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**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF SERVICE QUALITY ON CUSTOMER  
SATISFACTION: THE CASE OF DASHEN BANKSHARE  
COMPANY WEST ADDIS DISTRICT**

**BY**

**TESHOME HAILE ABOYE**

**JUNE, 2019**

**ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO THE ST MARRY'S UNIVERSITY  
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**June, 2019**

## DECLARATION

This thesis is a presentation of my original research work. Wherever contributions of others are involved, every effort is made to indicate this clearly, with due reference to the literature, and acknowledgement of collaborative research and discussions.

The work was done under the supervision of Doctor Tesfaye Wolde In my capacity as supervisor of the candidate's thesis; I certify that the above statements are true to the best of my knowledge.

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**Endorsement**

This thesis is submitted for examination with my approval as university advisor of the candidate.

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Tesfaye Wolde (PhD)

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## **Abstract**

To assess and measure service quality with customer satisfaction at Dashen Bank was the aim of this study. The assessment of service quality and customer satisfaction was made in view of SERVQUAL model by examining five service dimensions namely: tangibles, reliability, responsiveness, assurance and empathy (Parassurmanet al.1988) and one additional dimension called convenience. Data gathered by a survey questionnaire from 120 customers at Dahren Bank West Addis DistrictBranch was analyzed using descriptive analysis. A gap score analysis was used to highlight the gap between the actual service quality and the customer satisfaction toward it. Accordingly, the overall analyses of service quality and customer satisfaction based on the above variables indicated that there is a big gap between perceived and actual services delivered at Dashen Bank. SERVQUAL gap score on tangible dimension showed that the bank's materials and statements in particular are less appealing to attract customers while the bank is found out to be in a better position other tangible dimensions such as equipment, facilities and reception. Results also revealed that the bank is not as reliable as expected by customers. Failure to provide service to its customers on a promised time frame stood out to be a serious concern as it may erode customers' confidence. The Bank's attempt to answer customer queries at a certain period of time and its sincere interest to solve customers' problems would increase the reliability of the bank. Employees at Dashen Bank are discovered to be less responsive to customer service, unable to provide prompt service and unwilling to help customers when the need arises. Lack of knowledge and skills to answer and handle customers' questions skills were results of the study associated with the dimension of assurance. Besides, the result indicated that customers feel unsafe in their transactions in the bank. The empathy dimension of service quality indicated that customers do not consider Dashen bank working to their best interest at heart. Location of ATM machines and information signage services were deemed inconvenient to customers as they disregarded special needs. To summarize, the larger mean gaps in service quality were observed in convenience, empathy, assurance, reliability and responsiveness respectively and the least gap score being tangibility. The overall result in this survey clearly showed that the services given by Dashen bank were far below its customers' expectations.

**Key Terms:** SERVQUAL, Service Quality, CustomersExpectation and Perception.

## CHAPTER ONE

### Introduction

This introduction part of the paper consists of the background of the study, problem statement, research questions, objective, significance, scope, limitation and organization of the study.

#### 1.1. Background of the Study

Bank is a customer oriented services industry. A bank depends upon the customers for their survival in the market. The customer is the focus and customer service is the differentiating factors (Guo et al., 2008). A bank can differentiate itself from competitors by providing high quality customer service (Naeem&Saif, 2009). Efficacy of customer service is related with progressive operation. In the competitive banking industry, customer satisfaction is considered as the essence of success. Organizations operating in service industries should consider service quality a key strategic issue for the business success (Spathis et al., 2004). Those service providers who establish a high level of service quality retain a high level of customer satisfaction; they also obtained a sustainable competitive advantage.

Currently banking industry is into lot of pressures due to the increase in number of commercial banks in the Ethiopian market and technological competition and due to enforceable law of National Bank of Ethiopia. Different strategies have been are developed to retain the customer by enhancing the service quality. In general, customers perceive very little difference or no difference in the banking products offered by all commercial banks in Ethiopia. A service as any bank is the same as that of competitors. Parasuramanet. Al (1985) and Zeithamlet, al (1990) noted that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers. The quality of services offered will determine customer satisfaction and attitudinal loyalty.

A satisfied bank customer will obviously refer other people to that bank, which will increase the number of customers and bank's business. The bank-customer relationship is other name of this business, hence the customer satisfaction matters because customer is at the receiving end.

Customer satisfaction emerged to be foundation stone of increased demand of banking services and indeed, is recognized as a key business strategy of every bank. In fact customer satisfaction

is not only a prerequisite for a successful and competitive bank but also a benchmark against which many banks have set their standards. According to Anubav (2010) maintaining existing customers for bank is ever more important than the ability to capture new ones. Customers are critical for any bank success without which the survival of a bank in the market will be in risk.

Commercial banking sector is very important for the economic development of the country. Financial services rendered to the community stimulate economic opportunities. However the customer's satisfaction from banks plays the great role to the development of the community. The banking Industry is high competitive among other financial institution (Kaynak and Kucukemiroglu, 1992).

Customer satisfaction is an outcome of good internal feelings arising from quality services (Henning and Thureau, 2003). Satisfaction in banking subsector represents the extent to which banking products and services meet customer needs. According to various authors, customer satisfaction can be measured by looking at different dimensions such as service quality, customer loyalty, repurchases behaviour and trust, among others (Anderson and Fornell, 2001; Anderson and Mittal, 2000, with conclusion that a satisfied customer is loyal and contributes to profitability.

In Ethiopia banking industry is put into lot of pressures hence towards increase in competition. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level. Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage. Nowadays, service quality has received much attention because of its obvious relationship with customer satisfaction and customer retention.

Dashen Bank was established on September 20,1995 according to the Commercial Code of Ethiopia of 1960, and the licensing and supervision of the banking business Proclamation No.84 1994.Dashen Bank had 373 branches across the country by June 30, 2018.Combines wide capital base with 8,950 talented and committed employees. It had about 1.8 million account holders as of June 30,2018.the total asset of the bank as of June 30, 2018 is 45.42 billion and the total deposit is 35.98 billion(DB/AR2018).

## 1.2 Statement of the Problem

According to Collart (2000), one of the determinants of success of a firm is how the customers perceive its service quality, as the perceived service quality is the key driver of perceived value (Collart, 2000). It is the perceived value, which determines customer satisfaction. Many firms including banking industries begin to track their customers' satisfaction through measuring their level of service quality perceived by their customers (Collart, 2000).

Spreng and Olshavsky (1993) also stated that customer satisfaction or dissatisfaction is considered to be the result of a comparison between the pre-use expectations that a customer has about the product or service and the post-use perception of product or service performance.

Stafford (1996) also indicated that financial services, particularly banks, compete in the marketplace with generally undifferentiated products, therefore service quality becomes a primary competitive weapon.

According to Wilson et al., (2008) customer satisfaction is influenced by the quality of product and services offered by institutions quality. Other crucial determinants of customer satisfaction include price, personal and situational factors (Lee et al., 2000). If these determinants are not satisfactory capable of convincing customers loyalty, the overall competitiveness of a business will be at a stake (Wilson et. al., 2008; Wen-Yi et al., 2009). As the financial institutions struggle to expand their reach, customer satisfaction with services rendered by such institutions has become an issue (Kotler, 2009). Service quality is one of main elements of customer satisfaction and their intention to purchase (Peter and Vassilis, 1997).

According to this model, five dimensions of service quality are Tangibles, Reliability, Responsiveness, Assurance and Empathy. However, for the purpose of this study the researcher will see one additional dimension called convenience. With the development of information technology, customers increasingly expect higher services in this information age. At the same time, most of them are becoming more and more time saved and wanting more convenience (Kolter and Keller, 2006).

In the banking industry, offering quality services is very important to create closer relationship with the entire customers. According to Shifera (Thesis AAU, 2011) Quality of services has the power to create customer satisfaction On the other hand poor quality of service results in customer

dissatisfaction and customer defection by going to other competitors. Quality of services has the power to create customer satisfaction and making them loyal. In reality one satisfied customer tells only to one person but a dissatisfied customer tells nine other people about the problem. Creating customers satisfaction includes prompt and effective response and solutions to their needs and desires as well as building and maintaining good relationships.

The profit of banks resulting from its services delivery is enhancing efficiency and effectiveness of their operations so that more transactions can be processed quickly and easily, which will have a basic impact on the overall performance of the banks. The customers on the other hand, stand to enjoy the benefit of quick service delivery, reduced frequency of going to banks in the person and reduced cash handling, which will give rise to higher volume of turnover. However, these developments in the Dashen Bank seem not to have achieved their aims. Wait in lines (Queues), network failure, power interruptions and low accessibility of ATM machines, are still seen in the branches of Dashen Bank.

On the other hand, Willam& Susana (2011), in their study of assessment and analysis of service quality and customer satisfaction with banking services at National Investment bank of Gahana, (Kumasi). They analyzed using the five generic service quality dimensions (Tangibility, empathy, assurance, responsiveness and reliability) and found that the variables of tangibility, empathy and assurance has much significance to customers in the selected National Investment Bank of Ghana. However, these findings should also be tested in Dashen Bank West Addis District in selected branches. Within this view Dashen Bank has tried to improve its services as well as retain and attract customers, for this reason it introduced innovative measures like extended business hours., ATM network and branch expansion, all in the interest of enhancing customers comfort. However, these decision and actions are usually made either to react to the competitors' move or simply out of the decision makers' conventional wisdom. As a result, this paper is mainly focused in assessing service quality on customer satisfaction in Dashen Bank West Addis District. Hence, the following research questions were raised and discussed during assessment.

