ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MARKETING MANAGEMENT GRAGUATE PROGRAM

ASSESSMENT OF CUSTOMERS' PERCEPTION ON SERVICE QUALITY: A CASE STUDY ON COMMERCIAL BANK OF ETHIOPIA

BY: SOSENA LEMMA

JUNE 2019

ADDIS ABABA, ETHIOPIA

ASSESSMENT OF CUSTOMERS' PERCEPTION ON SERVICE QUALITY: A CASE STUDY ON COMMERCIAL BANK OF ETHIOPIA

A THESIS SUBMITTED TO DEPARTMENT OF MARKETING MANAGEMENT IN PARTIAL FULLFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTERS OF ARTS IN MARKETING MANAGEMENT

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JUNE 2019

ADDIS ABABA, ETHIOPIA

Statement of Declaration

I declare that this study conducted under the title of "Assessment of customers' perception on service quality of Commercial Bank of Ethiopia on branches under South Addis Ababa District" is my own work and I would like also to confirm that all the sources of materials used as a reference or model are appropriately acknowledged.

By: Sosena Lemma

Signature: _____

Date: _____

Certification

This is to certify that Sosena Lemma Alemayehu has carried out her study on the topic entitled "Assessment of Customers' Perception on Service Quality of Commercial Bank of Ethiopia on branches under South Addis Ababa District". This topic is suitable for permission in partial fulfillment of the requirement of the award of Masters of Art Degree in Marketing Management.

Temesgen Belayneh (PHD)   _____   _____

(Advisor)   **Signature**   **Date**

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ACRONYMS

CBE: Commercial Bank of Ethiopia

SAAD: South Addis Ababa District

SDT: Service Delivery Time

MIS: Management Information System

SPSS: Statistical Package for Social Science

IPA: Importance Performance Analysis

SERVPERF: Service Performance

SERVEQUAL: Service Quality

ANOVA: Analysis of Variance

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ABSTRACT

The success of any business organization depends on its ability to deliver a service which meets or exceeds customers' expectation. Thus, this study was set to measure the service quality performance of Commercial Bank of Ethiopia under South Ababa District by considering Service Quality Dimensions /Attributes/, i.e. Tangibility, Reliability, Responsiveness, Assurance, Empathy, Commission & Charges to the Service, and Access to Facilities, on customers' perception. The target population for the study was customers of CBE found in South Addis Ababa District. The researcher applied quantitative research approach. A 5-point standard Likert scale questionnaire were distributed to 400 sample customers in 10 selected branches found in CBE under South Addis Ababa District. The branches have been selected based on their grade level, grade II, grade III, grade IV and one special branch. Validity & Reliability of questions in the questionnaire has been tested and consequently Importance Performance Analysis /IPA/, Spearman Correlation, Multiple Linear Regression Analysis were carried out using SPSS to test the relationship and impact of service quality dimensions and customers perception. The study determined that service quality dimensions /attributes/ have an impact on customers' perception. The result disclosed that out of the assessed service quality dimensions Responsiveness was the most significant factor on customers' perception, followed by, Empathy, Access to Facilities and Tangibility. In addition IPA analysis result discloses that; Tangibility, Reliability & Access to Facilities showed the highest performance gaps valued against their importance. So, based on the findings of the study the bank has to make an improvement on its branches through; by creating good working environment, by implementing and monitoring the service delivery standards, strongly work on attitude of its staffs to have better insight about importance of customers, implement extended working hours, reduce waiting time of customers and improving appearance of the branch, would help the bank to enhance the service quality in order to meet and surpass the requirement of the customers. Thus the management of Commercial Bank of Ethiopia need to work hard, give due attention to improve the observed gaps, and work on recommendations in order to retain its customers and to be profitable.

__Keywords__: Customers' Perception, Service Quality, Tangibility, Reliability, Responsiveness, Assurance, Empathy, Commission & Charges to the Service, and Access to Facilities.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Service industries are playing an increasingly vital role in an economic activity of many nations. Among these industries banking is considered as one of an important service industry which plays a decisive role for economic development of any country. It must be understood that the level of development that our world reaches these days would not be possible if banking has not been there so it is considered banking as the back bone for any economic activity of countries and it can contribute a lot more when it is integrated with quality. The sector is characterized among highly dynamic industries as consumers and customers demand changes. These changes further drive the service provision and delivery forward with increasing demand for quality. Lovelock and Wirtz (2004)

There are some major differences between services and goods. The nature of services is intangible whereas goods are tangible. Since services are intangible, measurement of service quality can be more complicated. Service quality measures how much the service delivered meets the customers' expectations. In order to measure the quality of intangible services, researchers generally use the term perceived service quality. Perceived service quality is a result of the comparison of perceptions about service delivery process and actual outcome of service (Grönroos, 1984; Lovelock and Wirtz, 2011).

Quality is an important tool for any company whether product or service oriented. Often more quality is considered as an investment for company, where the efforts for its improvement result in an increased client, increased levels of purchase from existing customers, (Parasuraman, Zeithaml and Berry, 1985). Since the 1980's service quality has been linked with increased profitability, and it is seen as providing an important competitive advantage by generating repeat sales, positive word-of-mouth feedback, customer loyalty and competitive product differentiation (Zeithaml and Bitner, 1996).

According to Berry and Parasuraman (1992), the strategic success of a service organization depends on the ability of service providers to enhance their images by consistently meeting or exceeding Customers' Expectation. The main driver of successful organizations toward top quality services is to make the measurement of service quality and its subsequent management of utmost importance. Therefore, the researcher finds that it is very important to assess customers' perception on the service quality issues related to banking.

Service quality has been becoming more important and service providers should improve their service quality to gain sustainable advantage, customer satisfaction and customer loyalty. The researches in the literature showed that customers who are dissatisfied with a service spread their experiences to more than three other people (Horovitz, 1990).

The success of any service providing organization can be measured in terms of its customers' attitude towards the service delivery practices which means, service quality will be the dominant element in customers' evaluations of a given service. Customers' go to service providers expecting to get a quality service and the level of expectation among each individual varies. Finding out what customers' expect is essential in providing a quality service. This can be done through marketing research focusing on issues such as what features are important to customers, what levels of these features customers expect and what customers think the company can and should do when problems occur in service delivery.

Fiore and Kim (2007) present a conceptual framework that concerns the influences on the consumption experience by environmental variables such as physical elements of the service environment, individual variables, individual attributes and person-environment variables or situations. The physical environment has the possibility to provide ideas about the influence of customer perceptions on the brand image. Zeithaml and Bitner (2000) argue that customers do perceive quality in more than one way and they also have perceptions about multiple factors when quality is assessed.

Baker (2002); Bitner (1990); and Minor et al (2004) also put forward that the environment influences customers' satisfaction. For example, the environment in a hotel will affect customer satisfaction. Lovelock and Wirtz (2007) discusses how confirmation or disconfirmation of expectations relates to satisfaction and delight:

The terms "quality "and "satisfaction" are sometimes used interchangeably. Some researchers believe, however, that perceived service quality is just one component of customer satisfaction, which also reflects price/ quality trade- offs, and personal and situation factors.

Baker et al (2002) also describes three components that influence the service encounter elements. The first component is physical environment and includes for example music, lighting and external and internal environmental design, the second one is customer interactions with intangible and tangible elements in the service environment and the periods when customers interact with physical facilities and other tangible elements in the service environment. Andaleeb and Conway, 2006; Wu and Liang (2005) mentions the second component that is connected to the relationship between the service employee and the customer. Behavior is a key determinant of how the service will be appreciated. The third component is about how customers are influenced from the appearance, perceptions and behavior of other customers.

Baker and Cameron (1996), discusses that it is shown that the behavior of other customers affect perceptions and that makes it important for service providers to be careful about the interaction between customers. According to Lovelock and Wirtz (2007) a service encounter is a period of time during which the customer interact directly with the service provider. Some of these encounters are very brief and consist of just a few steps. If you use a service that requires the customer to make a reservation this first step might have been taken days or even weeks before the customer arrives at the service facility.

The history of the Commercial Bank of Ethiopia (CBE) dates back to the establishment of the State Bank of Ethiopia in 1942. It was established following its forerunner State Bank of Ethiopia, which was acted as the country's central bank with the power of issuing bank notes and paper money on behalf of the Ministry of Finance. Banking proclamation was issued on 23 July 1963 G.C, which separates the functions of central bank and commercial bank activities, CBE established as a share company with a paid up capital of 20 million ETB and its total reserve and capital was 35 million ETB intended to provide a means of payment and to make loans and to fulfill normal duties and responsibilities of banking to the society. Since then it has been playing significant roles in the development of the country and it is the biggest state owned commercial bank in our country. *(CBE, web site http://www.combanketh.et).*

After a new banking proclamation in 1994 G.C. other private commercial banks emerged to the economy and grow in number tremendously, currently there are 16 private commercial banks found in the country. However the biggest question needed to focus is that, weather the significant expansion in banking has promoted customers' perceived quality or not.

So the very purpose of this study was to assess the perception of customers on service quality of Commercial Bank of Ethiopia on branches found in South Addis Ababa District with an Importance-Performance Analysis model (IPA). The IPA model which is proposed by Martilla and James (1977) has been used to identify the perceptions of customers' regarding service quality performance of the bank. The researcher believes that the finding from this study will benefit customers, managements & employees of the bank and other stakeholders in the sector.

1.2. Statement of the Problem

For almost a century, commercial banking in Ethiopia has been monopolized by a single publicly owned institution, Commercial Bank of Ethiopia (CBE). However, with the promulgation of the Monetary and Banking Reform law in 1994 G.C. private banks have proliferated in the country and the first private bank, Awash International bank, has established. Currently there are 16 private commercial banks; hence Commercial Bank of Ethiopia (CBE) is still the biggest state owned commercial bank in the country.

As market oriented organization operating under increasing competitive environment, addressing Customers' Expectation is very difficult. However, since customers are core to business entities, especially for profit seeking organizations, serving customers to the highest level of their needs and wants is not only important but also it is the issue of survival for organizations like CBE. In addition it has a vision to become a world-class commercial bank by the year 2025 G.C. The fundamental fact which may influence and determine the overall performance of CBE is how customers perceive its service.

Service quality is regarded as a critical success factor for organizations to differentiate from competitors. Many studies have been conducted to determine the factors of service quality. In today's world of intense competition, a firm's ability to deliver high quality service results in satisfied customers which is a key to a sustainable competitive advantage (Shemwell et al. 1998). However, it is common that most people hear about poor service delivery rather than

good service quality and "... negative word of mouth can have a devastating" effect on results and on an organization's effort to attract new customers (Smith et al., 2007:335). Therefore, satisfaction of customers is important in getting competitive advantage through positive word of mouth, loyalty of customers and by building a good image.

Due to inappropriate provision and delay in giving the desired service, and other related factors customers may become dissatisfied particularly, corporate and prominent customers who are the major contributors of the banks' income and profit would migrate to those private commercial banks in searching for the better services. In connection to this CBE has identified several problems associated with the service quality, provision and maintenance of the Standard Service Delivery set by the bank. As per *CBE Corporate Strategic Plan Document (2015 – 2020),* the problems include;

➢ Employees competency gap,
➢ Inconsistent customer service due to poor workflow /system/, problem in resource and facility allocation,
➢ Increased number of customers who demand quality service /higher customers expectation for quality service/,
➢ Increasing competition due to increased number of Private Commercial banks,
➢ Delay to giving immediate and proper solutions to customers complaints,
➢ Delay in taking appropriate measure on those staffs who are responsible for the delay in maintaining the standard Service Delivery Time (SDT) of the bank,
➢ In-mature financial law and system and financial illiteracy,
➢ Repeated power and network failure.

So one may ask "why is it necessary to assess customers' perception of service quality in a given organization"? The reason was in this world of competition the only way a firm can survive is by being the best and being the best in the service industry i.e. being able to provide the best quality service.

Therefore the main interest of the researcher was to assess the perception of customers regarding service quality of Commercial Bank of Ethiopia and to find out whether the bank has met the perception of its customers under all the dimensions of service quality, as service quality is becoming key choice and driver of customers.

1.3. Research Questions

The research has been guided by the under mentioned research questions which have helped the researcher to identify the main issues and problems associated with perception of customers in relation to service quality dimensions and performance in Commercial Bank of Ethiopia.

- ➤ Is there any significance relationship between service quality dimensions and customers' perception?
- ➤ How do customers perceive the service quality of Commercial Bank of Ethiopia?
- ➤ Which service quality attributes are valued as important by customers?
- ➤ Is there a significant difference for customers between their expected importance and perceived performance?
- ➤ Which services and areas are considered crucial to improve the service quality in Commercial Bank of Ethiopia?

1.4. Objective of the Study

1.4.1. General Objective

The main objective of this study was to assess and analyze customers' perception on service quality of Commercial Bank of Ethiopia under South Addis Ababa District in order to propose some important recommendations based on the results obtained from the study.

1.4.2. Specific Objectives

Based on the above general objective the researcher developed the following specific objectives,

- ➤ To examine the relationship between service quality dimensions and customers' perception.
- ➤ To assess customers' perception towards service quality of the bank.
- ➤ To identify relative importance of quality attributes.
- ➤ To investigate whether there is a significant difference for customers between expected importance and perceived performance.

➤ To identify services and areas those are considered crucial to improve the service quality in Commercial Bank of Ethiopia.

1.5. Hypotheses

By using the appropriate data, the effect of one of the service quality dimensions i.e. Tangibility, Reliability, Responsiveness, Assurance, Empathy, Commission & Charges to the Service & Access to Facilities, on Customers' Perception was tested by using the following hypothesis:

➤ **Hypothesis1:** Tangibility would have a positive and significant effect on customers' perception.
➤ **Hypothesis 2:** Reliability would have a positive and significant effect on customers' perception.
➤ **Hypothesis 3:** Responsiveness would have a positive and significant effect on customers' perception.
➤ **Hypothesis 4:** Assurance would have a positive and significant effect on customers' perception.
➤ **Hypothesis 5:** Empathy would have a positive and significant effect on customers' perception.
➤ **Hypothesis 6:** Commission & Charges to the service would have a positive and significant effect on customers' perception.
➤ **Hypothesis 7:** Access to Facilities would have a positive and significant effect on customers' perception.

