysis was used to measure the degree of relationship between Service Quality and Customer Satisfaction. In this study customer satisfaction was taken as dependent variable and tangibility, empathy, responsiveness, assurance and reliability were taken as independent variables.

Additionally, the other two dimensions tangibility and reliability found to have a significant influence in the customer satisfaction level. The final service quality dimension which is assurance fails to have a significant influence in the customer satisfaction level even if it had a correlation with the construct.

5.1 Conclusion

Tangibles encompass the appearance of the company representatives, facilities, materials, and equipment. This research shows that it has positive correlation but insignificant with customer satisfaction. This result is supported by Jabnoun and Al-Tamimi (2003) indicated in the empirical literature. Although the appearances, office arrangement, materials available have positive association with customer satisfaction it doesn't predict customer satisfaction during the process and deliverance of credit.

Empathy is which is concerned with factors such as accessibility, good communications, understanding of customer's needs approachability and friendliness. Responses to this research suggest that empathy has a high positive relationship and it has significant effect on customer satisfaction. We can conclude that which is concerned with factors such as accessibility, good communications, understanding of customer's needs approachability and friendliness is a need in providing quality service.

Based on the finding, Assurance has negative relationship with Customer Satisfaction, and has insignificant effect. Assurance is a means of being safe; the responses state that customers do not feel assurance. There is a possibility that most customers started to take it as granted that there is no safety problem in dealing with the bank.

5.2 Recommendation

This study has shown that, the effect of credit service quality dimensions and customer satisfaction of Berhan International Bank S.C. Since the study confirms the five dimensions of service quality are positively correlated except assurance with customer satisfaction, the bank should give strong emphasis to all the service quality dimensions in maintaining customer satisfaction.

However, among these service quality dimensions, empathy and responsiveness shows the highest positive association and the highest predictors of customer satisfaction. but, regarding on assurance, Berhan Bank can do more on these few points:

1. The bank shall maintain or meet customer expectation which in turn significantly increase customer satisfaction.

2. It is recommended that regular training must be organized for the employees concerning services quality as to how to have good personal contact with customers and also have some competence in the work. This will enable them to work effectively and efficiently to get customers all the time satisfied.

3. Regarding on Reliability, Berhan Bank can do more on these few points:

- The bank should design systems which enable to respond to client's need at the promised timeframe.

- The bank should always avail itself to solve credit customer's problem, this could be possible if the bank innovate or develop some kind of a credit scheme that will help the customers.

- The bank should also look at all the other dimensions along with their respective measurement indicators to improve and maximize the current level of customer satisfaction and maintaining its competitive market.

5.3Suggestion for Future Study

This study focuses only on Berhan Bank but further studies on other banks regarding credit service could be significant. Because, every banks in Ethiopia provide various credit service and it is essential to study on how the banks provide those different credits.

The sample size of 250 respondents is small to assess credit service quality and customer satisfaction. Another study may be designed with a larger sample size that can better generalize the sample. Further research should be conducted to determine the other factors that actually contribute to credit customer satisfaction.

During literature survey, it was found that different other methods and models have been used to evaluate the service quality of banks. In addition to this other researcher can further incorporate different measure of service dimension in different financial institution like banks. It means that Studies using other than SERVPERF model could be important in assessing customer satisfaction.

REFERENCES

Abiyot Tsegaye Kibret and Gemechu Nemera Dinber (2016) Service quality, Customer Satisfaction and Loyalty of Commercial Banks in Ethiopia ISSN 2351-8014 Vol. 28 No. 1 Dec. 2016, pp. 51-65.

Agbor, J., M. (2011). "The Relationship between Customer Satisfaction and Service Quality" a study of three Service sectors in Umea, Umea School of Business.

American society for quality: http://asq.org/sixsigma/quality-information/termsq-sixsigma.html, Accessed March,2018

Amoah-Mesah, (2010) "Customer Satisfaction in The banking Industry: A Comparative Study of Ghana and Spain" Girona University.

Biserka, N.R, (2008), *the importance of service quality for achieving customer satisfaction*, Maja civic Economic and Management academy, Serbia, Fascicle of management and technological Engineering, volume VII (XVII). Annual Report (2016), Berhan International Bank.

Berhan International Bank, http// berhanbanksc.com, accessed march, 2018.

Berhan International Bank, berhan bank credit facilities pp 11-19.

Bowen, J.W., and Hedges, R.B. (1993).Increasing service quality in retail banking. Journal of Retail Banking, Vol. 15, pp.21-8.