### **1.3 Research Questions**



This study tried to look at the level of customers' satisfaction towards different service quality dimension interims of (Reliability, Responsiveness, tangibility, Empathy and Assurance) services at Dashen Bank, and the study tried to answer the following questions

- ◆ What is the level of service quality in Dashen Bank?
- ◆ What is the level of customer satisfaction in Dashen Bank?
- ◆ What is the relationship between service quality and customer satisfaction in Dashen Bank?
- ◆ How customers are satisfied with banking service at Dashen Bank?
- ◆ How does the bank achieve improvements in service quality to enhance customer Satisfaction?
- ◆ Which dimensions of service quality are customers satisfied or dissatisfied within the service provided by Dashen Bank?

## **1.4. Objectives**

### **1.4.1. General Objective**

The main objective of this study is to assess customer satisfaction with the quality of services offered by Dashen Bank and to propose suggestion based on results of the study.

### **1.4.2. Specific Objectives**

In assuring that the above general objectives can be achieved, there are few specific objectives that need to be accomplished in the case of Dashen Bank.

These specific objectives are the following:

- To assess the level of customer satisfaction/dissatisfaction regarding service quality of Dashen bank
- To find the problems Dashen Bank facing in giving services to customers.
- To measure customers' satisfaction level towards service quality

- To measure Reliability, Responsiveness, tangibility, Empathy and assurance and perception on service quality of Dashen Bank.
- To determine the relationship between service quality dimension and customer satisfaction.
- To recommend different constructive suggestions to enhance the service quality and customer satisfaction in Dashen Bank.

### **1.5. Significance of the Study**

It will be useful to management of Dashen Bank and other banks to meet the needs and expectations of their customers and to maintain customer loyalty. The findings of this study provided an insight to the nature of service quality in the banking industry and this could possibly be of any help in evaluating and reviewing service quality policies of Dashen bank.

This paper will provide relevant input about customers' perception of service quality in Dashen bank. It will also serve as a reference paper for other researchers to make further enquiry in to the matter.

### **1.6. Scope of the study**

The scope of this study was to focus on customers' satisfaction with quality of service at Dahren Bank. The research would more fruitful if it would conduct on a wider scale of the country. Due to time and financial constraints might not undertake exhaustive study involving all branches and units of the Dashen Bank. Thus; the study examines Dashen Bank service quality only from customers' perspective in West Addis District branches.

### **1.7. Limitations of the Study**

It would be very important if it represent the entire banks in the country. But budget and time hinders to include all the banks and more variables other than mentioned ones in the study. So that the generalizations of the study; might not be applied for all banks in the country which might be

considered as a short coming or limitation of this study. Hence; it may not be large enough but it can contribute as a bench mark for further study on quality of the banking service in relation to their customer satisfaction.

### **1.8. Organization of the Study**

The paper is organized into five chapters. The first chapter deals with introductory part consisting of introduction/background of the study, statement of the problem and objectives of the study. The second chapter reviews literatures related to the study. In this chapter various theoretical concepts that relates with service quality and its measurement and dimension of service quality and issues related with quality service will be discussed.

The third chapter tells the research methods, Analysis of collected data, interpretation of the analyzed data is presented in the fourth chapter and finally, the fifth chapter presents summaries of major findings, the conclusions and the possible recommendations. The thesis also consists of other formal sections like References and Appendices.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1. Conceptual review**

#### **2.2. Characteristics of Service**

According to Grönroos (2001), service has a unique feature which differs from a product. The most important characteristic of service is manifested in its nature that it is a process unlike to a product which can be perceived as a thing and be inventoried. As argued by Chesbrough and Davie (2010), Service can't be inventoried. It is intangible and it has a subsequent consumption when produced and this nature of service leads to the basic demand that service requires close interaction between the provider and the customer (end user). Service has an intangible nature. Organizations involved in service delivery needs to be more vigilant and function proactively to stay competitive in the service sector.

Customers of service see and perceive a service from its process point of view and how it is delivered to them and this according to (Ibid pp 50-152), gives service to have a characteristic of process consumption. This clarifies that, service providers strive to satisfy their customers by integrating their resources and systems to make the service provision process as attractive as possible so that their customers will be and stay loyal to them.

Goldstein et al (2002) also argued that service is a combination of processes, human resource skills, materials which needs to be appropriately integrated in order to reach or achieve a planned or designed service. Customers in the real world have their perception and expectation of a service to be delivered to them which may arise from their real experience and information about the service they are looking for. As discussed in the article of (Ibid pp 121-134), service organizations has to be consistent and careful enough to make sure the service and its major components (physical and non-physical) has to be in-line with the design of the service projected in order to satisfy their customers. As further explained in the article, the major challenge to service organizations therefore lies on ensuring the decisions at different levels of service to be consistent and focused to be delivered correctly to targeted customers.

For banks satisfying or fulfilling the expectation of its customer is one of the major goals. It is stated in the article of (Ibid pp 121-134) that for service providers, their main task is to reduce the mismatch or gap between what the bank planned to provide and what the end users (customers) are expecting to benefit from the service they have been offered.

As rivalry of service provision in the financial industry especially banks is high, (Ibid pp 57) argued that the quality of service can be used as a differentiating factor from one another to attract customers. The other main point to notice from the banks (service providers) point of view is that, there need to be close interaction between banks (service providers) and their customers. This

enables service providers to customize their products and services in a way which pleases their customers and it makes it hard for the customers to leave their service providers.

According to Kottler (1996) and Regan (1963) services have four major characteristics

### **A. Intangibility**

The literature highlights intangibility as one of the key characteristics of services. Regan (1963) introduced the idea of services being activities, benefits or satisfactions which are services offered for sale, or are provided in connection with the sale of goods. Services are intangible unlike physical products, they cannot be seen, tasted, felt heard or smelled before they are bought.

### **B. Inseparability**

Services are typically produced and consumed simultaneously. This is not true of physical goods that are manufactured, put into inventory, distributed through multiple resellers and consumed still later. For instance, the cashier in the bank is an inseparable part of the service offering. The client also participates to some extent in the service, and affects the outcome of the service. Both the producer and the client affect the service outcome.

### **C. Variability**

Services are highly variable, since they depend on who provides them and when and where they are provided. Service buyers are aware of this high variability and frequently talk to others before selecting a service provider. Service firms can take the following three steps to help manage service variability. The first one is providing employee incentives that emphasize quality; secondly standardizing the services performance process throughout the organization. This can be done by preparing a service blue print which depicts the services events and process in a flow chart, with the objective of recognizing potential service fail points. Finally, monitoring customer satisfaction through suggestion & complaint systems, customer surveys and comparison shopping can enable to eliminate and correct poor customer service

### **D. Perishability**

The fourth characteristic of services highlighted in the literature is perishability. In general, services cannot be stored and carried forward to a future time period. Services are item-dependent and item-important which make them very perishable. Hartman and Lindgren claim that the issue of

perishability is primarily the concern of the service producer and that the consumer only becomes aware of the issue when there is insufficient supply and they have to wait for the service.

Banks, by their nature, do not produce tangible goods but provide services which must meet the requirements of their customers. In this regard, it is imperative for Dashen Bank to set its standards in terms of service quality and continuously measure of customer satisfaction so as to determine existing gaps and how they can be closed. Due to this and related issues I tried to see each service characteristics indicated above in my study.

### **2.3. Service Quality and customer expectation of service quality**

#### **2.3.1 Service Quality**

Based on empirical studies and some theoretical arguments service quality is divided in to two dimensions which are the core or outcome aspects(contractual) and the relational or process aspects (Customer employee relationship)of the service. While reliability is largely concerned with the service outcome, tangibles, responsiveness, assurance, and empathy are more concerned with the service process. Whereas customers judge the accuracy and dependability (i.e. reliability) of the delivered service, they judge the other dimensions as the service is being delivered (Terrence & Gordon, 1996).

Definition of service quality revolves around the idea that it is the result of comparison that customers make between their expectations about a service and their perception of the way the service has been performed. Service quality can thus be defined as the difference between customer expectations of service and perceived service performance. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Dehghanet al, 2006). The notion of service quality involves more than the outcome quality; the methods and manner by which the service is delivered are of great importance. The quest for service quality has been an essential strategic component for firms attempting to succeed or survive in today's competitive environment (Munusamyet al, 2008).

#### **2.3.2 Customer Expectation of Service Quality**

The level of customer expectation can vary widely depending on the reference point the customer hold. Expectations are reference points against which service delivery is compared only at beginning. Customer expectations embrace several elements including desired service, adequate

service, predicated services and a zone of tolerance that falls between the desired and adequate service levels (Lovelock and Wirtz, 2004: 61)

#### **2.4. Customer Perceived Service Quality**

The customer perception is their reality. Customer is about perception. Perceptions are consumer judgment about the actual service performance by a company. Customers' expectations and experience of service can vary of a single organization. Perceived value is the customer's overall assessment of the organization service based on the complete experience of the service delivery process and they are subjective. As services are intangible, customers search for evidence of service in very interaction they have with a service firm. The evidences of service as experienced by the customers are: people, process and physical evidence. (Venugopal and Raghu, 2001:262)

People evidence– Who may be the contact employees, other customers or the customer himself who participate in the service delivery process? The dimensions of reliability, assurance and empathy and responsiveness are all reflected in the approach ability, efficiency and communicative skills of the frontline employees.