1.6. Significance of the Study

Commercial Bank of Ethiopia is organized to provide banking service to the nation and promote the banking habit in the country; by doing so it generates profit. In addition to this it has set the vision to become world-class Commercial Bank by the year 2025 G.C. (Mission statement of CBE). To achieve this long range vision the bank has to address its customer's needs and wants timely. Some of the major benefits of this research would be;

> ➢ The study result would help to examine relationship between service quality dimensions and customers' perception.

> ➢ The study results would help the bank to have understanding of customers' perception towards service quality of the bank.

> ➢ The study result may indicate important quality attributes.

> ➢ It may investigate whether there is a significant difference for customers between expected importance and perceived performance.

> ➢ The study would help to identify and indicate services and areas those are considered crucial by customers to maintain the service quality of the bank.

1.7. Scope of the Study

Commercial Bank of Ethiopia has various stakeholders like staffs; executive management members, other staff members, outsource company employees who work for the bank. However, due to shortage of resources; financial & time constraint this study addressed only service quality issues on branches found in South Addis Ababa District on some sample customers by excluding customers who are found in other branches of the bank and other commercial banks.

In terms of location it would have been good if it has been include commercial banks outside Addis Ababa are taken as well. If further studies are conducted it will be good to include other stakeholders to get comprehensive result.

1.8. Limitation of the Study

Due to lack of sufficient time and financial resources it was a bit difficult for the researcher to make a thorough investigation thus, the researcher forced to limit the sample size and area of coverage. Therefore it is very difficult to generalize the result to overall CBE customers.

1.9. Organization of the Study Report

The research report has five chapters. Introduction & background of the study, research problem, research questions, objective of the study, significance and scope of the study and finally definition of key terms are presented in chapter one. Chapter two covers the literatures review part thus the researcher refers various books, research documents and internet websites. Chapter three concerned about research design and methodology. The fourth chapter focuses on data presentation, analysis and interpretation. The final chapter provides summary, conclusion and recommendation.

1.10. Definitions of Key Terms

Service: - activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods. *(The American Marketing Association)*

Service quality: - the service quality from the service customer's perspective means how well the service meets or exceeds expectations. Because of the customer – oriented market, service quality is generally defined from the customers' perspective, which is usually termed as perceived service quality (Fisk, Grove and John 2004:153).

Perception: - is "the process, by which an individual selects, organizes and interprets information inputs to create a meaningful picture of the world" (George 2004:149).

Bank: - an establishment authorized by a government; to accept deposits, pay interest; clear checks make loans, act as an intermediary in financial transactions, and provide other financial services to its customers *(Business dictionary)*

Importance:-performance analysis (IPA):- The (IPA) recognizes satisfaction as the function of two components: the importance of a service or a product to a client and the performance of a business in providing that service or product *(Martila & James, 1977)*

Customers: - depositors, Borrowers, Foreign Currency Remitters, Essential Goods & Infrastructure Importers and Others. *(CBE Strategic Plan Document, CBE 2015 – 2020).*

Customers Expectation: - quality service, convenience (service accessibility), diversified banking products, competitive pricing, etc. *(CBE Strategic Plan Document, CBE 2015 – 2020).*

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

In this chapter various literatures, theories, and models are reviewed and definitions given to what service means. In addition it is discussed about service marketing in banking, characteristics of services, concept of service quality, customer satisfaction, perception and the relationship between customer perception and service quality. Finally conceptual framework is formulated which gives a direction and serves as an evidence to show the relationship of variables of the study – Service Quality Dimensions (Independent) and Customers' Perception (Dependent) variables.

2.2. Service

According to Kotler and Keller (2009), "service is any act or performance one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. Increasingly, however, manufacturers, distributors, and retailers are providing value added services, or simply excellent customer service, to differentiate themselves" Page 346.

According to Zeithaml and Bitner (2004), services include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser.

Lovelock and Wirtz (2004), defined service is as "an act or performance made by one party to another although the process may be tied to a physical product, the performance is transitory, often intangible in nature and does not normally result in ownership of any of the factors of production". It is an economic activity that creates value and provides benefits for customer at specific time and place by bringing about a desired change in or on behalf of the recipient of the service.

The basic difference between service & product is that services are intangible but products are tangible and are required to follow some standardized procedures. Service user can specify about that particular service satisfaction only after availing it for some period of time. Some of the common service areas are: Banking, Insurance, Hotel, Education, Transportation, Health & Hospitality Services, and many more.

2.3. Service Marketing in Banking Sector

Banks play an important and active role in the financial and economic development of a country. An effective banking system greatly influences the growth of a country in various sectors of the economy. It is one of the best examples of service industry since it possesses the characteristics of a service industry such as intangibility, perish-ability, inseparability, heterogeneity and ownership. Practitioners in the banking industry face a large number of complex challenges in the global marketplace. It is crucial for banks to better understand changing customer needs and adopt the latest information technology system in order to compete more effectively with global organizations (Malhotra & Mukherjee, 2004).

Marketing approach in banking sector had taken significance after 1950 in western countries and then after 1980 in Turkey. New banking perceptiveness oriented toward market had influenced banks to create new market. Banks had started to perform marketing and planning techniques in banking in order to be able to offer their new services efficiently. Marketing scope in banking sector should be considered under the service marketing framework. Performed marketing strategy is the case which is determination of the place of financial institutions on customers' mind. Bank marketing does not only include service selling of the bank but also is the function which gets personality and image for bank on its customers' mind.

On the other hand, financial marketing is the function which relates un-congenitally, differences and non similar applications between financial institutions and judgment standards of their customers. The reasons for marketing scope to have importance in banking and for banks to interest in marketing subject can be arranged as:

> ➢ **Change in demographic structure:** Differentiation of population in the number and composition affect quality and attribute of customer whom benefits from banking services.

- ➢ **Intense competition in financial service sector:** The competition became intense due to the growing international banking perceptiveness and recently being none limiting for new enterprises in the sector. Increase in liberalization of interest rates has intensified the competition.
- ➢ **Bank's wish for increasing profit:** Banks have to increase their profits to create new markets, to protect and develop their market shares and to survive on the basis of intense competition and demographic chance levels.

2.4. Characteristics of Services

It is very important to understand the overall characteristics of services and what actually characterizes services. In general there are some service characteristics which can be generalized, even though many service industries are heterogeneous. These inheritance characteristics of service make the judgment of service difficult. There are a number of unique characteristics that separate services from tangible goods; the most common characteristics that have been found unique and that can greatly affect the design of marketing programs are described by the researchers are the following:

2.4.1. Intangibility

Intangibility nature of service states, services cannot be seen, tasted, felt, heard, or smelled before they are bought. For this reason, customers try to evaluate the quality of a service by looking at tangible components such as the place, people, price, equipment, and communications apparent. (Armstrong & Kotler, 2011).

Services are not things, but they are deeds or efforts. In essence the performances of most services are supported by tangibles. In general, companies offer a combination of tangible and intangible elements; the product is in many cases associated with service delivery.

2.4.2. Inseparability

Refers the fact that the quality of services depends on who provides them as well as when, where, and how they are provided (Armstrong & Kotler, 2011). Most of the time a service cannot be separated from the person who providing it. A service is provided by a person who possesses a particular skill like customer service officers in a bank. A bank clerk /customer service attendant/ in a bank has to be physically present to provide the service; but products can be processed and manufactured in the factory and may sold later on.

Inseparability is taken to reflect the simultaneous delivery and consumption of services. Customers participate in the production process or delivery process; there is an interaction between the service provider, the service environment and the customer. Goods are first produced, then sold and then consumed; however services are produced and consumed simultaneously.

2.4.3. Heterogeneity /Variability/

Refers that the quality of services depends on who provides them as well as when, where, and how they are provided (Armstrong & Kotler, 2011). The human element is very much involved in providing and rendering services and this makes standardization a very difficult task to achieve. Services are not homogeneous and are less standardized and uniform. Heterogeneity reflects the potential for high variability in service delivery. For example: the quality and essence of a service can vary from producer to producer, from customer to customer, and from day to day, and people's performance fluctuates up and down.

According to Parasuraman,et al. (1985): "Consistency of behavior from service personnel (i.e. uniform quality) is difficult to assure because what to deliver may be entirely different from what the consumer receives". A teller in bank "A" may serve you differently and nicely than in bank "B" or the same teller may serve you better today but may not tomorrow.

2.4.4. Perish-ability

Services cannot be stored for later consumption or future time. For example: vacant teller windows, airline seats not purchased, a hotel room not occupied can be seen lost forever. Services depend on time which makes them very perishable. The perish ability of services is not a problem when the demand is steady but when demand fluctuates, service companies face difficulty /problems/.

One problematic situation that accompanies in this characteristic is when demand exceeds supply (Armstrong & Kotler, 2011). This can be applied to the banking sector when there is traffic at the counters and no enough service providers, thus the service in that case cannot be stored for later use. In this case, banks should think of better ways to match the service supply with the demand. For this reason, understanding perish-ability of services is important in the context of this study. Thus, service marketers need to manage the demand but also the supply in order to obtain a profitable equilibrium.

2.4.5. Lack of Ownership

Service is "any intangible act or performance that one party offers to another that does not result in the ownership of anything" (Kotler, P and Keller, K. L, 2009). When you buy a product you become its owner. It may be computer, stove, refrigerator or car. In the case of a service, you may pay for its use but you never own it. By buying a ticket you can see the evening film show in the local cinema theater; by paying wages you can hire the services of a chauffeur who will drive your car; by paying the required charges you can have a marketing research firm survey into the reasons for you product's poor sales performance, by paying tuition fee students can get education from institutions, etc. In case of a service, the payment is not for purchase, but only for the use or access to or for hire of items or facilities.

2.5. Service Expectation

Customer expectations are pre-trial beliefs that consumers have about the performance of a service that are used as the standard or reference against which service performance is judged. Zeithaml, Bitner & Gremler (2009), identified two types of customer service expectations and additional concept which is zone of tolerance:

i. **Desired service expectation: -** the level of service the customer hopes to receive or a combination of what the customer believes about the performance of service. This can be influenced by individual needs, lasting service intensifiers, explicit and implicit service promises, word-of-mouth communication and customer's past experiences.

ii. **Adequate service expectation: -** the level of service the customer will accept. Adequate service represents the "minimum tolerable expectation." It is the bottom level of performance acceptable to the customer, and reflects the level of service customers believe they will get on the basis of their experience with services. This also can be influenced by temporary service intensifiers, service alternatives, customers self-perceived service roles and situational factors.

iii. **Zone of tolerance: -** refers the extent to which customers accept and willing to accept service variation performances. Customers have different zones of tolerance based on the service-related dimensions and attributes.

Due to variability nature of service performance service may vary across providers, employees, but customers may consider this variation and tolerate and accept the variation which is called the Zone of tolerance. That is the range or gap in which customers do not particularly notice service performance. A zone of tolerance varies across customers and differentiates between their desired and adequate service expectations. Generally, customers are likely to be less tolerant of unreliable services.

2.6. Customer Perception

Customer perception is the process of receiving, organizing and assigning meaning to information or stimuli detected by the customer's five senses and opine that it gives meaning to the world that surrounds the customer. (Strydom, Jooste & Cant, (2000:84).

According to Zeithaml and Bitner (1996:104), perception can be affected /influenced/ by four factors; image, **price, service encounters (moments of truth) and physical evidence.**

i. **Image: -** customer perceptions can be affected by the image or reputation of the organization. Keller (1993) defines organizational image as "perceptions of an organization reflected in the associations held in customer memory." The associations can be reflected through contacting with employees and even the service experience itself. Organizational image can assist an organization to build positive customer perceptions of service. This positive image serves as a buffer against incidents of poor service (Zeithaml and Bitner, 1996)

ii. **Price: -** price of service can also influence customer perceptions. Due to intangible nature of the service, customers rely on price as an indicator to judge whether the service can meet their expectations or not. If the price is higher than average price, customers are likely to expect higher quality than others; if price is too low, customers may doubt the ability of organization to deliver the service appropriately. For both situations, the higher or lower expectations will greatly influence customer perceptions of service.

iii. **Service Encounters /Moment of Truth/:-** refers to the interaction between the customer and the service provider during a period of time. According to Zeithaml and Bitner (1996:105), when customers have service transactions with a service

organization, they can judge the quality of service provided by this organization, through evaluating the concrete service encounters. Customers can receive a snapshot of the organization's service quality through interactions. Thus, adequate service encounters will improve the positive relationships between the service provider and the customer.

Zeithaml and Bitner (1996:107) mention three types of service encounters that can be managed by a service organization to have interactions with customers, namely remote encounters, phone encounters and face-to-face encounters.

> **Remote Encounter:** interactions will be made without direct interaction with customers, receiving information through website and broachers.

> **Phone Encounter:** refers to the interaction between customers and service providers that occur through internet and other multi-media. Almost all service providers rely on electronic encounters to perform customer service. However, the variability of an electronic encounter is greater than that of a remote encounter, taking into account the access to the website, the navigation of the website interface, the tone of voice, employee knowledge, and effectiveness in handling customer issues (Zeithaml & Bitner).