Brady, M. K., Cronin Jr, J. J., & Brand, R. R. (2002). Performance-only measurement of service quality: a replication and extension. Journal of Business Research, 55(1), 17- 31.

Chaoprasert, C., & Elsey, B. (2004) Service quality improvement in Thai retail banking and its management implications. *ABAC Journal*, 24 (1),47-66.

Creswell, John W. 2014, *SAGE Publications Ltd*, 4th ed. ISBN 978-1-4522-2610-1 (pbk.)Creswell, John W *1994, Journal of Mixed Methods Research,* university of Nebraska- Lincoln.

Cronin, J. J., & Taylor, S. A. (1992).Measuring service quality: a re-examination and extension.

Journal of Marketing, 56(July), 55-68. http://dx.doi.org/10.2307/1252296

Daniel C. N., and Berinyuy L. P. (2010) "Using the SERVQUAL Model to assess Service Quality and Customer Satisfaction, An Empirical study of grocery stores in Umea" School of Business, Master thesis.

Denzin, N. K., & Lincoln, Y. S. (Eds.). (2011). *The SAGE handbook of qualitative research* (4th ed.). Thousand Oaks, CA: Sage.

Francois, A., Fernando, J. and Jay P. (2007), the validity of the SERVQUAL and SERVPERF scales: A Meta analytic view of 17 years of research across five continents, International Journal of service Industry Management, vol 18, ISSUE 5, pp 472-490

Field,a.(2009) Discovering statistics using SPSS, third edition, london : Sage Publication. General Internet Sources

http://www.emeraldinsight.com/ (the source of most journals)

Greene, W.H, Econometric Analysis, 4th, prentice-Hall, Saddle River, New Jersey,2000.

Gilmore A. (2003) "Services, Marketing and Management" 1st Edition, SAGE Publications: London,   Thousand Oaks, New Delhi

Gronroos, C.A (1982), Strategic Management and Marketing in the service sector, Swedish School of Economics and Business Administration, Helsingborg.

Gronroos, C.A (1984), service model and its marketing implication, European journal of marketing, Vol 18(4), pp 36-44

Gronroos. C (1990), Service Management and Marketing, Lexington, MA: Lexington Books, p37- 39

Hernon, P. and Nitechki, D. (2001), service quality: A concept not fully Explored, Library trends,vol.49, no 4 pp.687-708

Khan, M., M., and Fasih, M. (2014) "Impact of Service Quality on Customer Satisfaction and Customer Loyalty: Evidence from Banking Sector Pakistan" Journal of Commerce and Social Sciences, Vol. 8, No.2, p. 331- 354

Iglesias, M. P., & Guillén, M. J. Y. (2004). Perceived quality and price: their impact on the satisfaction of restaurant customers. International Journal of Contemporary Hospitality Management, 16(6), 373-379.

Jain, S.K. & Gupta, G. (2004).Measuring Service Quality: SERVQUAL vs. SERVPERF Scales.Vikalpa, 29(2), 25-37.

Keinninghan, T.L., Perkin Munn, T., Akosoy, L. and Estrin, D. (2005), Does customer satisfaction lead to profitability-the mediation role of share of wallet, *Managing service quality*, Vol 15No 2,pp172-181

Kotler, P., Armstrong, G.,Saunders, J. & Wong, V. (2002).Principles of Marketing, 3rd Edition, pretence Hall Europe.

Kotler, P. and Amstrong (2004), Principles of Marketing (Vietnamese translation),Statistics Publisher.;

Kotler, P. & Keller, K. L. (2009).Marketing Management.13th, Edition, New Jersey: Pearson Education Inc, Upper Saddle River

Khan, M., M., and Fasih, M. (2014) "Impact of Service Quality on Customer Satisfaction and Customer Loyalty: Evidence from Banking Sector Pakistan" Journal of Commerce and Social Sciences, Vol. 8, No.2, p. 331- 354 Ladhari, R.,

Ladhari, I., & Morales, M. (2011) "Bank service quality: comparing Canadian and Tunisian customer perceptions" International Journal of Bank Marketing, 29(3), 224- 246.