Process evidence- The operational flow of the activities the steps involved in the process reflects the reliability and the promptness of the service.

Physical evidence- The tangible aspect of service dimensions will be reflected in the physical evidence. It includes the services escape, broacher, the equipment and any other tangible aspect.

#### **2.5. Measuring Service Quality**

Performing according to the desired level is critical to the entire organization. Monitoring, controlling and improving the quality, the service delivery issue is essential to the firms' market orientation. When evaluating service quality, consumer examines five dimensions; tangibles, reliability, responsiveness, assurance and empathy (Parasuraman et al, 1985). For this study one additional dimension called convenience is considered.

**Tangibles:** Physical evidence of the service; physical facilities, tools and equipment's; appearance of providers; appearance of other customers in the service facility are the tangibles

**Reliability:** Consistency of performance and dependability; performs service right at the first time; honors its promises; keeps accurate records, corrects billing, and performs services at the designated times are the parameters of reliability.

**Responsiveness:** It is the willingness of the firm's staff to help customers and to provide them with prompt service. Readiness to provide the service; timeliness and setting up appointments promptly are the symptoms of responsiveness.

**Assurance-** Knowledge, competence and courtesy of employees; trust and confidence; required skills and knowledge; politeness, respectfulness, considerate, friendliness; trustworthiness, believability, honesty are signs of assurance.

**Empathy:** Caring; individualized attention, approachability, easiness of contact; effort in understanding the customers' needs are signs of empathy.

**Convenience:** the availability of offices near to customer, toll-free numbers, websites, easy to get information and so on (Fujun Lai et al, 2007).

For each dimension, the SERVQUAL scale provides a score for customer expectations (E) and a score for customer perceptions (P) of service quality. The differences between the two scores on each dimension are called gap scores. The key to optimizing service quality is to maximize these gap scores and the associated gap equation ( $Q = P - E$ ).

## **2.6. Service Quality Management**

A service firm may win by delivering consistently higher quality service than competitors and exceeding customer's expectations. These expectations are formed by their past experience, word of mouth and advertising. After receiving the service, customers compare the perceived service with the expected service. If the perceived service falls below the expected service, customers lose interest in the provider. If the perceived service meets or exceeds their expectations, they are right to use the provider again. (Kotler, 1989; 438)

### **2.6.1 Service and customer satisfaction**

To define customer satisfaction, it is the customer's perception that his or her expectations have been met or surpassed (Richard & Gerson 1993). Recently, in the era of in which competition is so stiff between competitors organizations, the concept of customer satisfaction become one of a vital thing for their success and gets much attention, especially in service industry. It has a simple and easy definition and it depends on customers' perception whether his/her expectation is met or not. Other authors broaden the spectrum of the definition as a customer satisfaction is a multifaceted concept especially in service industry as one of a major criterion to deals with quality product and



value addition through value evidence to come up with the ultimate goal which is customer satisfaction (Govind 2009).

The reason why service companies want to improve their service quality? One approach suggested that they want to minimize cost, enhance time to implement the program and to have a positive customer service impact. All these three working together gives the integral part for understanding and implementing the system and work towards organizational and customer optimal satisfaction (Voltaire, 2003). One of the difficult things in service industry is to quantify and measure customer needs, wants and expectation. The basic thing is that service by nature itself is intangible and perishable that it might be interpreted based on different customers perception. This means that satisfaction depends on personal feeling and the level of satisfaction differs from customer to customer depending on their personal interpretation.

### **2.6.2. Customer Satisfaction**

Customer satisfaction can be experienced in a variety of situations and connected to both goods and services. It is a highly personal assessment that is greatly affected by customer expectations. Satisfaction also is based on the customer's experience of both contacts with the organization and personal outcomes. Some researchers define satisfied customer within the private sector as "one who receives significant added value" to his/her bottom line a definition that may apply just as well to public services(Smith,2007)

Customer satisfaction is the outcome felt by buyers who have experienced a company's performance that has fulfilled expectation. Customers are satisfied when their expectations are exceeded. Satisfied customers remain loyal longer, but more or less price sensitive and talk favorably about the company. Customer satisfaction is the customer's fulfillment response. It is judgment that a product or service feature or the product or service itself provides a pleasurable level of consumption related fulfillment (Kottler, 1989). Satisfaction is customer's evaluation of a product or service in terms of whether that product or service has met their needs expectations. Failure to meet needs and expectation is assumed to result in dissatisfaction with the product or service.

Customer satisfaction is a highly personal assessment that is greatly influenced by individual expectations. Some definitions are based on the observation that customer satisfaction or dissatisfaction results from either the confirmation or disconfirmation of individual expectations regarding a service or product. To avoid difficulties stemming from the kaleidoscope of customer

expectations and differences, some experts urge companies to “concentrate on a goal that’s more closely linked to customer equity.” Instead of asking whether customers are satisfied, they encourage companies to determine how customers hold them accountable. (Kotler, 1989)

In the public sector, the definition of customer satisfaction is often linked to both the personal interaction with the service provider and the outcomes experienced by service users. Customer satisfaction differs depending on the situation and the product or service. A customer may be satisfied with a product or service, an experience, a purchase decision, a salesperson, store, service provider, or an attribute or any of these (Kurtz and Boone, 2007).

To add some basic ideas from the above concept, customers are satisfied when their expectation is met and delighted when their expectation is exceeded. Satisfied customers remain loyal longer, buy more, are less sensitive and talk favorably about company. To be known, customer satisfaction has to be measured and there are several established ways of doing this. Therefore, the company should care about their customer’s satisfaction, because if you do not truly care about your customer’s you are not a good marketer.

Banks monitor customer satisfactions in order to determine how to increase their customer base, customer loyalty, revenue, profits, market share and survival. Although greater profit is the primary driver, exemplary businesses focus on the customer and his/her experience with the organization. They work to make their customers happy and see customer satisfaction as the key to survival and profit.

### **2.6.3. Importance of Customer Satisfaction**

Customer satisfaction measures how well a company's products or services meet or exceed customer expectations. These expectations often reflect many aspects of the company's business activities including the actual product, service, company, and how the company operates in the global environment. Customer satisfaction measures are an overall psychological evaluation that is based on the customer's lifetime of product and service experience (Smith, 2007)

Effective marketing focuses on two activities: retaining existing customers and adding new customers. Customer satisfaction measures are critical to any product or service company because customer satisfaction is a strong predictor of customer retention, customer loyalty and product repurchase.

## **2.7. Empirical review**

### 2.7.1 Service and Service Quality

A review of the existing literatures shows that there is quite a wide disparity in definitions related to service. Proompro (2003) came up with a very interesting play of words for

SERVICE which goes as:-

**S** for Satisfaction,

**E** for Expectation,

**R** for Readiness,

**V** for Value,

**I** for Interest,

**C** for Courtesy and

**E** for Efficiency

Many researches are of the view that services cannot be counted nor tested prior to delivery thus businesses “find it difficult to understand how customers perceive their services and evaluate them” (Parasuraman et al, 1985). The study pursue with the quality of service as a company’s business health is reflected by the quality of service it provides. As underlined by (Parasuraman et al, 1992, p5) “if the service quality is mediocre, the company is mediocre”. However, there is no single definition for service quality. It varies from people to people and from situation to situation. Service quality is a term used to express achievement obtained in a service. Parasuraman et al (1985) viewed service quality as the degree and direction of discrepancy between customers’ service perception and expectations. They argued that service quality involves not only the outcome but also the delivery process. Moreover, in a one of his researches conducted in 1988, these authors maintained that service quality is a function of the difference between service expected and customers, perceptions of the actual service delivered. On his part, Zeithaml (1987) described service quality as the consumer's judgment about an entity's overall excellence or superiority. It is a form of attitude, and results from a comparison of expectations to perceptions of performance

received. Lewis (1989) defined service quality as meeting customers' needs, requirements and how well the service delivered meets customers' expectations.

The main objective of delivering high service quality is to satisfy customers, the ideal point resulting in customer satisfaction is where customer expectations equal to customer perceptions. The major challenge of service providers is the constant and ever changing expectations of their customers. According to Zeithaml et al (2009), customer expectations are beliefs about a service that serves as standards or reference points to which the performance of the service is judged. Knowing what the customer expects is the first and possibly most critical factor in delivering quality service. Getting what customers want wrong, can result in losing a customer to another company who meets the target, expending money and resources in wrong places and not surviving in a fiercely competitive market. Together with customer expectations come customer perceptions. It is another focal point of service quality on which service providers have to ponder on. Customer perception refers to the way in which customers feel about the services being provided. It is actually this element that shapes customers' expectations from the company. Parasuraman et al (1985) believed that perception and expectation are strongly relative concepts. Berry et al.(1988) and Parasuraman et al. (1985) viewed quality as the customers' perception of service excellence. This implies that customers shape their perception of the quality of service based on their past experience, word of mouth and even their closed ones experience. Moreover, Schneider and White (2004) stated that perceive service quality and service qualities are two concepts that deal together in the concept of marketing. Zeithaml et al., (2006) considered perceived service quality as a scale for firm to measure how much they were successful to cover their customer purpose. In the publication of Parasuraman et al., (1985) service quality was conceptualized as a gap between consumers' expectations and perceptions. Thus service providers that are not able to meet their customer's expectation will most probably experience a decline in customer retention and unfavorable corporate image.