> **Face to Face Encounter:** takes place between a customer and a service provider in direct contact, meeting in person. The service provider's perceived knowledge, appearance, attitude and other forms of behavior or attributes are important determinants. Zeithaml and Bitner (1996:108) emphasize that customers also play a role in creating quality service for themselves through their own behavior during the face-to-face encounters.

iv. **Physical Evidence:** the last factor of influencing customer perceptions of service is regarded as the evidence of service. Since services are intangible, customers not only rely on price to evaluate service quality, but also seek for evidence of service in every interaction they have with an organization to build an impression of service perceptions. Zeithaml and Bitner (1996:113) discover three elements of evidence experienced by the customer: people, process and physical evidence.

➢ **People:** refers the persons in service transactions including the personnel in service transactions, customers themselves and other customers within the interaction setting (Zeithaml & Bitner 1996:114).

➢ **Process:** refers a serious of activities and steps in the delivery process, the level of flexible function and technology of the service performances, which influence the service perceptions of customers (Lovelock 2001:39).

➢ **Physical Evidence:** refers Physical evidence consists of facility exterior, facility interior and tangibles. Facility exterior includes the exterior design, parking, landscaping and the surrounding environment; facility interior includes the interior design, equipment used by customers and ventilation; tangibles are tangible cues such as business cards, stationery, receipts and brochures (Hoffman & Bateson 2006:225). One of the elements that show physical evidence is access to facility.
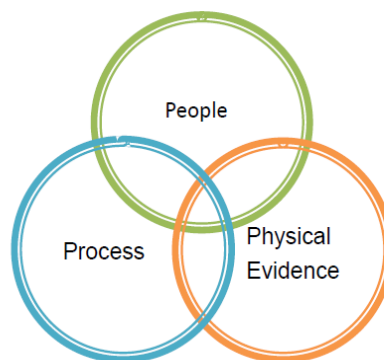
Figure 2.1.   Evidence of Service
Source: Zeithaml and Bitner (1996)

2.7.   The Concept of Service Quality

Different authors define service quality in different ways, Parasuraman et al. (1985, 1988) defined service quality as customers' evaluation between service expectation and service performance. They compared customers' responses regarding their perceived quality of services and their pre-purchase expectations. It is also known that service quality represents the answers for some questions like, what is expected by customers, delivered, and the deviations between the expectation and delivery.

For decades, many researchers have developed a service perspective describes that the concept of service quality should be generally approached from the customers' point of view because they may have different values, different ground of assessment, and different circumstances. Parasuraman, Zeithaml and Berry (1990) mention that service quality is an extrinsically perceived attribution based on the customers' experience about the service that the customer perceived through the service encounter. According to Kumra (2008), service quality is not only involved in the final product and service, but also involved in the production and delivery process, thus employee involvement in process redesign and commitment is important to produce final products or services.

2.7.1. The Total Perceived Quality Model

This model is named "total perceived service quality" and it is based on two dimensions: that is a comparison between customer expectations of the service and their experience of the service they have received before. The first dimension is the technical quality and this dimension refers to the outcome, what is delivered or what the customer gets from the service. The next dimension is the functional quality which refers to the manner in which the service is delivered or how it is delivered. Both dimensions affect the corporate image and the perception of quality in various ways.

According to total perceived service quality model, perceived quality of a service is not only affected by the experiences of the quality dimensions that the consumer used for evaluating whether quality is perceived as good, neutral, or bad. It is al also affected by the perceived quality of given service as well as the outcome of the evaluation process.

2.7.2. The GAP Analysis Model

"The Gap Analysis Model", is a well known model of service quality. This model shows an integrated view of the consumer-company relationship. The main idea of the model is focused on the promise that service quality is dependent on the size and direction of the five gaps that can exist in the service delivery process.

> ➢ Gap 1: the gap between customer expectations and those perceived by management to be the customer's expectations.

➢ Gap 2: the gap between management's perception of consumer expectations and the firm's service quality specifications.

➢ Gap 3: the gap between service quality specifications and service delivery.

➢ Gap 4: the service delivery, external communication gap.

➢ Gap 5: the perceived service quality gap, the difference between expected and perceived service. (Parasuraman et al, 1990).

The first four gaps are identified as functions of the way in which service is delivered from the service provider to the customer, while gap number five is connected to the customer and as such is considered to be the truth of service quality. Gap five is also the gap that the SERVQUAL instrument influences. Edvardsson (1996) mentioned that it is important for a service organization to define the level of quality at which to operate; he argued that it is more relevant to speak of the "right quality" than of merely high quality.

2.8. Different Perspective of Service Quality

The word quality means different things to people according to the context. Lovelock and Wirtz (2007, P. 418) mention that David Garvin identifies five perspectives on quality.

1. **The transaction view** of quality is synonymous with innate excellence: a mark of uncompromising standards and high achievement. This viewpoint is often applied to the performing and performing of visual arts. It is argued that people learn to recognize quality only through the experience gained from repeated exposure and managers or customers will also know quality when they see it is not very helpful.

2. **The product based approach** sees quality as a precise and measurable variable. Differences in quality, it is argued, reflect differences in the amount of an ingredient or attribute possessed by the product or service. Because this view is totally objective, it fails to account for differences in the tests, needs, and preferences of individual customers or even entire market segments.

3. **User based definitions** starts with the premise that quality lies in the eyes of the beholder. These definitions equate quality with maximum satisfaction. This subjective, demand oriented perspective recognizes that different customers have different wants and needs.

4. **The manufacturing based approach** is supply based and is concerned primarily with engineering and manufacturing practices, quality is also operation driven.

5. **Value based definitions** define quality in terms of value and price. By considering the tradeoff between perception and price, quality comes to be defined as "affordable".

Services have a nature of varying from one firm to on other and from one situation to on other. It is also possible to make a distinction between technical and functional service quality, technical quality is connected to what is delivered and functional quality is connected to how it is delivered. On other example is Jarmo Lehtinen who describes customer quality in terms of process quality and output quality. The process quality is evaluated during the service delivery and output quality is evaluated after the service delivery. Grönroos (1983) identifies and describes 10 determinants of service quality:

Reliability- this is connected to the consistency of performance and dependability. Here it is determined if the company give the service in the right way the first time and keeps to its promises.

Responsiveness- this factor concerns to what extent the employees are prepared to provide service. This involves factors such as mailing a transaction slip immediately, calling a customer back in short time and giving prompt service.

Competence- competence is connected the knowledge and skills of contact personnel, operational support personnel (and also research capability) that are needed for delivering the service.

Access- this factor is connected to the approachability which means for example if the operating hours are convenient, the location of the facilities are convenient, the waiting times are short and also easy access by telephone.

Courtesy- this factor involves politeness, respect, consideration, friendliness of contact personnel (including receptionists, telephone operators and so on).

Communication- this is about keeping the customer informed in a language they can understand and also listen to the customer. The company may have to make some adjustments in order to include foreign customers.

Credibility- factors such as trustworthiness, believability and honesty are included. It means to the level the company has the customer's best interest at heart. Factors that affect the credibility are the company name, reputation, personal characteristics and the degree to which the hard sell is connected to interactions with customers.

Security- security means freedom from danger, risk or doubt. Factors included are: physical safety, financial security and confidentiality.

Understanding the customer- this is about making an effort to understand the customer which involves learning about specific requirements, providing individualized attention and recognizing also the regular customer.

Tangibles- they include physical aspects of the service such as; physical facilities, appearance of personnel, tools or equipment that is used to provide the service, physical representations or other customers in the service facility.

2.9. Service-Based Component of Quality

Lovelock and Wirtz (2007, P.420) describe that the nature of service quality requires a distinctive approach to indentify and measure service quality. The intangible, multifaceted nature of many services makes it harder to evaluate the quality of a service compared to products. Because customers are often involved in service production, a distinction needs to be drawn between the process of service delivery and the actual output of the service which is called technical quality. Other researchers suggest that the perceived quality of service is the result of an evaluation process in which customers compare their perceptions of service delivery with the expected outcome.

2.10. Customer Expectations

Ekinci (2002) argues that the term expectation in service quality literature has different meanings for different authors. According to Tam (2005), it is important for success in influencing customer satisfaction to understand how customer expectations develops and update even if the term expectation is vague and difficult to interpret in surveys.

Kandampully (2000) argues that the management of these customer expectations is also an imperative concept in tourism companies for further products and services designed to match and exceed those expectations.

Grönroos (2007) suggested that in order to increase long term quality, the customer expectations should be focused, revealed, and calibrated and he also developed the dynamic model of expectation that describes that the quality of professional services develops in a customer relationship over time. His model illustrated and classifies the expectations into three distinguishable types and can be characterized in the following;

a) Fuzzy expectations exist when customers expect a service provider to solve a problem but do not have a clear understanding of what should be done.

b) Explicit expectations are clear in the customer's minds in advance of the service process. They can be divided into realistic and unrealistic expectations.

c) Implicit expectations refer to element of a service which are so obvious to customers that they do not consciously think about them but take them for granted" (Grönroos, 2007, P. 100)

2.11. Perceived Service Quality

Fiore and Kim (2007) present a conceptual framework that concerns the influences on the consumption experience by environmental variables such as physical elements of the service environment, individual variables, individual attributes and person-environment variables or situations. The physical environment has the possibility to provide ideas about the influence of customer perceptions on the brand image. Zeithaml and Bitner (2000) argue that customers do perceive quality in more than one way and they also have perceptions about multiple factors when quality is assessed.

Baker et al. (2002); Bitner (1990); Minor et al (2004) also put forward that the environment influences customer satisfaction. For example, the environment in a hotel will affect customer satisfaction. Lovelock and Wirtz (2007) discusses how confirmation or disconfirmation of expectations relates to satisfaction and delight: The terms "quality "and "satisfaction" are sometimes used interchangeably.

Some researchers believe, however, that perceived service quality is just one component of customer satisfaction, which also reflects price/ quality trade- offs, and personal and situation factors. Baker et al (2002) also describes three components that influence the service encounter elements.

The first component is physical environment and includes for example music, lightning and external and internal environmental design, the second one is customer interactions with intangible and tangible elements in the service environment and the periods when customers interact with physical facilities and other tangible elements in the service environment.

Andaleeb and Conway, 2006; Wu and Liang, 2005) mentions the second component that is connected to the relationship between the service employee and the customer. Behavior is a key determinant of how the service will be appreciated.

Bitner (1992); Baker et al., (2002) is describing the third component that is about how customers are influenced from the appearance, perceptions and behavior of other customers. Baker and Cameron (1996), discusses that it is shown that the behavior of other customers affect perceptions and that makes it important for service providers to be careful about the interaction between customers.

According to Lovelock and Wirtz (2007) a service encounter is a period of time during which the customer interact directly with the service provider. Some of these encounters are very brief and consist of just a few steps. If you use a service that requires the customer to make a reservation this first step might have been taken days or even weeks before the customer arrives at the service facility.

Lovelock and Wirtz (2007) also discusses The Servuction Model, it is static and describes a single service encounter or moment of truth. Service processes usually consist of a series of encounters, such as your experience with a flight that consist of steps from making reservation to checking in, taking the flight, and retrieving customer's bags on arrival.

From the discussion above we understand that this part is connected to the Continuum of Perceived Service Quality. The following model shown below:

| Pre-purchase Expectations | → | Perceived Process Quality | → | Perceived Output Quality | → | Expectations Not Met / Met Expectation / Expectation Exceeded | → | Unacceptable Quality / Satisfactory Quality / Ideal Quality |
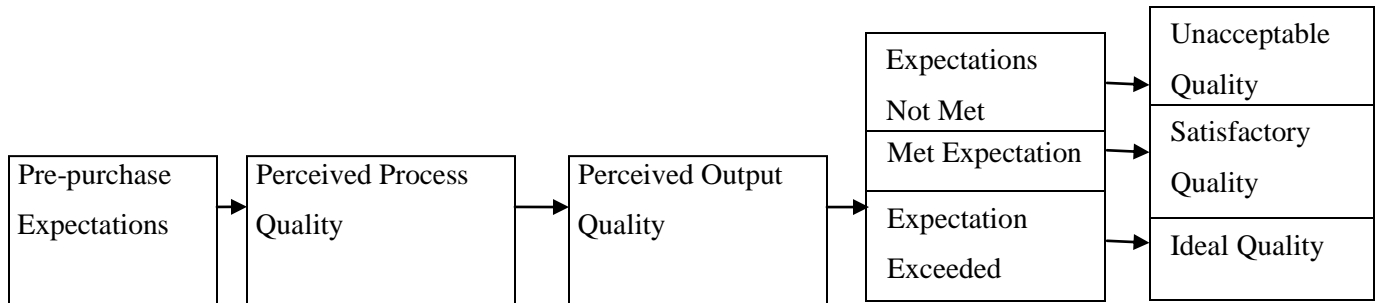
Figure 2.2. Continuum of Perceived Service Quality Model

Source: Joan Reyes (December 2013)

2.12. Measuring Service Quality

Conceptual service quality models are useful in so much as they provide an overview of the factors which have the potential to influence the quality of an organization and its service offerings. They facilitate our understanding and can help organizations to clarify how quality shortfalls develop. However, human behavior significantly affects the quality of an organization and its offerings, and this is more evident in service organizations.

Without doubt, conceptual service quality models are useful in so much as they provide an overview of the factors which have the potential to influence the quality of an organization and its service offerings. They facilitate our understanding and can help organizations to clarify how quality shortfalls develop. However, human behavior significantly affects the quality of an organization and its offerings, and this is more evident in service organizations.

The most widely used models in measuring service quality in the banking sector are the SERVQUAL and SERVPERF model.

2.12.1. Using SERVQUAL Model to Measure Service Quality

Five dimensions of SERVQUAL have been developed for the service sectors: **tangibility, reliability, assurance, responsiveness, and empathy** (Van Iwaarden et al., 2003).

➢ **Tangibility** represents physical facilities, equipment and appearance of personnel. Examples of the tangible factor related to banks include comfortable store designs, up-to-date equipment for customer use and sufficient staff to provide service. These aspects are important for retail banks, because there are extensive face-to-face contacts between a customer and an employee. Therefore, maintaining a professional and comfortable environment can increase customer satisfaction.