Lee, Donghoon, and Kenneth J Wolpin, (2006), Intersectional Labor Mobility and the growth of the service sector, *Econometrica*, vol 47,pp 1-46

Lovelock, C. and Wright, L. (1999) "Principles of Service Marketing and Management"

Low, G.S.,& Lamb J.C.W., (2000). The measurement and dimensionality of brand association. Journal of Product and Brand Management, Vol. 9, no. 6, Pp. 350-368

Marczyk, G., De Matto, D. and Festinger, D. (2005), *Essentials of Research Design and Methodology,* John wiley & sonsInc, Hoboken, NewJersey

Munusamy, J., Chelliah, S., and Mun, H. W. (2010) "Service Quality Delivery and Its Impact on Customer Satisfaction in the Banking Sector in Malaysia" International Journal of Innovation, Management and Technology, Vol. 1, No. 4

Nawaz, M. M., Usman, A., Shaukat, M. Z., Ahmad, N., and Iqbal (2010) "Impact of Service Quality on Customers Satisfaction: Empirical Evidence From Telecom Sector Of Pakistan" Interdisciplinary Journal of Contemporary Research In Business, Vol 1, No 12.

Negi, R. (2009). User's Perceived Service Quality of Mobile Communication: Experience from Ethiopia. International Journal of Quality and Reliability Management Vol. 26, No. 7, PP 699-711.

Nguyen, N. (2006). The Collective Impact of Service Workers and Servicescape on the Corporate Image Formation. International Journal of Hospitality Management, 25(2), 227-244

Oliver, R.L. (1980), A Cognitive Model of the Antecedents and Consequences of Satisfaction Decisions, Journal of marketing research, vol. 17, pp. 460-469.

Parasuraman, A., Zeithaml, V., & Berry, L.L. (1985). A conceptual model of service quality and its implications for future research. Journal of Marketing, 49, 41-50.

Parasuraman, A., Zeithaml, V. A. & Berry, L. L. (1985). SERVQUAL: A Multi Item Scale For Measuring Consumer Perception of Service Quality. Journal of Retailing, 64, 12-40.

Parasuraman, A., Zeithaml, V. and Berry, L.L. (1991). Refinement and reassessment of the SERVQUAL scale. Journal of Retailing, 67 (4), 420-50.

Parasuraman, A., Zeithaml, V. and Berry, L.L. (2004). Reassessment of expectations as a comparison standard in measuring service quality: implications for future research. *Journal of Marketing*, 58,111-24.

Reichheld, F. F., and Sasser, W. E. (1990) "Zero Defections: Quality Comes to Services" Harvard Business Review, 68(5), 105–112.

Saleem, H. and Raja N. S., (2014) "The Impact of Service Quality on Customer Satisfaction, Customer Loyalty and Brand Image: Evidence from Hotel Industry of Pakistan" Middle-East Journal of Scientific Research Vol.19 No. 5, p.706-711

Saunders, M., Lewis, P. and Thornhill, A. (2012), *Research methods for business students*, 6[th]edn. London: PrenticeHall.

Shah, A., (2012) "Market Research On Factors Affecting Customer Satisfaction In Retail Banking In Vadodara, Gujarat, Western India" Vol. 3, No.-1, EISSN 2277-4955.

Sureshchandar, G.S. (2002) the relationship between service quality and customer satisfaction – a factor specific approach, Journal of Services Marketing, 16(4), 363 – 379.

Taylor, S. A. and Baker, T. L. (1994) "An assessment of the Relationship Between Service Quality and Customer Satisfaction in the Formation of Customers' Purchase Intentions", Journal of Retailing, Vol. 58, No. 2, p.163-178

Touny, Mahmoud Abdelaziz;. (2014). *Macroeconomic Determinants of Banking Sector Development*: A Comparison Study between Egypt and Saudi Arabia. Advances in Management & Applied Economics,4(3).

Yamane, T.(2005). Elementary sampling theory, pp 349.

Zafar, M., Zafar, S., Asif, A., Hunjra, I. M., and Ahmad, M. H.,(2012) "Service Quality, Customer Satisfaction and Loyalty: An Empirical Analysis of Banking Sector in Pakistan" Information Management and Business Review Vol. 4, No. 3, p. 159-167

Zeithaml, V.A. (1988). Consumer perceptions of price, quality, and value: a means-end model and synthesis of evidence." Journal of marketing, 52, 2- 22.

Zeithaml, V.A., Parasuraman, A. & Berry, L.L. (1990), Delivering quality service; Balancing customer perceptions and expectations, The Free Press, New York, NY.

Zeithaml, V.A. and Bitner, M.J. (2000). Services Marketing: Integrating Customer Focus Across the Firm, New York.

Zeithaml, V. A. and Bitner, M. J. (2003). Services Marketing: Integrating Customer Focus across the Firm, 3rd Ed, McGraw–Hill, New York.