### **2.7.2. Service Quality Model**

SERVQUAL Derived from two words namely service and quality, SERVQUAL is among the most popular instruments used to measure service quality from a customer's perspective. SERVQUAL is a multi-scale instrument developed by Parasuraman, Berry and Zeithmal in 1985 and refined in 1991. Also known as the gap model, SERVQUAL is said to be one of the best ways to measure service quality by many researchers. According to Brown et al (1993), this service evaluation method has been proven consistent and reliable. The model is made up of five dimensions, namely:

### **2.7.3 Service Quality Dimensions**

Parasuraman et al., (1985) from their path breaking exploratory research, developed the SERVQUAL instrumented laid down a conceptual framework for the measurement of service quality. The SERVQUAL instrument has become the most dominant instrument for measuring service quality and it originally comprises 10 dimensions with 97 items but later reduced to 5 dimensions with 22 items in 1991. The five dimensions are tangibles, reliability, responsiveness, assurance and empathy.

#### **2.7.3.1 Tangibility**

Tangibles entail the physical evidence of the service. Tangibles in details depict the physical facilities of the service provider, the appearance of personnel, materials associated to the service (credit and debit sheets, chequebooks etc.), decorations and business hours the tools and equipment used to provide the service including other customers in the service facility. Tangibles are used by firms to convey image and signal quality (Zeithaml, Berry, & Parasuraman, 2006).

#### **2.7.3.2 Reliability**

According to (Zeithaml et al., 2006) reliability is “the ability to perform the promised service dependably and accurately” or “delivering on its promises”. Does the firm perform the service right at the first time? Does the firm honors its promises? These are some of the questions which need to be answered by service providers if they are to achieve reliability. This dimension of service quality according to (Parasuraman et al., 1985) is how the service provider is able to provide service to a customer as promised, dependable in handling customers’ service problems, performs service right the first time, provide service at promised time and keep customers informed about when services will be performed.

#### **2.7.3.3 Assurance**

Assurance entails the knowledge and courtesy of employees and their ability to convey trust and confidence. It also includes competence, courtesy, credibility and security. Andaleeb and Conway (2006), noted that assurance may not be so important relative to other industries where the risk is higher and the outcome of using the service is uncertain. For instance, in the medical and healthcare industry, assurance is an important dimension that customers used as criteria in assessing a hospital or a surgeon for an operation. The trust and confidence may be represented in the personnel who connect the customer to the organization (Zeithaml et al., 2006)

#### **2.7.3.4 Responsiveness**

Responsiveness concerns the willingness or readiness of employees to provide service (Parasuraman et al., 1985). This dimension is concerned with dealing with the customer's requests, questions and complaints promptly and attentively. A firm is known to be responsive when it communicates to its customers how long it would take to get answers or have their problems dealt with. To be successful, companies need to look at responsiveness from the view point of the customer rather than the company's perspective (Zeithaml et al., 2006).

#### **2.7.3.5 Empathy**

Empathy entails caring and provision of individualized attention to customers by personnel of the firm (Zeithaml et al., 2006). In this respect, the customer feels unique and special. In an attempt to develop empathy, personnel of the firm should endeavor to know the names of their customers, their preferences and needs and take steps to satisfy them. Small Scale enterprises through the provision of customized services to clients are in a better position to achieve empathy than large firms.

### **2.8. Research Gap**

Although many researcher have studied customer satisfaction in the banking sub-sector, (Gustafsson, et al., 2005; Prabhakar, 2005; Salmen and Muir, 2003; Dubrovski, 2001) little is known about the Analysis of the influence of Dashen Bank service on customers' satisfaction in Ethiopia. Yet scanty information is available about the level of customer satisfaction basing on customers loyalty or intention to remain as clients, customers' intention to recommend the service of the Dashen Bank to third parties and the overall level of customer willingness to pay a higher price for services rendered by Dashen Bank. On the other, private financial institutions in Ethiopia have increased competition among banks in terms of not only attracting new customers but also retaining their current customers. The effect of competition in the banking sub-sector is more evident due to emerging financial services using new technology such as mobile phone. Thus, this study was undertaken to generate empirical data on the level of influence of Dashen Bank service on customers' satisfaction with the aim of informing decision and policy review that will contribute to enhanced competitiveness of the bank itself and more customer satisfaction among others.

### **2.9. Conceptual Framework**

Conceptual framework can be defined as a set of broad ideas and principles taken from relevant field of inquiry and used to structure a subsequent present action (Reihel et al, 1978) when clearly articulated a conceptual framework has potential usefulness as a tool to assist a research to make a meaning of subsequent finding framework of this study.

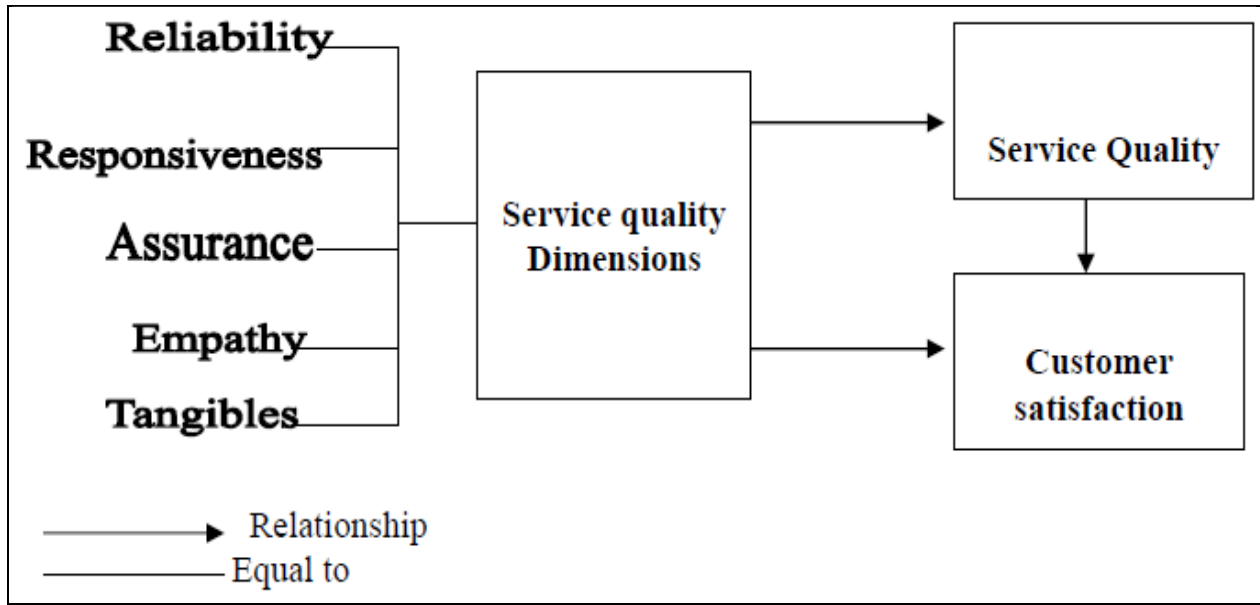


Figure 1: 1 Conceptual Framework of Relationship between Customer Satisfaction and Service Quality

The dependent variable for this case is therefore the level of customer satisfaction. This is influenced by independent variables (service quality dimensions) which in their totality affects service quality. These include reliability of services rendered by the firm which is ability to perform the promised service dependably and accurately; responsiveness of the firm to customers' needs or willingness to help customers and provide prompt service; assurance of prompt and good services at all times that is knowledge and courtesy of employees and their ability to inspire trust and confidence and a sense of empathy to customers problems which entails caring individualized attention the firm provides to its customers. Another independent variable is tangible features of the firm such as the physical facilities, equipment, and appearance of personnel.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

A research design is the program that guides the researchers in the process of collecting, analyzing and interpreting the data. The researcher decided to use the descriptive form of research design to provide solutions to the research problems. Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection. This research design is used to because it often uses visual aids such as graphs and charts to aid the reader in understanding the data distribution. Because the human mind cannot extract the full



import of a large mass of raw data, descriptive statistics are very important in reducing the data to manageable form. (Glass & Hopkins, 1984).

### **3.2 Sources of Data**

For the purpose of this research, data will be collected using structured questionnaire and it was gathered from the customers of Dashen bank branches under study. Specially, from the selected branches namely; Tana, GeshoTera, Mesalemia, Merkato, Mexico, sidamoTera, Sebategna, T/Haymanot, Ledeta, Ayertena, Betele, Alembank, Balcha, Gulele and Kolfie branches.

### **3.3 Data collection Instruments**

To collect the primary data, the researcher employed both questionnaire and interview. Structured questionnaire is used to collect data from sample customers to collect primary data. The questionnaire will be developed mainly by (parasurmanet al.1988) five service quality dimensions. Therefore, the researcher used a modified SERVQUAL dimensions and administering a two part questionnaire with separate expectation and perception sections.