➢ The next dimension is **responsiveness**, represents the willingness to help customers and provide prompt service in order to be helpful and responsive to customers.

➢ **Reliability** refers the ability to perform the promised service dependably and accurately. The major reason for customers to choose banks for investment funds is because of the dependability and reputation of banks. Banks always promise customers a high level of security during transactions. Banking service can increase customers' confidence and trust if employees are able to provide appropriate service to each customer.

➢ **Assurance** is the knowledge and courtesy of employees and their ability to inspire trust and confidence. Bank commitments are important, as customers may save a large sum of money in banks. For complicated products such as insurance, funds, and margins, employees must provide a clear explanation of each product to customers, so that customers can feel confident about the services provided by banks.

➢ The final dimension is **empathy**, which represents the individualized attention that firms provide to its customers. Employees who show understanding of customer needs and are knowledgeable to solve customer problems are success factors for the service industry. Friendly customer service pleases customers when they walk into a bank. The purpose of this dimension is to retain customers to keep using the bank service (Van Iwaarden et al., 2003).

The applicability of the service quality measure was tested in the retail banking industry in India (Angur et al., 1999). This research was conducted to measure the overall service quality perceived by customers of two major banks in India using the SERVQUAL model. The data indicated that dimensions were not equally important in explaining variances in the overall service quality. Responsiveness and reliability were the most important dimensions, followed by the empathy and tangible dimensions; assurance appeared to be the least important. It was concluded that SERVQUAL is the best model to measure service quality in the banking industry (Angur et al., 1999).

According to Parasuraman *et al.* (1985:47), the SERVQUAL model is also referred to as the disconfirmation paradigm or gap model, the model says that the expected service is influenced by the word-of-mouth, the personal needs, past experience and also by the external communication to customers. A perception gap can appear between the expected service and the perceived service. This gap is called the GAP 5 (also called the service quality gap); it occurs if the customer is not satisfied and depends on the other 4 gaps.

2.12.2. Using SERVPERF Model to Measure Service Quality

The SERVPERF model was carved out of SERVQUAL by Cronin and Taylor in 1992. SERVPERF directly measures the customer's perception of service performance and assumes that respondents automatically compare their perceptions of the service quality levels with their expectations of those services. Cronin and Taylor argued that only perception was sufficient for measuring service quality and therefore expectations should not be included as suggested by SERVQUAL (Baumann et al, 2007). Instead of measuring the quality of service via the difference between the perception and expectation of customers as in SERVQUAL, SERVPERF operationalise on the perceived performance and did not assess the gap scores as expectation does not exist in the model. Thus, it is performance-only measure of service quality. The model adopts the five dimensions of SERVQUAL and the 22 item scale is used in measuring service quality. In the SERVPERF model, the results demonstrated that it had more predictive power on the overall service quality judgment than SERVQUAL. (Cronin and Taylor 1994)

''The SERVPERF scale is found to be superior not only as the efficient scale but also more efficient in reducing the number of items to be measured by 50% (Hartline and Ferrell, 1996; Babakus and Boller, 1992; Bolton and Drew, 1991)'' cited by Mesay Shita 2012.

Many studies have been conducted by adopting the SERVPERF model. Also, Wall and Payne (1973) note that when people are asked to indicate the "desired level" (expectations) of a service and the "existing level" (perceptions) of the service, there is a psychological constraint that people always tend to rate the former higher than the latter (E>P). Babakus and Boller1992 have found that service quality, as measured in the SERVQUAL scale, relies more significantly on the perception score than on the expectation score. (Cited on H.Vasantha Kumari)

2.13. Service Quality Dimensions

Lehtinen U. and J. R. Lehtinen (1982) conceptualized service quality as comprised of three dimensions: physical quality; interactive quality, and corporate quality. Physical quality dimensions refers to the quality of physical elements of service, including tangible products elements that accompany the service offer, supporting equipment and the physical environment where service takes place. Interactive quality dimension refers to the quality of interaction between customer and other elements of service experience, i.e. service personnel, other customers, and machinery and equipment. Corporate quality is the quality dimension which is developed through the years of existence of a service company. It has a symbolic nature and refers to the way potential customers view the corporate entity, its image or profile.

The service quality from the service customer's perspective means how well the service meets or exceeds expectations. Because of the customer – oriented market, service quality is generally defined from the customer's perspective, which is usually termed as perceived service quality (Fisk, Grove and John, 2004). An examination of the available literature suggests that the three themes underlying the concept of 'service quality' are that, firstly, the evaluation of service quality is very difficult for consumers who compare the quality of goods.

Secondly, that a perception of service quality is the result of consumers' comparison of their expectations with actual service delivery and finally, that service quality evaluation includes both outcomes and processes of service delivery (Parasuraman, Zeithaml and Berry, 1985).

They also added that service quality is an elusive and indistinct construct", which cannot be measured in an objective manner like product quality. What makes it difficult to define and measure service quality is the very essence of services, i.e. intangibility, perish-ability, heterogeneity and inseparability of production and consumption as their main characteristics.

The five service quality dimension identified by Parasuraman, Zeithaml and Berry (1988):

- **Tangibility-** Physical evidence of the service: appearance of physical facilities, tools and equipments used to provide the service, appearance of personnel and communication materials.

- **Reliability-** The ability to perform the promised service dependably and accurately: consistency of performance and dependability, service is performed right at the first time, the company keeps its promises in accuracy in billing and keeping records correctly, performing the services at the designated time.

- **Responsiveness** -The willingness and/ or readiness of employees to help customers and to provide prompt service, timeliness of service: mailing a transaction slip immediately, setting up appointments quickly.

- **Assurance** - The knowledge and courtesy of employees and their ability to convey trust and confidence: competence (possession of the required skills and knowledge to perform the service), courtesy (consideration for the customer's property, clean and neat appearance of public contact personnel), and trustworthiness, security (safety and confidentiality).

- **Empathy -** The provision of caring, individualized attention to customers: informing the customers in a language they can understand, Understanding customer's specific needs, providing individualized attention.

In addition researchers have identified modified the SERVQUAL model and added new dimensions: access and financial aspect.

- **Access-** this factor is connected to the approachability which means for example if the operating hours are convenient, the location of the facilities are convenient, the waiting times are short and also easy access by telephone.

> **Financial Aspect** –this factor connected to the price paid by customers for the service they receive. It is stated that a competitive interest rate offered on different loans and deposits has a great impact. Moreover, customers compare the reasonableness of the charges among different banks, and choose the most suitable charges.

2.14. Conceptual Relationship between Customer Satisfaction, Service Quality and Perception

Customer satisfaction provides an essential link between cumulative purchase and post-purchase phenomena in terms of attitude change, repeat purchase and brand loyalty (Churchill & Surprenant, 1982). Service quality has a positive influence on customer satisfaction (Yee et al., 2010).

Customer satisfaction measures the performance of organizations according to their needs. This further provides a measurement of service quality. By providing feedback on service aspects, customers can actually comment on products and services. In today's marketplace, if organizations fail to provide quality product and service, they lose customers to other competitors. Consumers are becoming more demanding, and their quality expectations have increased; as a result, organizations must be customer-centered, deliver superior value to customers, build relationships, and work on market engineering. Today's organizations keep track of their customers' expectations, their own performance, customer satisfaction, and even their competitors.

Customer satisfaction is also defined as the attitude resulting from what customers believe should happen (expectations) compared to what they believe did happen (performance perception) (Neal, 1998). Satisfaction reinforces quality perception and drives repeat purchases. Zaim, Bayyurt, and Zaim (2010) found that tangibility, reliability and empathy are important for customer satisfaction, but Mengi (2009) found that responsiveness and assurance are more important.

Siddiqi (2010) examined the applicability of service quality of retail banking industry in Bangladesh and found that service quality is positively correlated with customer satisfaction; empathy had the highest positive correlation with customer satisfaction, followed by assurance and tangibility.

On the other hand, Lo, Osman, Ramayah and Rahim (2010) found that empathy and assurance had the highest influence on customer satisfaction in the Malaysian retail banking industry.

Arasli, Smadi and Katircioglu (2005) found that reliability had the highest impact on customer satisfaction. A number of studies have identified the dimensions of service quality as the antecedents of customer satisfaction. Relatively few studies have investigated service quality in the retail banking sector in Hong Kong. Based on the above studies, it is reasonable to hypothesize the following:

> H1: Tangibility has a positive influence on customer satisfaction.
>
> H2: Responsiveness has a positive influence on customer satisfaction.
>
> H3: Reliability has a positive influence on customer satisfaction.
>
> H4: Assurance has a positive influence on customer satisfaction.
>
> H5: Empathy has a positive influence on customer satisfaction.

Customer Loyalty

Customer loyalty is an asset consumers are willing to pay more for a brand (Wernerfelt, 1991). Customer satisfaction is positively related to customer loyalty and organizational profits (Rust & Zahorik, 1993). However, the cost of attracting a new customer can be five times higher than the cost of keeping a current customer satisfied (Kotler & Armstrong, 1999), because loyalty has to be developed over a period of time from a consistent record of meeting (and sometimes exceeding) customer expectations (Teich, 1997).

Loyalty is a multi-dimensional construct that includes both positive and negative responses (Zeithaml et al., 1996). A loyal customer may not necessarily be a satisfied customer. A customer who continues to repurchase from a firm because he or she believes that there is no convenient alternative is not a loyal customer. Such customers may switch to another service provider when convenient alternatives become available, especially if he or she is not satisfied with the current provider.

In contrast, customers exhibit repeat purchase behavior from a service provider when they possess a positive attitudinal disposition toward the provider and consider using only one provider when a need for this service exists (Gremler & Brown, 1996).

Alternatively, he or she may continue to purchase because of high switching cost or convenience. Hence, maintaining a sustainable relationship with customers is the key to building a loyal customer base. We expect that if a customer is satisfied with a firm, service or product, then a greater level of customer loyalty can be achieved. Thus, the following hypothesis is offered:

H6: Customer satisfaction has a positive influence on customer loyalty.

From the existing literature discussed above, a theoretical framework was developed. This framework identifies the relationship among service quality, customer satisfaction and customer loyalty in the banking industry in Hong Kong. Three research questions are developed to address the influence of specific service quality dimensions on customer satisfaction, specific predictors that influence customer loyalty and the contribution of the SERVQUAL model in the retail banking industry. Then, six hypotheses are derived from these research questions.

Satisfaction is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under or over-fulfillment (Oliver 2010). Zeithaml and Bitner (2000) defined customer satisfaction as the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations.

Customer satisfaction can also be defined as the "customer's response to the evaluation of the perceived discrepancy between prior expectation and the actual performance of the product as perceived after its consumption" (Tse and Wilton, 1998). Jamal and Nazer (2002) cited on Aborampah argued that customer satisfaction is not only linked with the view of customers but also on their experience with the service delivery process. (Aborampah Amoah Mensah 2010)

Customer satisfaction reflects the degree of a customer's positive reaction for a service provider in a bank context, it is necessary for service providers (bank) to recognize the customer's vision of their services. A high level of customer satisfaction can have a positive impact on customer loyalty (Deng et al., 2010) cited on Hossein Gazora, Babak Nematia, Amir Ehsania and Kianoush Nazari Amelehb.

Mixed findings exist regarding the casual direction between service quality and satisfaction (Lee, et al., 2000) does customer satisfaction lead to service quality or vice versa. Yavas et al. (1997) explained that although some studies interpreted service quality perceptions as an outcome of satisfaction, recent studies have characterized service quality as an antecedent of satisfaction. We except the position that customers can evaluate a service (be satisfied or dissatisfied) only after they perceive it. Many authors who studied the relationship between perceived service quality and customer satisfaction have shown that service quality determines customer satisfaction. (Anderson et al 1994)

Edvardsson (1998) believes that the concept of service should be approached from a customer perspective. It is the customer's total perception of the outcome, which is "the service". It forms the perception of quality and determines whether a particular customer is satisfied or not. Customers have different values and different grounds for assessment; they may perceive one and the same service in different ways. Therefore a company must first find out the level of satisfaction of its current customers to improve its customer satisfaction. One common way of measuring satisfaction is to ask customers first to identify what factors are important in satisfying them and then to evaluate the performance of a service provider and its competitors on these factors.

2.15. Customer Satisfaction versus Service Quality

Due to the dynamic nature of expectation, evaluations change over time form person to person and form culture to culture. What is considered quality service or the things that satisfy customers today may be different tomorrow? Customers perceive services in terms of the quality of the service and how satisfied they are overall with their experiences.

(Zeithaml and Bitner, 2013).The reason for the focus on quality of service and customer satisfaction is the belief that organizations can differentiate themselves by means of providing better service quality and overall customer satisfaction.

Parasuraman defined service quality and customer satisfaction as service quality is a global judgment or attitude relating to the superiority of the service, whereas satisfaction is related to a specific transaction. Satisfaction is a post consumption experience which compares perceived quality with expected quality, whereas service quality refers to a global evaluation of a firm's service delivery system. (Beliyu Girma 2012)

According to Zeithaml and Bitner (2013) the terms satisfaction and quality were used interchangeably. But researchers have attempted to be more precise about the meanings and measurement of the two concepts, resulting in considerable debate. Consensus is growing that the two concepts are fundamentally different in terms of their underlying causes and outcomes. Although they have certain things in common, satisfaction is generally viewed as a broader concept whereas service quality assessment focuses specifically on dimensions of service. Based on this view perceived service quality is a component of customer satisfaction.