Appendix –I

St. Mary University

School Of Graduate Studies

Marketing Management

Questionnaire

Dear Respondents:

I am a Master's student in St. Mary University. I would like to express my sincere appreciation for your generous time, honest and prompt responses.

This questionnaire is designed to solicit information purely for academic purpose. It is the major requirement to complete the research on the topic: "The **effect of loan service quality on customer satisfaction in Berhan Bank"** in pursuance of Master's of Art in Marketing Management.

This questionnaire will take approximately 15-20 minutes and considered your invaluable support in responding to this questionnaire genuinely is paramount importance to the success of this study. You are not required to write your name and all information you provide will be handled in strict confidential manner.

If you have any questions about this survey, please do not hesitate to contact me at my phone number 0944732429 or via my email address: Selkok2006@yahoo.com.

Thank you very much for your time and participation.

Part I: Biographical Information

INSTRUCTION: Please circle the letter that shows your answer.

1. *Gender*

   A. Male   B. Female

2. Academic qualification

   a. Less than high school

   b. High school

   c. Diploma

   d. First degree

   e. Masters and above

Part II: Business profile

1. Position:

   A. owner   C. finance manager

   B. Manager   D. other_____(specify)

2. Type of industry:

   A. manufacturing   C. Trading (import/export)

   B. Agriculture   D. Other_____(specify)

3. Business entity:

   A. Sole proprietorship   C. Share Company

   B. Private limited company   D. Other_____(specify)

4. Since how long you are associated with the bank?

    A. Below1yr   C. 4-6yrs

    B. 1-3yrs   D. above 7yrs

5. Types of loan

    A. Consumer loan   C. Corporate loan

    B. Mortgage loan   D. Other_____(specify)

INSTRUCTION:

Please rate the following Statements by ticking "√" only one box on the right side with the response that the researcher is interested in a number from 1 to 5 that shows your level of satisfaction on the loan service quality on the bank.

1. Strongly disagree   2.Disagree   3.Neutral   4.Agree   5. Strongly agree

A. Tangibility: physical appearance of credit staffs and their equipment		1	2	3	4	5
	Berhan Bank S.C. has up-to-date equipment & technology.					
	Berhan Bank S.C. physical facilities are visually appealing.					
3.	Berhan Bank S.C. Credit staff employees are well dressed and appear neat.					
4.	The appearance of the physical facilities & technology of Berhan Bank S.C.is in keeping with the type of service provided.					

B. Empathy: caring and individualized attention by credit staffs.	1	2	3	4	5
Berhan Bank S.C. Loan staff employees give you individual attention.					
2. Berhan Bank S.C. Loan staff employees have operating hours convenient to you.					
3. The branches of Berhan Bank S.C. are easily accessible tome					
4 Berhan Bank S.C. forms are easily understandable the loan facilities at their good office.					
5 Credit staff employees of Berhan Bank S.C. understand your					

C. Responsiveness: willingness to help and provide prompt service.	1	2	3	4	5
1. There are always enough number of credit staff to respond to your					
2. Berhan Bank S.C. Loan staff employees tell you exactly when the					
3. Credit Staff Employees of Berhan BankS.C. give you prompt					
4 Credit Staff Employees of Berhan Bank S.C are always willing to					
5 Credit Staff Employees of Berhan Bank S.C are never too busy to					

D. Assurance: credit staff's knowledge and courtesy.	1	2	3	4	5
1.	You can trust credit staff employees of Berhan BankS.C.					
.2.	You feel safe in your transactions with Berhan BankS.C credit staff employees					
3.	Credit Staff Employees of Berhan BankS.C are consistently polite to					
4.	Credit Staff employees of Berhan Bank S.C. always possess the necessary information on the requested services provided.					

E. Reliability: ability to perform credit services dependably	1	2	3	4	5
1.	Berhan Bank S.C. Credit staffs provide service at the time they promise to do so.					
2.	When you have a problem, Berhan Bank S.C. Credit staff employees show a sincere interest in solving it.					
3.	Berhan Bank S.C. credit staff employees perform service right the first time.					
4.	Berhan Bank S.C. Credit staff employees keep its records accurately (statements, account balance, and your contact information).					

PART IV: Customer Satisfaction and overall service quality.

1.	All in all, I assessed the overall quality of credit service provided by Berhan bank as excellent.	1	2	3	4	5
2.	I am highly satisfied with the current credit service provided by Berhan bank					

Thank you for taking time to complete this questionnaire!!!!