The questionnaires will be including the non-comparative Likert scaling questions. It is a rating scale which requires the respondents to indicate a degree of agreement or disagreement with each of a series of statements or questions. The survey will measure by 5-point Likert type scale ranging from strongly disagree (1) to strongly agree (5) for service quality dimensions and very dissatisfied (1) to very satisfied (5) for customer satisfaction. In addition, both structured and unstructured types of interview will be conducted by the researcher. The interview will be held with the employees of the Dashen Bank City branches who had high customer contact (With seven customer service managers and twenty front line workers).

### **3.4 Target Population**

The populations of this study customers of Dashen Bank Addis Ababa branches in four districts. Dashen Bank has totally 390 branches that are distributed across the country. As per the information from Management Information system department, as of December 2018, the target populations In Addis Ababa there are 110 branches of Dashen Bank with a total number of customers 546,860. Ten to thirty percent of the population is assumed to be sample size for a given population. Hence, 15 branches were selected as sample size for this study. Therefore, the target populations for this study were 76,862 customers in these 15 branches.

### 3.5 Sample Size and sampling Technique

Among 41 branches of Dashen Bank in West Addis 15 branches were selected using simple random techniques because every branch's in the population has equal chance of being chosen selected. Shrandakos (2005) stated that in social science, ten to thirty percent of the population has to be assumed to be sample size for a given population. Accordingly; average size i.e., Thirty six percent of 41 branches which constitutes 15 branches. Therefore 15 branches were randomly selected and included in the study. Furthermore, for appropriate sample size determination from sampled branch; statistical formula developed by Yamane (1967) was used for sample determination. The statistical formula and it computed as follows:

Assumptions

A 95% confidence level and  $e = \pm 5\%$

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

will be used to select appropriate size of participants in the sample.

Where,  $n$  = required sample size,

$N$  = No of population in a selected branch and

$e^2$  = the level of precision (sampling error)

Hence, the required sample size is calculated as:  $\frac{76,862}{1 + 76,862 * 0.0025} = 120$

$$1 + 76,862 * 0.0025$$

Using this formula, considering 10 percent margin of error, 95 percent level of precision and a proportion of 90 percent for the maximum possible degree of variability the sample size taken from the population is 120 respondents. From the total population of 76,862 customers in the selected 15 branches, 120 samples of respondents were determined to be taken from the 15 branches of Dashen Bank in West Addis District. The sample size of 120 is determined using quota sampling, i.e.; the more customers a branch has; the more number of respondents are selected from the branch.

The research used non-probability sampling technique, specifically convenience sampling technique to collect data because it is fast, inexpensive, and easy and the subjects are readily available. The sample of this research was made up of customers who have been demanding service from Dashen

bank branches under the study during the data collection period. Researchers use convenience sampling not just because it is easy to use, but because it also has other research advantages. Convenience sample is usually used because it allows the researcher to obtain basic data and trends regarding his study without the complications of using a randomized sample.

The bank service users would have four groups such as government, non-government, individuals and business. Lastly, to get decided number of customer from the list each stratum, simple random sampling used because every element in the population has equal chance of being chosen so thus keep away from biasness. The researcher distributed the questionnaires' to each selected respondents (customers) personally during working our when customer came to get services.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

In this chapter, the collected data has been analyzed and interpreted. The chapter consists of introduction, respondents' demographic characteristics, the relationship between service quality dimensions and customer satisfaction, expectations, perceptions and gap scores analysis, and analysis of overall customer satisfaction

The objective of this study is to investigate and examine the stated specific objective through analysis of primary data collected from the survey. It focuses on significantly responding the research questions that include finding out how customers perceive service quality in Dashen Bank and whether they are satisfied with service quality in Dashen Bank. This will enable to arrive at the objectives of the present study which through describing and interpreting the practical trend with regard to service quality and customer satisfaction.

The data collected is mainly based on respondents' expectations and perceptions of the various items under the SERVQUAL model. In addition, some demographic descriptions of the respondents are collected. A general description of the customers' expectations and perceptions of the various dimensions is done using descriptive statistics. In order to assess the actual service quality and the customer satisfaction towards it, a gap score analysis is also carried out based on the difference between the expectations and perceptions (P – E).

#### **4.1 Respondents' Demographic characteristics**

As shown in Table 1 below, the majority 82 (68.3 percent) of the respondents are males, and 38(31.7percent) are females. Therefore, this analysis of data indicates that there is slightly gender disparity in the customers of Dashen Bank in Addis Ababa. Hence; even though there is promising figures that indicates the effort of the Bank to narrow gender gap but still some work has to be done to minimize the gap.

**Table:1 Demographic Data**

Variables		Frequency	Percent (%)
Sex	MALE	82	68.3
	FEMALE	38	31.7
Age Group	< 20 YEARS	2	1.7
	20 - 29 YEARS	59	49.2
	30 - 39 YEARS	37	30.8
	40 - 49 YEARS	15	12.5
	50ANDABOVE YEARS	7	5.8
Occupation	Government employed	28	23.3
	Self employed	17	14.2
	Student	14	11.7
	Business Person	56	46.7
	Unemployed	5	4.2
Educational level	Primary school	10	8.3
	High school complete	26	21.7
	Diploma	33	27.5
	Bachelor's	43	35.8
	Masters	8	6.7

Frequency of Visiting the Bank	Daily	45	37.5
	Weekly	35	29.2
	Two times a month	18	15.0
	Monthly	15	12.5
	More than a month	7	5.8
Relationship with the Bank	<i>Less than one year</i>	25	20.8
	<i>1- 5 years</i>	61	50.8
	<i>6-10 years</i>	13	10.8
	<i>10-15 years</i>	8	6.7
	<i>More than 15 years</i>	12	10.00

Source: From Field survey (2019)

With regard to age of the respondents 2 (1.7 percent) of the respondents are in the age category of below 20 years, 59(49.2 percent) of the respondents are in the age category of 20 to 29 years, 37(30.8 percent) of them are in the age category of 30-39 years, 15 (12.5 percent) are in the age category of 40-49 years, and the 7 (5.8 percent) respondents are in the age category of above 50 years. Therefore, the result shows that majority of the service users were within the range of 20-29 age group and 30-39. This reflects that majority of service users which is provided by Dashen Bank were adults.

Considering the occupation characteristics of the respondents, majority of the service users were business person; who accounts to 46.7 percent, followed by government employee 23.3 percent and thirdly self-employed which accounts to 14.2 percent, fourthly students which accounts to 11.7 percent, and finally unemployed respondents were accounts to 4.2 percent. The occupation category clearly shows the majority of the users are business person. Dashen Bank has a lot to do in this regard to assist the different users to be users of the services in order to enhance effectiveness and efficiency since this bank is considered as a best representative or model to all private banks throughout the country.

With regard to the educational level, the lion's share 43(35.8 percent) of respondents were bachelor degree holders, followed by those respondents who have diploma which accounts to 33(27.5

percent). The respondents who have high school complete were account to 26 (21.7 percent) while the least proportion of respondents who accounts 10 (8.3 percent) and masters accounts to 8 (6.7 percent). Therefore, the compositions of the respondents revealed that majority of them were degree holders. This can be considered as an opportunity to the bank that communication becomes smoother and they can easily access to the new technology of the bank.

Customers were asked how frequently they visited the branch to get service. Accordingly, their response shows that 45 (37.5%) of the respondents visited the bank daily, 35(29.2%) of the respondents weekly, 18(15%) visited twice in a month, 15 (a2.5%) monthly and the least were 7(5.8%) who visited the bank more than a month. The customers which visited the bank daily (37.5%) are assumed to be business person who processed daily sales transaction deposit to the bank and withdraw money from their account for purchasing merchandised goods and other purpose. Government employees that withdraw money from their saving or salary accounts for their weekly consumption and self mostly employed person visit the bank two times a month and students withdraw money monthly that transferred from other places. This shows that, much of them were frequent customers and could share ample observations about the service delivery quality of the bank and create good opportunity to express their satisfaction. The bank can use the group to enhance revenue through attracting deposits. However, business person who visit the bank daily a cause of increased traffic during the end day. Hence, it requires special service delivery arrangements.

Above all the level of customer satisfaction can be seen by customers' loyalty to a certain bank in the presence of alternative banks. As far as experience of customers are concerned 61 (50.8%) of the customers have stayed in the bank for five years, 25 (20.8%) less than one years, 13(10.8%) were for ten years, 12(10%) were customer of the bank for more than fifteen years and the remaining 8(6.7%) of the respondents were for less than fifteen years relationship with the bank. Thus, the large numbers of these respondents were customers who have lots of experience about the service delivery quality of the bank and they can easily measure their satisfaction level. Since there is tough competition in the market the bank needs to devise strategy to retain this group as it is expected to be the newly emerging economic power in the economy.

## **4.2. Customer's Response on SERVQUAL Dimensions**

Customers' perception of service quality is based on the comparison of their expectation of customers (what they feel service providers should offer) with their perceptions of the performance of the service provider that proposed by Parasuraman (1988). In this paper the gap score analysis enables us to find out how consumers perceive service quality in Dashen Bank and helps to identify what dimensions of service quality they are satisfied with. According to Parasuraman et al., (1985) the higher (more positive) the perception ( $P$ ) minus expectation ( $E$ ) score, the higher the perceived service quality and thereby leading to a higher level of customer satisfaction. In this regard, the gap scores are calculated based on the difference between the consumers' perceptions and expectations of services offered by Dashen Bank. For each dimension, the SERVQUAL scale provides a score for customer expectations ( $E$ ) and a score for customer perceptions ( $P$ ) of service quality. The differences between the two scores on each dimension are called gap scores. The key to optimizing service quality is to maximize these gap scores and the associated gap equation ( $Q = P - E$ ).