2.16. Importance Performance Analysis Model

Importance-Performance Analysis (IPA), is originally introduced by Martilla and James (1977), yields insights into which product or service attributes a firm should focus on to achieve customer satisfaction. Typically, data from satisfaction surveys are used to construct a two dimensioned matrix, where importance is depicted along the x-axis and performance (satisfaction) along the y-axes. Customers are asked to rate each attribute on its performance. This analysis conceptually rests on multi-attribute models. This technique identifies strengths and weaknesses of a market offering in terms of two criteria that consumers use in making a choice: the relative importance of attributes and evaluation of the offering in terms of those attributes.

 A particular application of the technique starts with an identification of the attributes that are relevant to the choice situation being investigated. The list of attributes can be developed after canvassing the relevant literature, conducting focus group interviews, and using managerial judgment. Otherwise, a set of attributes pertaining to a particular service (or goods) are evaluated on the basis of how important each is to the customer, and how the service or goods is perceived to be performing relative to each attribute (Kitcharoen , 2004).

According to Joseph and Joseph (1997:161), the importance-performance analysis (IPA) paradigm is the most suitable model for measuring service quality satisfaction in education. The objective of the IPA is to identify which attributes or combinations of attributes are most influential in stakeholder satisfaction. Martilla and James (1977), state that stakeholders' satisfaction is the result of certain important attributes and their judgment of attribute performance. They add that the IPA tries to assess the underlying importance accorded by consumers to the various quality criteria under judgment.

In addition, it is relevant for indicating which attributes are deemed most important and/or relevant by the stakeholder. Importantly, the IPA is a low cost, easily understandable model, which indicates to managers where they should devote more resources and time as well as those areas where too many resources are utilized. O'Neill and Palmer (2004) used this tool in their study of service quality evaluation in higher education institutions and found that IPA was widely applicable because of its simplicity, ease of application and diagnostic value.

As explained by Martilla and James (1977:77), the most attractive feature of the IPA is that the importance and performance scores can be displayed graphically in a two-dimensional grid to facilitate easy interpretation. The grid is divided into four quadrants to enhance the interpretation of the mean importance and performance measures associated with each of the quality attributes.

By using a central tendency (e.g. mean, median or a rank-order measure) the attribute importance and performance scores are ordered and classified as high or low; then by pairing these rankings each attribute is placed into one of the four quadrants of the importance performance grid (Crompton and Duray, 1985).

Mean performance and importance scores are used as coordinates for plotting individual attributes on a two-dimensional matrix as shown in Figure 2.3. This matrix is used to prescribe prioritization of attributes for improvement (Slack, 1991) and can provide guidance for strategy formulation (Burns, 1986). The four quadrants are described as follows:

- ➢ **Concentrate here**: This quadrant indicates that the respondent feels that a particular quality attribute is highly important, but the attribute's performance causes low satisfaction.

- ➢ **Keep up the good work**: The quality attribute in this quadrant is regarded by the respondent as both important and indicates a satisfactory performance.

- ➢ **Low priority**: The quality attribute here is rated low in terms of performance, but respondents do not regard the attribute as highly important.

- ➢ **Possible overkill**: Here the performance of certain quality attributes in the institution is judged as being good, but respondents attach slight importance to it.

High Importance

A. Concentrate Here B. Keep up The Good Work

Low Performance ——————————|—————— **High Performance**

C. Low Priority | D. Possible Overkill
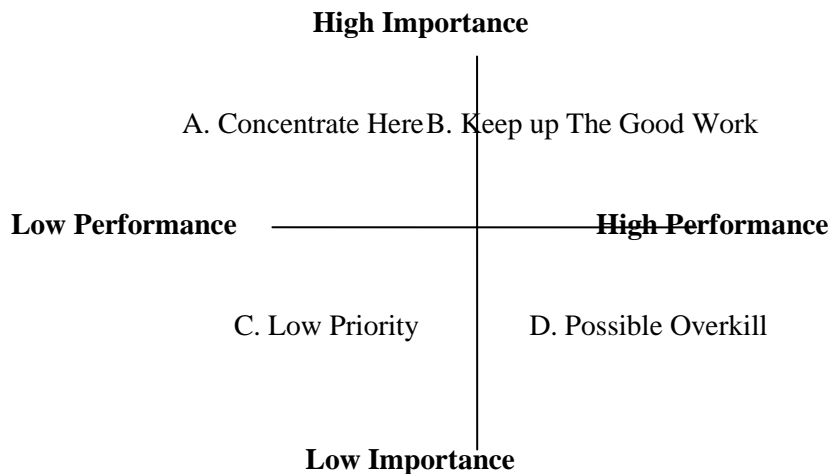
Low Importance

Figure 2.3.   The Original IPA Framework

Source, Martilla and James (1977)

The study of Hemmasi et al, (2004) suggested that service quality assessment using importance performance analysis may be a more useful strategic management tool than the gap measures recommended by the author of SERVQUAL scale. The evidence of their study suggests that the gap measure does not appear to be appropriate conceptualization or operationalization of the service quality construct. The primary reason is the inadequacy of expectation/performance gap model which underlies the conceptual development of SERVQUAL scale. Service quality seems more appropriately identified through the type of importance performance analysis that has been demonstrated in the study. Specifically, the SERVQUAL scale item can be placed on an importance-performance grid (Martilla and James, 1977), which will then identify areas in which strategic redeployment of resources may be warranted to improve service quality.

The traditional importance-performance analysis, however, has two inherent weaknesses. First, while the technique considers an object's own performance in terms of a particular item, it ignores its performance relative to competitors (Burns, 1986). Second, while the technique takes into account attribute salience (i.e. importance), it does not recognize the determinacy of an attribute. Determinant attributes are those that discriminate well among competing products (Engle & Blackwell, 1990) and directly influence consumer choice. An attribute, say price, may be very salient to consumers, but if the consumer feels that alternative products are about the same price, then price is not a determinant attribute. Hence, solely focusing on salience at the expense of determinacy may misguide strategy.

A modified IPA model might, however, be constructed on the basis of comparing perceived performance and the importance of each service attribute of the five dimensions of the SERVQUAL model.

2.17. Conceptual Framework of the Study

The conceptual framework indicates the crucial process, which is useful to show the direction of the study. The study shows the relationship between the five service quality dimensions by adding two modified dimensions with customers' perception. It considers SERVQUAL model by considering access to resources, commission & charges for the service & access to facilities toward the service offered which is referred to as the perceived service quality.
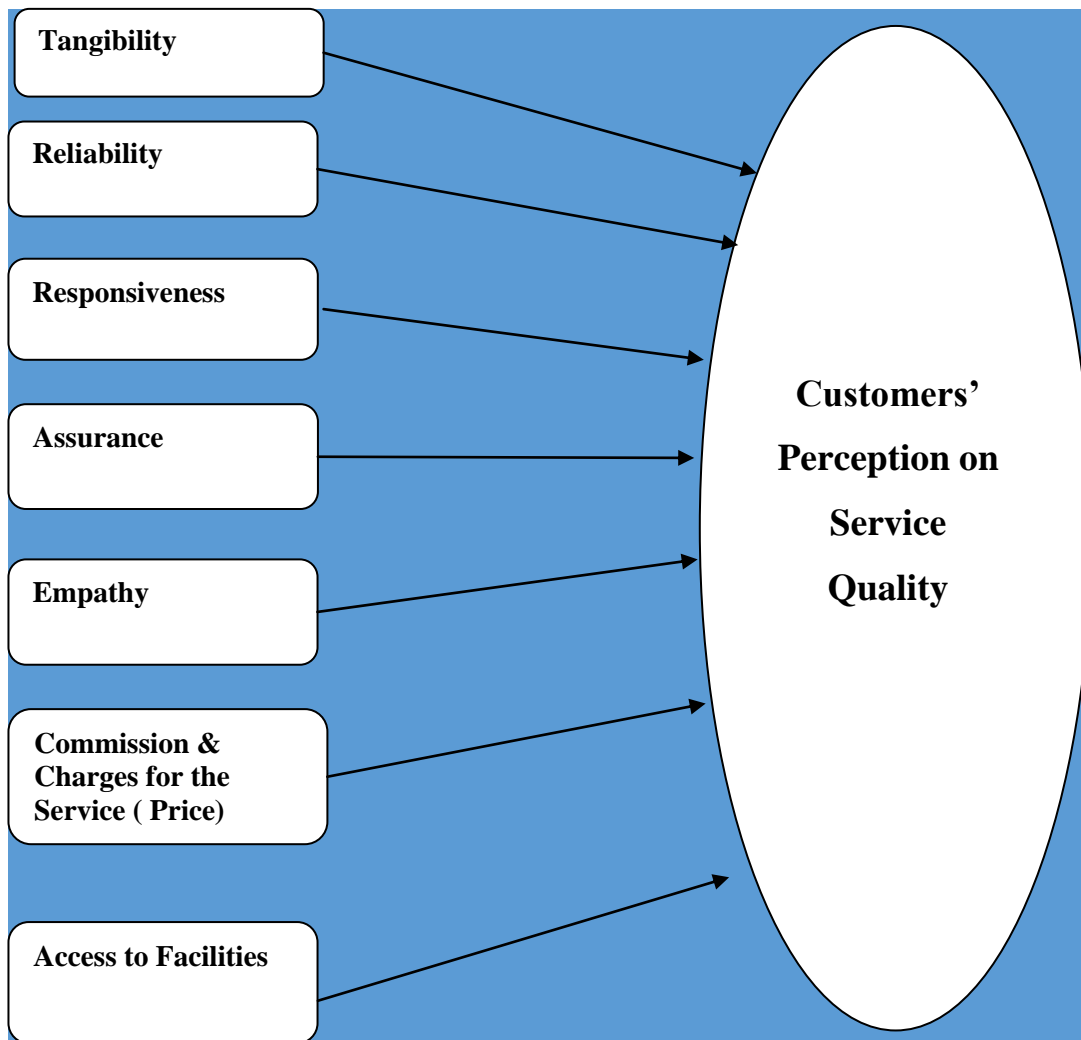
Figure 2.4. Conceptual Framework of the Study

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

In this chapter, the type and design of the research, the participants of the study, the type of data, collection instruments, procedures, and methods of data analysis used were presented. The chapter has six sections; research design, research approach, source and method of data collection, population and sample size determination and techniques, method of data analysis, ethical considerations and finally how the data is organized is discussed here.

3.2. Research Approach

In research there are two basic approaches, quantitative and qualitative methods (Kothari, 2004).

> ➢ Quantitative method focus on generation of data in quantitative form which can be subjected to quantitative analysis.
> ➢ Qualitative method help to understand attitude, opinion and behavior since the researcher's plan is to assess perception of customers so this method will be appropriate to study such kind of situation.

For this study the researcher employed quantitative method since the data was generated in quantitative form in which it was subjected to quantitative analysis. The quantitative data were presented in frequency and percentage distribution tables. In this process, descriptive statistics such as mean, percentage and frequencies were employed. Besides, to identify the gap between the importance and performance attributes of the service quality dimensions gap analysis was applied. In addition the data were analyzed using correlation analysis to explore the relationship between the variables. So this helped the researcher to obtain more information to strengthen the power of research to understand the topic under investigation.

3.3. Research Design

A research design is a blueprint describing how to conduct a research project. It is a plan describing which estimates are to be computed, how they are to be computed and how models are to be tested and refined. A good research design is one that identifies all the things that need to be estimated and works out the best way to measure them.

This research was conducted by explanatory method and use inferential statistics to find out the relationship between service quality dimensions and customers' perception using correlation and regression analysis via SPSS Version 23.

According to Gray (2008), a cross-sectional study shall be used when the data are collected at one specific period of time. So the researcher decided to understand the topic selected a cross-sectional study since the data has been designed to be collected to be collected is collected at one specific period of time.

3.4. Study Site /Area/

In Addis Ababa CBE has four districts namely; North, South, East & West districts. However, the researcher selected South Addis Ababa District. The reason the researcher selected South Addis Ababa district was due to its busyness as compared to other districts of the bank which are found in Addis Ababa and consequently 10 branches were selected from this district. The branches were selected based on their grade level; consists of a combination of minimum grade level (Grade II), medium grade level (Grade III), maximum grade level (Grade IV) and special grade level which is above Grade IV branch. In addition the selected branches perform all banking functions (services). For this reason the branches were qualified enough as a good representative of the entire branches of CBE.

3.5. Data Type and Source
3.5.1. Data Type

This research paper is a case study conducted to assess Customers Perception on Service Quality of Commercial Bank of Ethiopia, hence given the nature of the research topic both qualitative and quantitative data were used.

3.5.2.   Data Source

The source of data for this study is both primary data.

Primary data

The primary data was directly collected from customers through questionnaires which were distributed to sample respondents in the selected branches in South Addis Ababa district. The questionnaires were designed in a close ended question format.

3.6.   Population and Sample Size Determination

3.6.1.   Population

The population of this study was customers of 10 branches of CBE found under South Addis Ababa District. As per the report obtained from the bank, *Annual Corporate Performance Evaluation Report 2017/18*, as of June 30, 2018 the total number of customers found in this selected branches in South Addis Ababa District was 313,429.

3.6.2.   Sample Size Determination

Sample refers to the number of items to be selected from the universe to constitute a sample. Usually determining the sample size is one of the major problems in front of a researcher. The size of sample should neither be excessively large, nor too small, it should be optimum. According to Malhotra (2007), a sample of over 200 respondents in a survey study is likely to give an acceptable degree of accuracy.

As mentioned above the target population for the study was 313,429 customers of CBE found in SAAD. So due to time constraint and inconvenience the researcher delegated 399.50 ≈ 400 customers in the selected 10 branches. Since the population was undefined or does not consist of special group, the researcher determined the sample size by using the formula developed by, *Taro Yamane (1967).*

$$n = \frac{N}{1 + N (e)^2}$$

$$n = \frac{313,429}{1 + 313,429 (0.05)^2} = 399.50 \approx 400$$

Where,   N: is Population = 313,429

n: is Sample size = 400

e: is the level of precision or sampling error = (0.05)

So, out of the total population 313,429, the sample was 400 customers, which does not consist special group.