### **4.2.1 Tangibles Dimension of Service Quality**

#### **Descriptive Statistics in relation to service tangible dimension**

Table 2: Service Tangible Dimension

<b>Dimension</b>	<b>Evaluation statement</b>	<b>Mean Value for Perception score</b>	<b>Mean Value for Expectation score</b>	<b>Service quality gap score</b>
<b>Tangibility</b>	Q7. Dashen Bank has Modern looking equipment	4,2083	3.8667	0.3416
	Q8.The physical facilities at Dashen Bank should be visually appealing	3.6833	4.3167	0.6334
	Q9. Employees at Dashen Bank should be neat appearing	4.3500	4.47.50	0.125
	Q10. Materials associated with the service (such as pamphlets or statements) should be visually appealing at an Dashen Bank	3.7167	4.4250	0.7083
<b>Average gap score of tangibles dimension</b>				<b>0.28128</b>

Source: From Field survey (2019)

As stated in literature part, tangible aspect of service dimension will be reflected in the physical evidence such as tools, equipment and appearances of providers. In this regard Dashen bank has tangible gap score of -0.28128. Among the attributes the “Materials associated with the service (such as pamphlets or statements) are visually appealing at your bank” has comparatively high gap score of -0.7083 which shows that the majority of the customers perceive less attracted with the materials associated the service. (Table2).

#### 4.2.2 Reliability Dimension of Service Quality

Table 3: Service Reliability Dimension

<b>Dimension</b>	<b>Evaluation statement</b>	<b>Mean Value for Perception</b>	<b>Mean Value for Expectation</b>	<b>Service quality Gap score</b>
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		score	score	
Reliability	Q11. When Dashen Bank promise to do something by a certain time, they do	3.4333	3.6167	-0.1834
	Q12. When a customer has a problem Dashen Bank should show a sincere interest in solving it.	3.6500	3.8500	-0.2
	Q13. Dashen Bank should perform the service right the first time.	3.6417	4.2917	-0.65
	Q14. Dashen Bank should provide the service at the time they promise to do so.	3.5250	4.3000	-0.775
	Q15. Dashen Bank should insist on error free record.	3.7167	4.1417	-0.425
<b>Average gap score of reliability dimension</b>				<b>-0.44668</b>

Source from field survey (2019)

Well-known customers measure the reliability of the bank by considering consistency of performance, uniformity of service encounter, honoring promises, keeping accurate customer records and performing the service correctly at the first encounter. As illustrated in the table 3 above the reliability dimension has a gap score of -0.44668 which indicates that the bank fails to meet customer’s expectation on this dimension. A bank ideally should provide its service as it promises to do so at the first time. But the bank score for this attribute is -0.775 which indicating that the customers do not have full confidence in the service promised by the bank. But the attribute “The bank promises to do something by a certain time, it does so” and “Sincere interest in solving customers’ problems” has a very low score gap of -0.1834 and -0.2 respectively which shows the positive side of the bank’s staff to keep promises and to solve the customers problem on time.

#### 4.2.3 Responsiveness Dimension of Service Quality

**Table 4: Service Responsiveness Dimension**Source: From SPSS result

<b>Dimension</b>	<b>Evaluation Statement</b>	<b>Mean Value for Perception score</b>	<b>Mean Value for Expectation score</b>	<b>Service quality Gap score</b>
<b>Responsiveness</b>	Q16. Employees of Dashen Bank should tell customers exactly when services will be performed.	4.5333	4.3583	0.175
	Q17. Employees of Dashen Bank should give prompt service to customers.	3.9250	4.9500	-1.025
	Q18. Employees of Dashen Bank should always be willing to help customers	4.3083	4.4583	-0.15
	Q19. Employees of Dashen bank should never be too busy to respond to customers' requests	3.8750	4.3833	0.5083
<b>Average gap score of responsiveness dimension</b>				<b>-0.37708</b>

As stated in the literature, responsiveness dimension is concerned with the willingness, readiness of employees and the attentiveness of the bank to provide a service to satisfy the needs and desires of customers. As per the result obtained from the customers in the table4 above responsiveness has a gap score of -0.37708. With regard to this dimension “Employees in your bank are never too busy to respond to your request” has a gap score of -0.5083 demonstrating that the bank staffs are not able to provide prompt service to customers and they are too busy to respond customers request.

#### 4.2.4 Assurance Dimension of Service Quality

**Table 5: Service Assurance Dimension**

<b>Dimension</b>	<b>Evaluation statement</b>	<b>Mean Value for Perception score</b>	<b>Mean Value for Expectation score</b>	<b>Service quality Gap score</b>

<b>Assurance</b>	Q20. The behavior of employees of Dashen Bank should instill confidence in customers	3.8833	4,4417	-0.5584
	Q21. Customers of Dashen Bank should feel safe in transactions.	4.0083	4.4500	-0.4417
	Q22. Employees of Dashen bank should be consistently courteous with customers	3.9833	4.6667	-0.6834
	Q23. Employees of Dashen bank should have the knowledge to answer customers questions .	3.9333	4.5000	-0.5667
<b>Average gap score of assurance dimension</b>				<b>-0.56255</b>

Source: From Field survey (2019)

Personal behavior of employee, Politeness of employees, customer feeling safe in their transaction and adequate knowledge of employee are satisfying assurance dimension of service quality. The details of the information obtained from respondents are summarized in the table 5 above. As per the result assurance dimension has a gap score of -0.56255. The “Employees in your bank have consistently courteous with you” attribute has a gap score of -0.6834 which shows that the behavior of the employees is not that much to satisfy as per the customer expectation and the employees has not well-mannered. As we can see from the result the attribute “You feel safe in your transactions with your bank” has the least gap score of -0.4417 which indicates that customer feeling in their transaction is unsafe in some extent. Thus, the bank should give attention to providing adequate training for employees to having well character and well-mannered how to serve its loyal customers specially and also for new entrants to make them loyal to the bank.

#### 4.2.5 Empathy Dimension of Service Quality

**Table 6: SERVQUAL Empathy Dimension**

<b>Dimension</b>	<b>Evaluation statement</b>	<b>Mean Value for Perception score</b>	<b>Mean Value for Expectation score</b>	<b>Service quality Gap score</b>
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<b>Empathy</b>	Q24 Dashen Bank should give customers individual attention	3.8083	4.3277	-0.5194
	Q25. Dashen Bank Should has operating hours convenient to all their customers.	3.9250	4.5294	-0.6044
	Q26. Dashen Bank should have employees who give customers personal attention	3.7250	4.3277	-0.6044
	Q27. Dashen Bank should have their customer's best interests at heart.	3.6667	4.5378	-0.8711
	Q28 The employees of Dashen Bank should understand the specific needs of their customers.	3.7250	4.4286	-0.7036
	Q29. The employees of Dashen Bank should be able to conduct transaction immediately or in a short waiting period.	3.7750	4.4538	-0.6788
<b>Average gap score empathy dimension</b>				<b>-0.66333</b>

Source: From Field survey (2019)

A service provider who tries to put himself in the position of its customers to understand customers need, and then providing what they want in a convenient way have the potential to satisfy its customers on empathy dimension of service quality. As stated in the table6 above the empathy dimension has average gap score of -0.66333 indicating the bank's deficiency at this dimension. Specifically, "Your bank has your best interest at heart" has a gap score of -0.8711 which indicates that the bank does not take in to account the customers interest and need. The attribute "Your bank gives you individual attention" has a gap score of -0.5194 shows compeer to the others empathy dimensions the majority of the customer's expectation nearer to their perception and customers are relatively satisfied.

#### 4.2.6 Convenience Dimension of Service Quality

**Table 7: SERVQUAL Convenience Dimension**

<b>Dimension</b>	<b>Evaluation Statement</b>	<b>Mean Value for Perception score</b>	<b>Mean Value for Expectation score</b>	<b>Service quality Gap score</b>
	Q30. ATM of Dashen Bank should be conveniently located	3.4500	4.5167	-1.0667
	Q31. Dashen Bank should provide special services or counters for elderly/disabled	3.4583	4.4917	-1.0334
	Q32. Clear guidance and information sign on how to use the banks' services and facilities	3.4000	4.4750	-1.075

<b>Convenience</b>	should be available in Dashen Bank			
	Q33. It is easy to get ATM/VISA card in Dashen Bank	3.2667	4.1250	-0.8583
<b>Average gap score of convenience dimension</b>				<b>-1.00835</b>

Source: From Field survey (2019)

As mentioned in the literature review that the additional SERVQUAL dimension of convenience is important to include and considering in this study to measure the customers satisfaction of Dashen Bank services. Basically, convenience refers to the availability of offices near to customer, location of ATM machines, special services for elderly/disabled customers and websites for easy access to information. With the development of information technology, customers increasingly expect higher services in this information age. At the same time, most of them are becoming more and more time conscious and requires more convenience (Kotler and Keller, 2006). As indicated in the table7 above the average service quality gap score of convenience dimension is -1.00835. The attribute "The ATM of your bank are conveniently located" and "Your bank provide Special services or counters for elderly/disabled" and "Clear guidance and information sign on how to use the banks' services and facilities are available in your bank" has a gap score of -1.0667, -1.7629 and -1.0825 respectively which indicates that the bank do not deployed ATMs at convenient location and not give special services for elderly and disabled customers and also there is no clear information and guidance available to use the bank's services and facilities as expected by the customers. Regarding accessibility of getting VISA card the gap score is -0.8583 shows majority of the customers' expectation is nearer to their perception and customers are somehow satisfied.

### 4.3 Summary of all SERVQUAL Dimensions

Table 8: Summary analysis for all dimension of SERVQUAL

Dimension	Evaluation statement	Service quality Gap score	Ranking of each dimension gap score
<b>Tangibility</b>	Q7. Dashen Bank has modern looking equipment	0.3416	<b>6</b>
	Q8. The physical facilities at Dashen Bank should be visually appealing	-0.6334	
	Q9. Employees at Dashen Bank should be neat appearing	-0.125	
	Q10. Materials associated with the service (such as pamphlets or statements) should be visually appealing at an Dashen Bank	-0.7083	
<b>Average gap score of tangibles dimension</b>		<b>-0.28128</b>	
	Q11. When Dashen Bank promise to do something by a certain time, they do	-0.1834	
	Q12. When a customer has a problem Dashen Bank should show a sincere interest in solving it.	-0.2	
	Q13. Dashen Bank should perform the service right the first time.	-0.65	

<b>Reliability</b>	Q14. Dashen Bank should provide the service at the time they promise to do so.	-0.775	<b>4</b>
	Q15. Dashen Bank should insist on error free record	-0.425	
<b>Average gap score of reliability dimension</b>		<b>-0.44668</b>	
<b>Responsiveness</b>	Q16. Employees of Dashen Bank should tell customers exactly when services will be performed.	0.175	<b>5</b>
	Q17. Employees of Dashen Bank should give prompt service to customers.	-1.025	
	Q18. Employees of Dashen Bank should always be willing to help customers	-0.15	
	Q19. Employees of Dashen bank should never be too busy to respond to customers requests	0.5083	
<b>Average gap score of responsiveness dimension</b>		<b>-0.37708</b>	
<b>Assurance</b>	Q20. The behavior of employees of Dashen Bank should instill confidence in customers	-0.5584	<b>3</b>
	Q21. Customers of Dashen bank should feel safe in transactions.	-0.4417	
	Q22. Employees of Dashen bank should be consistently courteous with customers	-0.6834	
	Q23. Employees of Dashen bank should have knowledge to answer customers questions	-0.5667	
<b>Average gap score of assurance dimension</b>		<b>-0.56255</b>	
<b>Empathy</b>	Q24. Dashen bank should give customers individual attention.	-0.5194	<b>2</b>
	Q25. Dashen Bank should have operating hours convenient to all their customers	-0.6044	
	Q26. Dashen bank should have employees who give customers personal attention	-0.60257	
	Q27. Dashen bank should have their customer's best interests at heart	-0.8711	
	Q28. The employees of Dashen Bank should understand the specific needs of their customers	-0.7036	
	Q29. The employees of Dashen Bank should be able to conduct transaction immediately or in a short waiting period	-0.6788	
<b>Average gap score of empathy dimension</b>		<b>-0.66333</b>	
	Q30 ATM of Dashen Bank should be conveniently located	-1.0667	



<b>Convenience</b>	Q31. Dashen Bank should provide special services or counters for elderly/disabled.	-1.0334	<b>1</b>
	Q32. Clear guidance and information sign on how to use the banks services and facilities should be available in Dashen bank	-1.075	
	Q33. It is easy to get ATM/VISA card in Dashen bank.	0-.8583	
<b>Average gap score of convenience dimension</b>		<b>-1.008335</b>	

DashenBank management to identify which dimension/s needs an improvement and which one is in a good condition. Applying the gap analysis is accurate in identifying service short falls in an operation (Parasuramanetal, 1994). The Larger mean gap score are identified for the dimensions of convenience quality which is (-1.00835) followed by empathy (-0.66333), assurance (-0.56255), reliability (-0.44668), responsiveness (-0.37708), and the least gap score is shown in the tangibility dimension which is (-0.28128). This reflects that Dashen Bank perform more on tangibility dimensions than other five dimensions. Generally, the result indicated that there is no service quality gap which shows positive result (difference between perception and expectation). This implies that there is no dimension on which customers' perception is equal to or greater than what they expect from it.

In summary, from results obtained, customers perceive service quality as poor in all dimensions meaning their expectations fall short of they actually experience in Dashen Bank. In this regard, customers are not satisfied with any dimensions of service quality. As indicated on the Table 8 above all the dimensions show a gap between expected service and perceived service and this point out that Dashen Bank need to make lots of improvement in all dimensions if Dashen Bank wants to be successful in the market and win the competition ahead, In its engagements of the banking industry, it requires increased customer satisfaction which is the back bone of customers service.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.1. Summary of key findings

The main purpose of this study to assess the service quality on customer satisfaction with the banking service in selected Dashen Bank west Addis district branch. Accordingly, this paper tried to see the most important service quality dimensions for Dashen Bank. SERVQUAL model was the instrument employed in the study to measure the service quality perception in Dashen Bank. Among the distributed 150 questionnaires 120 were collected and analyzed by the help of Statistical Package for Social Scientists (SPSS v. 20.0). After detailed analysis of the information gathered through questionnaire the following measure findings were obtained.

The result of service quality gap score on tangible dimension(-0.2812) showed that customers are less attracted, particularly, to the bank's materials and statements compared to other tangible dimensions such as equipment, facilities. The overall result in this survey clearly showed that the services given by Dashen bank were far below its customers' expectations.

The reliability dimension has a gap score of -0.44668 which indicates that the bank fails to meet customer's expectation on this dimension. A bank ideally should provide its service as it promises to do so at the first time. But the bank score for this attribute is -0.775 which indicating that the customers do not have full confidence in the service promised by the bank.

As per the result obtained from responsiveness dimension has a gap score of -0.37708. With regard to this dimension demonstrating that the bank staffs are not able to provide prompt service to customers and they are too busy to respond customers request.

As per the result assurance dimension has a gap score of -0.56255. which shows that the behavior of the employees is not that much to satisfy as per the customer expectation and customer also feeling in their transaction is unsafe in some extent.

As per the result empathy dimension has average gap score of -0.66333 indicating the bank's deficiency at this dimension. which indicates that the bank does not take in to account the customers interest and need.

As indicated in the analysis the average service quality gap score of convenience dimension is -1.00835. Which indicates that the bank do not deployed ATMs at convenient location and not give special services for elderly and disabled customers and also there is no clear information and guidance available to use the bank's services and facilities as expected by the customers. The overall result in this survey clearly showed that the services given by Dashen bank were far below its customers' expectations and has a big gap from the dimensions expected by its customers and failure to meet or exceed customers' expectations which may necessitate the bank to rethink about its services.

## **5.2 Conclusion**

The intention of this paper was to assess the service quality and customer satisfaction of Dashen Bank branches in west Addis District. Accordingly, based on the above analysis and major findings the following conclusion were drawn.

- ❖ As the above findings indicated the level of quality services delivered by Dashen Bank to its customers was relatively better in the dimensions; Tangibility, Responsiveness, Reliability and Assurance respectively. Whereas; the service delivered in the dimensions of Empathy and Convenience needs more improvement.
- ❖ The overall level of customer satisfaction from the service of Dashen Bank West Addis branches was low performance and needs more improvement.
- ❖ Relatively among the six dimensions, Tangibility, Responsiveness and Reliability was the dimensions those dominantly affect customers' satisfaction. Moreover, there predictive power was also higher than the other two dimensions. Since Assurance has gap score -0.562, Empathy has gap score -0.663 and Convenience has gap score -1.008 predictive power respectively. Therefore; one can notice that these dimensions could dominantly affect the satisfaction of customers in Dashen Bank.

- ❖ Among the mean score analysis for perception items in all six dimensions; Tangibility was highest mean value following this Responsiveness was also higher mean value similarly, reliability, assurance, empathy and convenience was relatively with low mean value. Therefore, the bank should collect periodic assessment about these dimensions in order to satisfy customers need.
- ❖ The score gap observed on the perception and expectation of the bank's services such as location of ATM machines, access to ATM cards, information signage and special needs services ranked Dashen Bank to be inconvenient to customers.
- ❖ In total Dashen bank service quality is low in all dimensions regarding the six service quality dimensions. Hence, these dimensions could affect positively or negatively the level of customer satisfaction.

### **5.3. Recommendations,**

Based on the above analysis and conclusion of this study the following recommendations are forwarded for concerned bodies.

- ❖ It was found that among all service dimensions, Convenience, Empathy and Assurance needs more improvement. Therefore, Dashen Bank should improve the service in these three dimensions i.e. Convenience which is mainly characterized by the availability of bank branches near to customers offices or shops, easy to get information, special services or counters for elderly/disabled customers and conveniently located ATM's (Automatic Teller Machine). The bank should give concern to empathy which is caring, individual attention and understanding the customers' need and also for assurance which is direct related to employees, the bank should do more to improve knowledge, competence, trustworthiness of employee.
- ❖ Periodic assessment about service quality dimensions is better to oversee customers need and to improve immediately if there is any discomfort customers in any dimensions. Hence, it is better if the bank officials use this mechanism to see the service quality dimensions with respect to customers' satisfaction.