Table 3.1: Sample Size Determination

Sample from Branch B = No of customers from branch B / Total No of Customers in the branch X Determined Sample Size.

S.No	Name of Branch	Grade Level of Branch	No of Customers in Each Branch	Sample Size Determination	Number of Questionnaire Distributed to Each Branch
1.	Ertu Lebu	2	15,899	15,899/313,429*400	21
2.	Balcha Abanefso	3	18,892	18,892/313,429*400	24
	Jemmu		30,487	30,487/313,429*400	38
	Pupulare		22,068	22,068/313,429*400	28
	Adey Abeba		18,007	18,007/313,429*400	23
	Gofa Gebriel		18,732	18,732/313,429*400	24
	Gotera		19,422	19,422/313,429*400	25
3	Finfine	Special	67,833	67,833/313,429*400	86
4	Nefas Silk	4	98,413	98,413/313,429*400	126
	Africa Union		3,676	3,676/313,429*400	5
Total			**313,429**		**400**

Source: CBE Annual Corporate Performance Evaluation Report, 2017/18

The questionnaire was distributed through convenience sampling method which means that the researcher contacted customers who have been available in the selected branches. Convenience choice means that the respondents are chosen because they are available (Bryman & Bell, 2005).

3.7. Scale and Measurement

The questionnaires have two sections A and B. "Section A" designed to collect data about general information on the respondents, like sex, age and branch. Section B, the main part of the questionnaire, the researcher employed SERVQUAL model adopted from Parasuraman, Zeithaml, and Berry, (1988). In addition, Groons (2003), importance SERVQUAL instrument is adopted by taking account of the context in which it is used. So "Section B" is divided into two columns; "Column I" is designed to measure the importance of the attributes having 28 questions and "Column II" is designed to measure the performance attribute of each item in relation to the service quality at the branch which have 28 questions. The response evaluated by using Likert Scale format on five dimensions ranging from 1 (very unimportant) to 5 (very important) for importance attribute; 1(very poor) to 5 (very good) for performance attribute. Finally the researcher included 1 question designed to measure overall perception towards service quality of the selected branches.

3.8. Procedure for Data Collection

The data was collected in two steps. The questionnaires tested to check appropriateness; validity and reliability of the questionnaire since it will help the researcher to refine contents of the questionnaires and to make modification accordingly. Then after; the actual survey conducted by distributing the questionnaires to customers in the selected 10 branches. Regarding the distribution it was distributed and collected by the help of friends; employees of the selected branches and volunteer individuals as per the above assigned sample distribution. As mentioned on the preceding pages, the branches were selected based on their grade level; which consists of a combination of minimum (Grade II), medium (Grade III), maximum (Grade IV) and special grade level branches.

3.9. Reliability Analysis Test

Reliability analysis used to measure the consistency of a questionnaire. For this study Cronbach's Alpha is considered to be suitable since it is the most common measure of reliability. Alpha coefficients for importance and performance ratings of service quality dimensions and the overall scale calculated as a reliability indicator and it is presented in the following table.

As described by (Hair et al 2003) if the values of Cronbach's Alpha are more than 0.7 it is considered good. The alpha values in this study are 0.7 and > 0.7 for both Importance & Performance attributes, therefore the reliability and validity of the questionnaires considered as very good.

Table 3.2.   Reliability Analysis for the Questionnaires

Dimension of Service Quality	Number of Attributes	Cronbach's Alpha	
		Importance Rating	Performance Rating
Tangibility	4	0.833	0.775
Reliability	5	0.897	0.760
Responsiveness	4	0.841	0.788
Assurance	4	0.846	0.762
Empathy	5	0.889	0.849
Commissions & Charges for the Services	3	0.752	0.750
Access to Facilities	3	0.873	0.754
Overall reliability analysis	**28**	**0.966**	**0929**

Source: SPSS Survey Output, 2018

3.10. Data Analysis

To test research questions and investigate research objective, the collected data was analyzed by using quantitative method. The quantitative data was analyzed using Statistical Package for Social Science (SPSS) version 23. The descriptive analysis was used to interpret demographic structure of respondents by summarizing in tables. For questionnaires of Importance Performance Analysis (IPA), first the mean importance and mean performance ratings were calculated for each of the SERVQUAL service attributes, then gap scores of individual IPA items has been calculated and then the IPA chart / graph/ was plotted.

Correlation analysis was used to examine the relationship between dependent variable /perception/ with each of the independent dimensions /service quality dimensions/.

Regression analysis was also conducted to determine service quality factors relative importance in contributing to overall evaluation of service quality by customers. According to *Sekaran & Bougie (2010),* inferential statistics allows to infer from the data through analysis the relationship between two or more variables and how several independent variables might explain the variance in a dependent variable.

3.11. Ethical Consideration

Research ethics govern the standards of conduct for scientific researchers. It is important to adhere to ethical principles in order to protect the dignity, rights and welfare of research participants. As such, all research involving human beings should be reviewed by an ethics committee to ensure that the appropriate ethical standards are being upheld. Discussion of the ethical principles of beneficence, justice and autonomy are central to ethical review.

To reach the respondents the student researcher has requested permission from managers of the sample branches to distribute questionnaires to customers and employees of the branches. The respondents were given the privilege of not writing their names and no respondent was forced to fill the questionnaire unwillingly and without making the actual purpose of carrying out the research clear to him/her. Moreover, data collected from the respondents were used for academic research purpose only and cannot be revealed to the other third party. Moreover, the data and or information obtained from CBE were utilized under strict confidentiality.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATIONS

4.1. Introduction

In this chapter data collected through questionnaire were analyzed. In order to collect the data about Assessing Customers' Perception on Service Quality, a Case study in Commercial Bank of Ethiopia on Branches under South Addis Ababa District, 400 questionnaires were distributed and out of it 396 were collected; the response rate was 99%. The data was analyzed by using SPSS version 23.

4.2. General Profile of Respondents

To find out general background of customers of Commercial Bank of Ethiopia under South Addis Ababa District, the respondents were asked their Gender and Age. The result obtained is presented in Table 4.1 below. As presented in Table 4.1 below, out of 396 respondents, 262 (66.2%) were male and 134 (33.8%) of the respondents were female. As for the age distribution, 214 (54.0%) of the respondents were young found between the age of 18 to 28 and 136 (34.3%) were between the age 29 to 39 years. The remaining 40 (10.1%) were between the age group 40 to 50 and 6 (1.5%) were above the age of 50. From this result we can depict that majority of the respondent customers were male and young which were found there by chance at the time of data collection /existed by chance/.

Table 4.1. *Summary of Demographic Variable of the Respondents*

		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	262	66.2	66.2	66.2
Gender	Female	134	33.8	33.8	100.0
	18-28	214	54.0	54.0	54.0
Age	29-39	136	34.3	34.3	88.4
	40-50	40	10.1	10.1	98.5
	Above 50 Years	6	1.5	1.5	100.0

Source: SPSS Survey Output, 2018

4.3. Importance and Performance Attribute Analysis

4.3.1. Importance Attribute Analysis

Based on the result presented on Table 4.2 found on page 47, the grand mean value of importance attribute found to be 4.148 with maximum mean value 4.333 and minimum mean value 3.939.

As per the result presented in the table, under Reliability service quality dimension attributes such as "Branch resolves customers' problem sincerely & shows interest to solve it" and "Branch provides satisfactory service" rated 4.308 and 4.303 respectively which are above the mean value 4.148. In addition, under Tangibility, Reliability, Responsiveness, Assurance, Empathy, Commission & Charges to the Services & Access to Facilities service quality dimension there are many attributes in number rated between 4.00 and 4.30 which are also considered important by the respondents. On the other hand, under Tangibility service quality dimension "Physical facilities are visually appealing" and under Commission & Charges for the Services "A Variety of services offered to customers free of charge" rated almost with similar value of 3.965 & 3.939 respectively which is below mean value. Thus, when compared to all other service quality dimension attributes these two attributes rated less important.

4.3.2. Performance Attribute Analysis

As disclosed in Table 4.2 below, the grand mean value of performance attributes is 3.564 with 3.848 maximum and 3.025 minimum values. As per the result presented in Table 4.2, from Commission & Charge quality dimension "The cost of miscellaneous services are reasonable" and "Service charges (Loan & Foreign) rates are reasonable" and, and from Access to Facilities one attribute "The location, convenience & access to branches" both attributes score 3.848, 3.828, and 3.828 respectively which is equal & very closer to the maximum value 3.848. It can be considered as one group.

Table 4.2 Mean and Standard Deviation Analysis

Dimensions	Indicators	Importance Rating		Performance Rating	
		Mean	Std. Dev	Mean	Std. Dev
Tangibility	The branch is clean, furnished with modern equipment and facilities & there is enough lobby space.	4.187	1.001	3.071	1.197
	The physical facilities at the branch are visually appalling.	3.965	0.983	3.293	1.024
	Dressing code of branch staffs is in order (dressed appropriately& neatly)	4.141	0.911	3.561	1.008
	Resources associated with the service (Foreign Currency, Credit Facility, etc) are delivered on time.	4.111	1.030	3.303	1.055
Reliability	When the bank promises to do something, it fulfills its promise.	4.091	1.051	**3.025**	1.180
	When customers have a problem, the branch resolves it sincerely & shows interest in solving it.	4.308	0.895	3.626	0.997
	The branch provides satisfactory service.	4.303	0.959	3.672	0.921
	The branch provides its services at the time they undertook to do so.	4.197	0.984	3.571	1.018
	The branch provides error free transactions/services.	4.056	1.002	3.455	0.952
Responsiveness	Staffs of the branch tell their customers exactly when service will be performed.	4.162	0.902	3.692	0.917
	Staff of the branch provides prompt service to all customers.	4.207	0.896	3.621	0.896
	Staff of the branch always willing & tries to assist customers.	4.227	0.941	3.753	0.897
	Staff of the branch never be too busy to respond to customers' requests.	4.045	1.071	3.424	1.047
Assurance	The behavior of staff of the branch will install confidence in you.	4.146	0.891	3.692	0.955
	Customers of the branch feel safe in their dealings with the bank.	4.293	0.880	3.798	0.917
	Staffs of the branch are consistently courteous towards customers.	4.167	0.858	3.616	0.902
	Staffs have sufficient knowledge to answer customers' requests & questions.	**4.333**	0.866	3.662	0.966
Empathy	Staffs of the branch pay individual/personal attention to customers.	4.182	0.858	3.672	0.948
	The branch has convenient working hours to all type of customers.	4.253	0.870	3.773	0.967
	The customers at the branch receive special attention from staff.	4.141	0.955	3.535	0.958
	The branch staffs have the customers' best interests at heart.	4.045	0.873	3.566	0.940
	The staffs of the branch understand the specific need of its customers.	4.182	0.846	3.631	0.923
Commissions & Charges for the Services	The service charges (Foreign, Local Charges and loan rates are reasonable.	4.081	0.946	3.828	1.012
	The cost of miscellaneous services reasonable.	4.005	0.999	**3.848**	0.974
	A variety of services are offered to customers with free charge.	**3.939**	1.049	3.692	1.032
Access to Facilities	The convenience of branch lay-out & signs of necessary sections.	4.116	0.961	3.359	1.020
	The location, convenience & access to branches.	4.187	0.976	3.828	1.046
	The convenience & access to the parking facility.	4.086	1.030	3.232	1.193
	Grand Mean Value	**4.148**		**3.564**	

Source: SPSS Survey Output, 2018

The next group comprises the attributes which are rated between 3.50 & 3.80. Under Tangibility service quality dimension one attribute "Dressing code of branch staffs (Branch staffs dress appropriately)"; under Reliability dimension attributes such as "Branch resolves customers' problem sincerely & shows interest to solve it", "Branch provides satisfactory service" and "Branch provides its services at the time they undertook to do so".

Under Responsiveness dimension attributes like "Staffs of the branch tell their customers exactly when service will be performed"; Branch staffs provide prompt service to all customers" & "Staff of the branch always willing & tries to assist customers".

Under Assurance dimension all attributes "Behavior of staff instill confidence", "Customers of the branch feel safe in their dealings with the bank", "Staffs of the branch are consistently courteous towards customers", & "Staffs of the branch have sufficient knowledge to answer customers' requests".

Under Empathy dimension all attributes "Branch staffs pay individual attention to customers", "Branch has convenient working hours", "Customers receive personal attention from staffs", "Branch staffs have customers' best interest at heart" & "Branch staffs understand specific needs of customers". The respondents rated performance of the above mentioned service quality attributes as good.

The other group comprises performance attributes rated between 3.00 - 3.50 (below the mean value). From Tangibility "Branch is clean & furnished with modern equip", "Physical facilities at the branch are visually appealing", and "Resources associated with the service delivered on time"; from Reliability "When the bank promise to do something it fulfills its promise", & "Branch provides error free transaction"; from Responsiveness "Staffs of the branch never be too busy to respond to customers' request". Finally from Access to facilities dimension "The convenience & access to parking facility" the studied branches do not perform well in these attributes.

4.4. Importance-Performance Analysis (IPA) Result Summary

As discussed in the, in the literature review part, the Importance Performance Analysis Model conceptually rests on multi-attributes. It identifies strength and weaknesses of a market offering in terms of two criteria that consumers use in making their choice, the relative importance of attributes against their offering or performance.

As explained by Martilla and James (1977:77), the most attractive feature of the IPA is that the importance and performance mean values can be displayed graphically in a two-dimensional grid to facilitate easy interpretation. The grid is divided into four quadrants to enhance the interpretation of the mean importance and performance measures associated with each of the quality attributes.