- ❖ Bank must improve upon accessibility through service delivery, ensure that ATMs are reliable, customer service improved and bank branches are made more accessible and responsive to customer needs.
- ❖ Dashen bank to improve the quality of its service in order to increase the level of customer satisfaction by increasing employees' ability to handle customers' complaint and customers' problems in consistency manner.
- ❖ Dashen bank management should consistently be updated where service has failed and look for a solution without delay, especially where more staff are needed due to great number of customers to avoid long waiting lines.
- ❖ All employees have to know that service quality in its true sense for improved customer service. Create an environment for each and every employee to consider Customers service as part of his/her job and also the corner stone for the bank sustainable growth. This is done by giving continuous training and capacity building programs on how to solve the problems raised from customers, how to address complaints sincerely, maintain accurate customers' record and improve communication among them.
- ❖ All employees at Dashen Bank should be committed and involved in service quality improvement that is visible to all customers in order to meet or exceed their expectation.
- ❖ Invite more customers by improving customer service that makes them loyal to Dashen Bank. The bank should assure the quality of its products in order to win customers' satisfaction and consequently achieve a competitive advantage and long run survival. Because customer satisfaction is found to be an important tool to create and maintain loyal customers.
- ❖ Improved and distinct customer service has to be considered as strategic tool that is dedicated for change and improvement. The new technology like Automated Teller Machines (ATM), Mobile banking and online banking must be with 100% availability. For instance, now a day there are problems of network, system failure, power interruption and lack of knowledge how to use and operate the systems. Before introducing a new system into the bank intensively, the bank has to take survey and give adequate training and development to the respective employees. In addition, the bank has to aware its customers how to use and operate, and there must be standby generators when there is no electric power.

- ❖ Equip all employees with the necessary training and motivation to serve customers better as compared to other competitors. Staff training is one of the most important factors for delivering better customer service. As such it is a fundamental driver for bank performance and profitability. When employees are motivated towards their jobs, they are motivated to do more work. Motivation of employees can be done, by giving them bonus, fringe benefits, creating conducive work atmosphere and others as applicable.
- ❖ Set highest standard customer service quality that cannot be beaten by competitors. By getting the best practice in the industry, the Bank can set the standard. That set standard should be practiced by all employees in the value chain without any compromise. Highest SERVQUAL standards have to be set and gaps identified must be filled immediately.
- ❖ Keep customers informed about the service standard and get feedback from them in regards to service delivery helps to improve customer service in better perspective.
- ❖ Make all employees to own customer service as main pillar that helps the bank to grow and sustain its profitability.
- ❖ Customer satisfaction should be taken as a culture of change that is undertaken in continuous way without any reservation in the true sense of its term.
- ❖ Customer satisfaction by providing excellent customer service has to be linked with banks's day to day activities and performance & reward system for its effectiveness (It has to be linked with some incentives for best performers).

Finally the researcher believes that this paper is not exhaustive that could provide all lists of topic researched. However, it gives a bird-eye view on topic and it is open for further discussion and/or critics.

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# ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

## Department of Master of Business Administration Questionnaire for customers of Dashen bank

Dear customer,

I am interested in studying quality of banking services in Dashen bank that may lead to higher quality of services and customer satisfaction. The first section of the questionnaire is focused on your personal profile. The second section of the questionnaire is focused on your **expectation** of the service quality of your bank. The third part of the questionnaire focuses on your **perception** of the service quality of your bank.

**EXPECTATION:** *it means what you require, what you hope to get or what you should get*

**PERCEPTION:** *it means observation, view, or opinion.*

Your responses are important for me and I would like to appreciate if you would take few minutes of your time and complete this questionnaire. Your responses will be treated **confidential** and used for only academic purpose. I am Master's student of St. Marry University department of Business Administration. I thank you for your concern and time. Use the following responses from **1** to **5** to answer, where, **strongly Disagree to Strongly Agree**. If you feel a feature is not at all essential for bank companies, make a "1" mark in number "1". If you feel a feature is absolutely essential, make a "5" mark in number "5". If your feelings are less strong, select one of the numbers in the middle.

### Section I

#### Respondent's profile

Please tick  the appropriate box for your answers. Please tick only one box.

1. Please what is your gender/sex?

male

female

2. Please select your age group.

Below 20 years

20 – 29

30-39

40 – 49

50 and above

3. What is your occupation?

Government employed

student

Business Person

Self employed

Unemployed

Others.....

**4. Select your highest academic qualification?**

Primary school

High school complete

Diploma

Bachelor's

Post graduate/Masters/

Doctorate degree/PhD/

**5. What is your frequency of visiting the . to use its service?**

Daily

Weekly

Two times a month

Monthly

More than a month

**6. How long is the period, since you established relationship with the bank?**

Less than one year

1- 5 years

6-10 years

10-15 years

More than 15 years

V

## Section II Customer expectation (*anticipation*)

Dimensions	Q.No	Statement of evaluation	Rating Scale				
			Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
			5	4	3	2	1
<b>Tangibility</b>	7	Dashen bank has modern looking equipment					
	8	The physical facilities at Dashen bank should be visually appealing					
	9	Employees at Dashen bank should be neat appearing					
	10	Materials associated with the service (such as pamphlets or statements) should be visually appealing at an Dashen bank					
<b>Reliability</b>	11	When Dashen bank promise to do something by a certain time, they do					

	12	When a customer has a problem,  Dashen bank should  show a sincere interest in solving it.					
	13	Dashen bank should  perform the service right the first time.					
	14	Dashen bank should  provide the service at the time they  promise to do so.					
	15	Dashen bank should  insist on error free record					
<b>Responsiveness</b>	16	Employees of  should tell customers exactly  when services will be performed.					
	17	Employees of .  should give prompt service to  customers.					
	18	Employees of .  should always be willing to  help customers.					
	19	Employees of .  should never be too busy to					

		respond to customers' requests.					
<b>Assurance</b>	20	The behavior of employees of Dashen bank should instill confidence in customers.					
	21	Customers of . should feel safe in transactions.					

	22	Employees of .  should be consistently  courteous with customers.					
	23	Employees of .  should have the knowledge to  answer customers' questions.					
<b>Empathy</b>	24	Dashen bank should  give customers individual attention.					
	25	Dashen bank should  have operating hours convenient to all  their customers.					
	26	Dashen bank should  have employees who give customers  personal attention.					
	27	Dashen bank should  have their customer's best interests at  heart.					
	28	The employees of .Dashen Bank  should understand the  specific needs of their customers.					



	29	The employees of .Dashen Bank  should be able to  conduct transaction immediately or in  a short waiting period					
<b>Convenience</b>	30	ATM of .  should be conveniently located					
	31	Dashen bank should  provide Special services or counters  for elderly/disabled					
	32	Clear guidance and information sign  on how to use the banks' services and  facilities should be available in  Dashen bank.					
	33	It is easy to get ATM/VISA card in  Dashen bank.					

VII

**Section III Customer perception of the superiority of service quality of Dashen bank**

Please show the extent to which you believe Dashen has the features described in the statement. Once again, make a “✓” mark in numbers 1-5 you may select any of the numbers that show how strong your feelings are.

Dimensions	Q.  No	Description	Rating Scale				
			Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
			5	4	3	2	1
<b>Tangibility</b>	7	Your bank has modern looking equipment.					
	8	Your Bank’s physical facilities are visually appealing.					
	9	Your Bank’s reception desk employees are neat appearing.					
	10	Materials associated with the service (such as pamphlets or statements) are visually appealing at your bank.					

<b>Reliability</b>	11	When your bank promises to do something by a certain time, it does so.					
	12	When you have a problem, your bank shows a sincere interest in solving it.					
	13	Your bank performs the service right the first time.					
	14	Your bank provides its service at the time it promises to do so.					
	15	Your bank insists on error free records					
<b>Responsiveness</b>	16	Employees in your bank tell you exactly when services will be performed.					
	17	Employees in your bank give you prompt service.					
	18	Employees in your bank are always willing to help you.					
	19	Employees in your bank are never					

		too busy to respond to your request.					
	20	The behavior of employees in your bank instills confidence in you.					

VIII

<b>Assurance</b>	21	You feel safe in your transactions with your bank.					
	22	Employees in your bank area consistently courteous with you.					
	23	Employees in bank have the knowledge to answer your questions.					
<b>Empathy</b>	24	Your bank gives you individual attention.					
	25	Your bank has operating hours convenient to all its customers.					
	26	Dashen Bank has employees who give you personal attention.					
	27	Your bank has your best interest at heart.					
	28	The employees of your bank understand your specific needs.					
	29	The employees of your bank are able to conduct transaction					

		immediately or in a short waiting period					
<b>Convenience</b>	30	The ATM of your bank are conveniently located					
	31	Your bank provide Special services or counters for elderly/disabled					
	32	Clear guidance and information sign on how to use the banks' services and facilities are available in your bank					
	33	It is easy to get ATM/VISA card in your bank.					

Please state your feelings on the space provided

1. How do you rate your overall satisfaction in Dashen bank customer service?

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2. What improvements do you suggest the need to make in the overall customer service?

.....

3. Please feel free to offer any suggestions or comments you want to add that the . should do to satisfy the perceptions and expectations of its customers?

I thank you for the time and effort taken in fulfilling this questionnaire.