By using a central tendency (e.g. mean, median or a rank-order measure) the attribute importance and performance scores are ordered and classified as high or low; then by pairing these rankings each attribute is placed into one of the four quadrants of the importance performance grid (Crompton and Duray, 1985). Mean performance and importance scores are used as coordinates for plotting individual attributes on a two-dimensional matrix.

So based on the IPA analysis conducted the mean score of importance and performance is taken to draw the IPA matrix which is separated in to four quarters. The X-axis represented the performance score of service attributes whereas Y-axis represents importance. The graph is separated at 3 (median value) for both importance and performance axis by referring the guidelines for the graph, that is less than 3 (median value) represent low importance and performance whereas more than 3 (median value) is for high importance and performance. Therefore, the mean scores are pointed in the graph with the four quadrants named "CONCENTRET HERE", "KEEP UP THE GOOD WORK", "LOW PRIORITY" and "POSSIBLE OVER KILL".

Quadrant A: Concentrate Here: Attributes with high importance but low performance.

Quadrant B: Keep up the Good Work: High in both importance & performance.

Quadrant C: Low Priority: Low performance and importance.

Quadrant D: Possible overkill: High performance but low importance to customer.

Figure 4.1 Importance Performance Analyses (IPA)
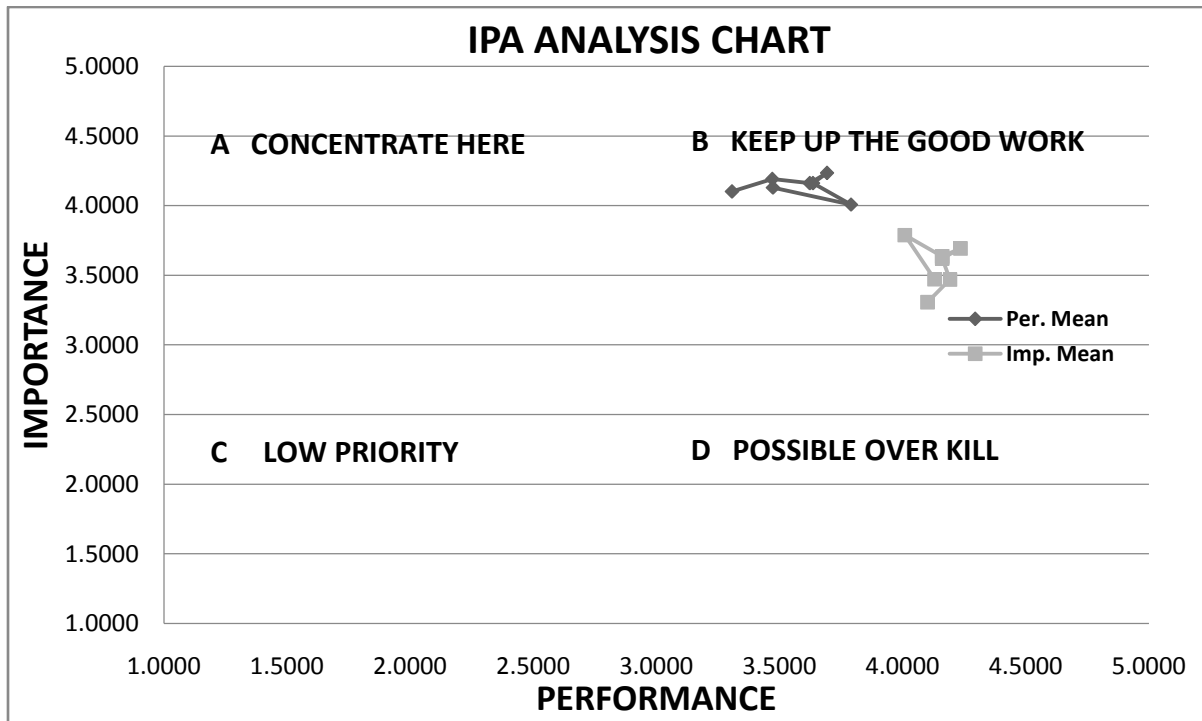
Source: SPSS Survey Output, 2018

One of the objectives of the research was to assess the significance difference between expected importance and perceived performance. Thus, this Importance Performance analysis (IPA) concept helped the researcher to assess a relative performance of service quality dimensions against their performance. As per the results presented in Table 4.2 on page 47 above out of 28, 19 importance attributes have a value above their mean value 4.14. The remaining 7 attributes fall below the mean 4.14 to 4.00 and the rest 2 are below 4.00 and they are also above the cross section point /median point/ on the graph for Y axis. Similarly, 20 performance attributes have a value above the mean performance value which is 3.56 and the rest 8 attributes fall below the mean 3.00 to 3.5 which are still above median point (3.00) on X axis of graph.

So based on the results found from Table 4.2, Figure 4.1 (IPA) chart has plotted and the researcher able to identify that the average value of majority of the service quality dimensions fall in "Quadrant B – which refers "KEEP UP THE GOOD WORK" which refers both high in importance and performance**.**

4.5. Service Quality Dimensions and Existing Gaps of Studied Branches

As presented on Table 4.3 below; its result was derived from Table 4.2, representing the group mean value of the attributes in each service quality dimensions in importance rating. Assurance took the 1st, Reliability the 2nd, Empathy the 3rd, Responsiveness the 4th, Access to Facilities the 5th, Tangibility is the 6th & Commission & Charges for the Service took the last in their importance rating.

In addition by the same token, the groups mean value of the attributes in each service quality dimensions in performance rating was also derived from Table 4.2 and presented on this same table, Table 4.3 disclosed that; Commission & Charges took the 1st, Assurance took the 2nd, Empathy the 3rd, Responsiveness the 4th, Access to Facilities the 5th, Reliability is the 6th & Tangibility took the last in their performance rating.

As can be shown from the results of GAP analysis table presented on Table 4.3 below, computed by deducting the group mean score of performance dimensions from the group mean score of importance dimensions disclosed a negative value /score/. Thus the result depicted existence of performance gaps on the studied branches. That means all quality dimensions perform less when compared to their importance. Tangibility has the highest performance gap score which is -0.794 followed by Reliability -0.721 & Access to Facilities -0.657. Assurance, Responsiveness & Empathy has almost similar performance gap score which are -0.543, -0.538 & -0.525. Commission & Charges dimension has the very lowest gap score which is -0.219.

Table 4.3 Gap Analysis of the Studied Branches

Dimensions	Importance Rating	Performance Rating	Gap = (Per-Imp)
Tangibility	4.101	3.307	-0.794
Reliability	4.191	3.470	-0.721
Responsiveness	4.160	3.622	-0.538
Assurance	4.235	3.692	-0.543
Empathy	4.161	3.635	-0.525
Commissions & Charges for the Services	4.008	3.790	-0.219
Access to Facilities	4.130	3.473	-0.657

Source: SPSS Survey Output, 2018

4.6.   Response on Overall Perception To-wards Service Quality

In order to know the overall customers' perception one question was asked concerning customers' overall perception of service quality of the studied branches. The questionnaire ended up with a five scale question categorized and ranges from very good, good, fair, poor & very poor to know about their view on the overall perception they have on the service quality of branches they experienced during their stay.

As explained in the literature review, according to Parasuraman, service quality is the customers' evaluation between service expectations and service performance. In addition Parasuraman, Zeithaml and Berry (1990), mentioned that service quality is an extrinsically perceived attribution based on the customers' experience about the service that the customer perceived through the service encounter.

Table 4.4 Overall Perceptions towards the Service Quality of Branches

		Frequency	Percent	Cumulative Percent
Valid	**Very poor**	4	1.0	1.0
	Poor	26	6.6	7.6
	Fair	124	31.3	38.9
	Good	156	39.4	78.3
	Very Good	86	21.7	100.0
	Total	396	100.0	

Source: SPSS Survey Output, 2018

As can be seen from Table 4.4 above, 39.4% of the respondents rated the service as good, 31.3% rated it fair and 21.7% of them rated it as very good. The rest 6.6 % and 1 % rated it poor & very poor, respectively. This shows that majority of the respondent customers, 92.4% of them, (the sum of percentage values of very good, good & fair), have positive perception towards the service quality of studied branches.

Even though the discussion made based on Table 4.3 showed existence of performance gap one has to remember results presented on Table 4.2 that is, majority of the importance attributes rating scores are above their grand mean value i.e. 4.148. By the same token majority of the

performance attributes rating scores are above their grand mean value i.e. 3.564 which was also presented on Table 4.2.

Therefore, it should not create confusion to the users and/or readers of this study since existence of performance gap does not necessarily mean customers are fully dissatisfied but some areas demand an improvement.

4.7. Correlation Analysis

This study employed correlation analysis, which investigates the strength of the relationships between the studied variables. Spearman correlation analysis was used to provide evidence of convergent validity. Correlation coefficients reveal magnitude and direction of relationships (either positive or negative) and the intensity of the relationship (-1.0 to + 1.0). Correlations are perhaps the most basic and most useful measure of association between two or more variables (Marczyk, Dematteo and Festinger, 2005).

According to *Brooks (2008)*, the relationship is expressed by value within the range -1.00 to +1.00. Correlation is +1 in the case of a perfect positive linear relationship (correlation) and -1 indicating the existence of a Perfect negative linear relationship (correlation). To determine the relationship between customers' perception with independent variables (Tangibility, Reliability, Responsive, Assurance, Empathy, and Commission & Charge & Access to Facilities), Correlation coefficient was computed. Table 4.6, present the results of Correlation on the relationship between service quality dimensions /independent variables/ and customers perception /dependent variable/.

According to (Marczyk 2005), Correlation of 0.01 to 0.30 is considered small, correlations of 0.30 to 0.70 are considered moderate, and correlations of 0.70 to 1.00 are considered very large. The result of this study also showed there is positive relationship among the attributes.

Table 4.5 Correlation Results of Service Quality Dimensions & Customers' Perception

		Overall perception towards the service quality of branch	Per Rating of Tan	Per Rating of Rel.	Per Rating of Res.	Per Rating of Ass	Per Rating of Emp.	Per Rating of Com & Char for the Serv.	Per Rating of Acc to Fac.
Overall perception towards the service quality of branch	Correlation	1							
	Sig. (2-tailed)								
	N	396							
Performance Rating of Tangibility	Correlation	.400**	1						
	Sig. (2-tailed)	.000							
	N	396	396						
Performance Rating of Reliability	Correlation	.410**	.628**	1					
	Sig. (2-tailed)	.000	.000						
	N	396	396	396					
Performance Rating of Responsiveness	Correlation	.448**	.550**	.635**	1				
	Sig. (2-tailed)	.000	.000	.000					
	N	396	396	396	396				
Performance Rating of Assurance	Correlation	.401**	.598**	.651**	.680**	1			
	Sig. (2-tailed)	.000	.000	.000	.000				
	N	396	396	396	396	396			
Performance Rating of Empathy	Correlation	.453**	.564**	.629**	.683**	.719**	1		
	Sig. (2-tailed)	.000	.000	.000	.000	.000			
	N	396	396	396	396	396	396		
Performance Rating of Commissions & Charges for the Services	Correlation	.215**	.280**	.452**	.350**	.466**	.442**	1	
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000		
	N	396	396	396	396	396	396	396	
Performance Rating of Access to Facilities	Correlation	.323**	.375**	.374**	.393**	.443**	.459**	.409**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	
	N	396	396	396	396	396	396	396	396

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

Source: SPSS Correlation Analysis Output, 2018

As per the results presented on Table 4.5, all service quality dimensions /independent variables/ has positive relationship with customers' perception /dependent variable/. Among these service quality dimensions /independent variables/ empathy had moderate positive relationship with value 0.453** followed by responsiveness 0.448**, reliability 0.410**, assurance 0.401** and tangibility 0.400**. Whereas access to facilities with a value 0.323**, and commissions & charges with a value 0.215** has small positive correlation relationship with customers' perceptions.

So based on the results obtained empathy, responsiveness, reliability, assurance and tangibility have moderate positive relationship with customers' perception since their value ranges from 0.30 to 0.70. Access to facilities and commission & charges for the service has little relationship with the dependent variable, since their value fall between 0.01 - 0.30. Thus from this result it can be said that, the change on these service quality dimensions will positively affect customers' perception.

4.8. Multiple Regression Analysis

Multiple regressions are the most common and widely used to analyze the relationship between a single continues dependent variable and multiple continues on categorical independent variable (George et al, 2003). Regression is a technique that can be used to investigate the effect of one or more predictor variables on an outcome variable. Regression allows you to make statements about how well one or more independent variables will predict the value of a dependent variable.

In standard multiple regression all the independent variables (service quality dimension attributes) are entered into the equation simultaneously and each independent variable was evaluated in terms of its predictive power, over and above that offered by all the other independent variables. Like correlations, statistical regression examines the association or relationship between variables. Unlike correlations, however, the primary purpose of regression is prediction (Geoffrey, 2005). In this study multiple regression analysis was employed to examine the effect of service quality dimensions on customers' perception.

4.8.1. Tests for the Multiple Linear Regression Model Assumptions

In order to make the data ready for analysis and to get reliable results from the research, the model stated previously was tested for five multiple linear regression model assumptions.

Among them the major ones are: test for ***heteroscedasticity, autocorrelation, multicollinearity, normality and constant variable.*** Accordingly, the following sub-section presents the tests made.

Assumption one: the errors have zero mean (E (ε) = 0) or constant variable

The first assumption states that the average value of the errors should be zero. According to Brooks (2008), if the regression equation contains a constant term, this presumption will never be breached. Therefore, since from the regression result table the constant term (i.e. $β0$) was included in the regression equation; this assumption holds good for the model.

Assumption two: homoscedasticity (variance of the errors is constant ($Var(\mu_t) = \sigma^2 < \infty$)

Heteroskedasticity is a systematic pattern in the errors where the variances of the errors are not constant. When the variance of the residuals is constant it is referred as homoscedasticity, which is desirable. To test for the absence of heteroscedasticity white test was used in this study. In this test, if the p-value is very small, less than 0.05, it is an indicator for the presence of heteroscedasticity (Gujarati 2004).

Table 4.6 below presents three different types of tests for heteroscedasticity. Since the p-values of all the three tests are considerably in excess of 0.05 it's a clear indicator that there is no evidence for the presence of heteroscedasticity. Hence, the model passes the second test.

Table 4.6 Heteroscedasticity Test: White test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	2.107980	Prob. F(6,128)	0.0567
Obs*R-squared	12.13999	Prob. Chi-Square(6)	0.0589
Scaled explained SS	13.26894	Prob. Chi-Square(6)	0.0590

Source: Eviews-8

Assumption three: covariance between the error terms over time is zero (cov (ui, uj) = 0)

This assumption states that covariance between the error terms over time or cross- sectional, for that type of data is zero. That is, the errors should be uncorrelated with one another. If the errors are not uncorrelated with one another it is an indicator for the presence of Auto correlation or serial correlation (Brooks, 2008).

According to Brooks (2008), presence/absence of autocorrelation is by using the Breusch–Godfrey test (shown in Table 4.7). The result of the statistic labeled "obs*R-squared", which is the LM test statistic for the null hypothesis of no serial correlation shows a p-value of 0.1166 (which is far greater than 0.05) which strongly indicates the absence of autocorrelation.

Table 4.7 Breusch-Godfrey Serial Correlation LM Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	2.117770	Prob. F(2,385)	0.1217
Obs*R-squared	4.298267	Prob. Chi-Square(2)	0.1166

Source: Eviews-8

Assumption four: Normality (errors are normally distributed $\mu_{t\sim} N(0, \quad \sigma^2)$

A normal distribution is not skewed and is defined to have a coefficient of kurtosis 3. Jarque-Bera formalizes this by testing the residuals for normality and testing whether the coefficient of skewness and kurtosis are zero and three respectively. Normality assumption of the regression model can be tested with the Jarque- Bera measure. If the probability of JarqueBera value is greater than 0.05, it's an indicator for the presence of normality (Brooks 2008). The normality tests for this study as shown in figure 4.2 the kurtosis is close to 3, skewness close to 0 and the Jarque-Bera statistic has a p-value of 0.518230 which is well over 0.05 implying that the data were consistent with a normal distribution assumption.

Figure 4.2 Normality Test Result
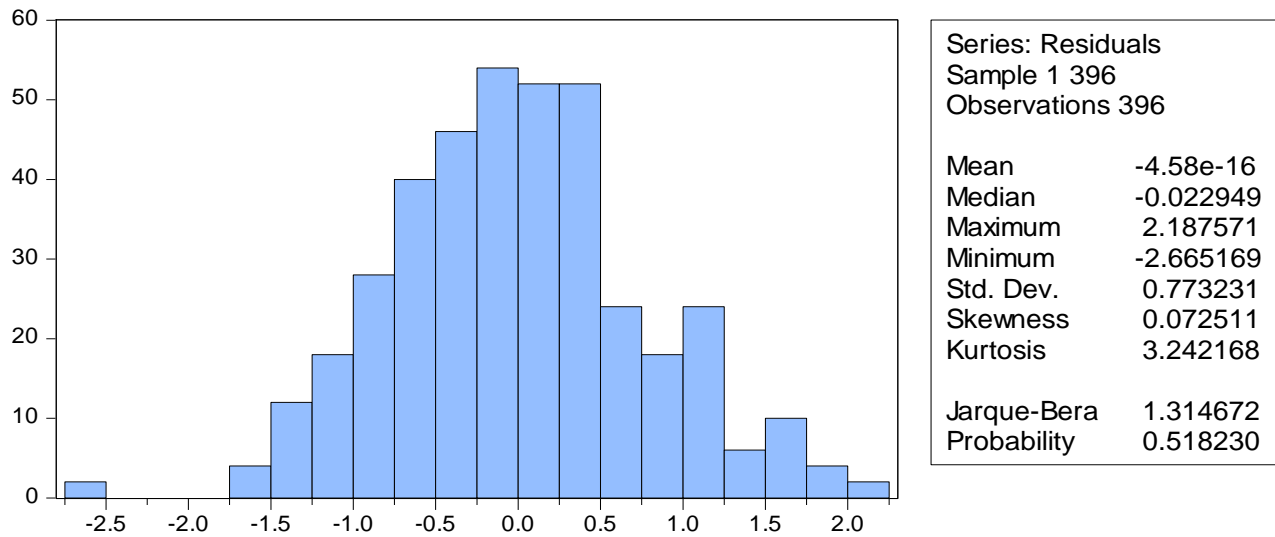
Assumption five: Multicollinearity Test

According to Churchill and Iacobucci (2005), multicollinearity is concerned with the relationship which exists between explanatory variables. When there exists the problem of multicollinearity, the amount of information about the effect of explanatory variables on dependent variables decreases and as a result, many of the explanatory variables could be judged as not related to the dependent variables when in fact they are. How much correlation causes multicollinearity. However, is not still clearly defined.

Many authors have suggested different level of correlation to judge the presence of multicollinearity. Hair, et al. (2006) argued that correlation coefficient below 0.9 may not cause serious multicollinearity problem. Malhotra (2007) stated that multicollinearity problem exists when the correlation coefficient among variables is greater than 0.75. This indicates that there is no consistent agreement on the level of correlation that causes multicollinearity.

Therefore, in this study correlation matrix for the independent variables is shown below in Table 4.8. The result of the estimated correlation matrix shows that the highest correlation of 0.719 which is between performance of empathy and assurance. Since there is no correlation above 0.75 and 0.9 according to (Malhotra 2007) and (Hair, et al. 2006) respectively, it can be concluded that there is no problem of multicollinearity.

Table 4.8 Correlation Matrix between Explanatory Variables

	TA_PER	RE_PER	RES_PER	AS_PER	EM_PER	CM_PER	AF_PER
TA_PER	1.000000	0.627571	0.550378	0.598467	0.563893	0.279857	0.374695
RE_PER	0.627571	1.000000	0.634937	0.651452	0.628787	0.452019	0.373581
RES_PER	0.550378	0.634937	1.000000	0.679758	0.682845	0.349880	0.392822
AS_PER	0.598467	0.651452	0.679758	1.000000	0.719075	0.466400	0.443284
EM_PER	0.563893	0.628787	0.682845	0.719075	1.000000	0.441669	0.459300
CM_PER	0.279857	0.452019	0.349880	0.466400	0.441669	1.000000	0.408957
AF_PER	0.374695	0.373581	0.392822	0.443284	0.459300	0.408957	1.000000

Source: SPSS Survey Output, 2018

4.8.2. Model Specification

Here the squared multiple correlation coefficients (R^2) which tells the level of variance in the dependent variable (customers' perception) that is explained by the model.

Table 4.9 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.520[a]	.271	.257	.780

a. Predictors: (Constant), Performance Rating of Access to Facilities, Performance Rating of Reliability, Performance Rating of Commissions & Charges for the Services, Performance Rating of Tangibility, Performance Rating of Responsiveness, Performance Rating of Empathy, Performance Rating of Assurance.

Source: SPSS Regression results output, 2018

The results of multiple regressions, as presented in Table 4.9 above, revealed that the service quality dimensions (tangibility, reliability, responsiveness, assurance, empathy, commission & charges & access to facilities) combined significantly influence the perception of customers. In this model, the first 'R' value is 0.520 with Squared R value 0.271 and Adjusted R Squared value 0.257. Since this study has more than one independent variable Adjusted R Square is preferred that is 0.257, which indicates that 25.7% of the variance in the dependent variable is explained by the independent variables in the model.

The model also indicates 74.3% of the variance can be explained by other factors which indicate the need for further research to identify the remaining factors which may influence the level of service quality in banking sector.

These factors shall be investigated by conducting a research by considering other variables which may have an impact on perception; for example by associating perception with service characteristics itself, by relating staff engagement with customer satisfaction and perception, by relating perception of customers across the banking industry by broadening scope of the research and including other private banks, etc will help to get an in depth understanding regarding factors which way have an impact on perception.

4.8.3. Analysis of Variance (ANOVA)

The ANOVA Table 4.10 presented below showed that, accepting at least one of the service quality dimensions (tangibility, reliability, responsiveness, assurance, empathy, commission & charges & access to facilities) had significant effect on the customers' perception of CBE under SAAD, since the p-value for F-Statistics (0.000) less than the significance level 0.05. Therefore it is possible to say that, the regression model adopted in this study could have not occurred by chance and is considered significance.

Table 4.10 ANOVA Table

	Model	Sum of Squares	Df	Mean Square = S of Sq/Df	F	Sig.
	Regression	87.582	7	12.512	20.557	.000[b]
1	Residual	236.145	388	.609		
	Total	**323.727**	**395**			

Source: SPSS Survey Output, 2018

a. (Dependent Variable :) Overall perception towards the service quality of branch.
b. Predictors: (Constant), Performance Rating of Access to Facilities, Performance Rating of Reliability, Performance Rating of Commissions & Charges for the Services, Performance Rating of Tangibility, Performance Rating of Responsiveness, Performance Rating of Empathy, Performance Rating of Assurance.

4.8.4. Coefficients

The equation of regressions on this study is generally built around two sets of variables, namely dependent variable (Customers' Perception) and independent variables (Service Quality Dimensions /Attributes/ .i.e. Tangibility, Reliability, Responsiveness, Assurance, Empathy, Commission & Charges to the Service, and Access to Facilities).

The basic objective of using regression equation on this study was to make the study more effective at describing, understanding and predicting the stated variables. The regression equation is presented as follows:

$Y = \alpha_1 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_4 X_5 + \beta_4 X_6 + \beta_4 X_7 + \varepsilon$

Where:

Y = Customers' Perception

X_1 = Tangibility

X_2 = Reliability

X_3 = Responsiveness

X_4 = Assurance

X_5 = Empathy

X_6 = Commission & Charges to the Service

X_7 = Access to Facilities

α_1 = The Intercept term-constant which would be equal to the mean if all slope coefficients are 0.

ε = Error

β_1, β_2, β_3, β_4, β_5, β_6 and β_7 are the coefficients associated with the average amount the dependent variable increase when the independent variable increases by one standard deviation. The significant and insignificance service quality factors have been included for the establishment of the function.

$Y = \alpha_1 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_4 X_5 + \beta_4 X_6 + \beta_4 X_7 + \varepsilon$

Customer Perception = 1.068 + (0.138)(0.071) + (0.118)(0.083) + 0.220 (0.082) − (0.016)(0.092) + (0.219)(0.085) − (0.049)(0.058) + (0.131)(0.059).

Based on Table 4.11 below, the un-standardized beta coefficient tells us the unique contribution of each factor to the model. A high beta value and a small p value (<0.05) indicate the predictor variable has made a significance statistical contribution to the model. On the other hand, a small beta value and a high p value (p >0.05) indicate the predictor variable has little or no significant contribution to the model *(Brooks, 2008)*.

Results disclosed on Table 4.11, indicates that responsiveness and empathy, have a very significant influence on customers' perception with p-values 0.008 at 95% confidence level for responsiveness, 0.011 at 95% confidence level for responsiveness followed by 0.027 at 95% confidence level. Whereas tangibility with p value 0.054 also has relatively significant influence with confidence level almost 95%, i.e. 94.6%. But reliability, assurance and commission & charges had no significant contribution on customers' perception since their p-value is 0.159, 0.866, and 0.402 respectively which is greater than the significance level 0.05 and confidence level below 95%.

Table 4.11   Coefficients

Model		Un-Standardized Coefficients		Standardized Coefficients		Sig.
		β	Std. Error	Beta	t = (B/Std Err)	(P Value)
1	(Constant)	1.068	.250		4.270	.000
	Tangibility	.138	.071	.117	1.933	.054
	Reliability	.118	.083	.095	1.411	.159
	Responsiveness	.220	.082	.179	2.685	.008
	Assurance	-.016	.092	-.012	-.169	.866
	Empathy	.219	.085	.181	2.569	.011
	Comm.& Charges for the Services	-.049	.058	-.044	-.840	.402
	Access to Facilities	.131	.059	.114	2.224	.027
a. Dependent Variable: Overall perception towards the service quality of branch						

SPSS Regression Results Output, 2018

4.9.   Hypotheses Testing

Hypothesis testing is done based on un-standardized coefficients beta and P-value to test whether the hypotheses are rejected or not summarized and presented in Table 4.12 below.

Table 4.12   Summary of the Overall Outcome of the Research Hypotheses

Hypotheses	Result	Reason
Ho1: Tangibility would not have a positive and significant effect on customers' perception. Ha1: Tangibility would have a positive and significant effect on customers' perception.	Rejecting the null hypothesis	$\beta = 0.138$, at p $= 0.054$ Almost p is 0.05
Ho2: Reliability would not have a positive and significant effect on customers' perception. Ha2: Reliability would have a positive and significant effect on customers' perception.	Accepting the null hypothesis	$\beta = 0.118$, at p $= 0.159$ so $p > 0.05$
Ho3: Responsiveness would not have a positive and significant effect on customers' perception. Ha3: Responsiveness would have a positive and significant effect on customers' perception.	Rejecting the null hypothesis	$\beta = 0.220$, at p $= 0.008$ so $p < 0.05$
Ho4: Assurance would not have a positive and significant effect on customers' perception. Ha4: Assurance would have a positive and significant effect on customers' perception.	Accepting the null hypothesis	$\beta = -0.016$, at p$= 0.866$ so $p > 0.05$
Ho5: Empathy would not have a positive and significant effect on customers' perception. Ha5: Empathy would have a positive and significant effect on customers' perception.	Rejecting the null hypothesis	$\beta = 0.219$, at p $= 0.011$ so $p < 0.05$
Ho6: Commission & Charges for the Service would not have a positive and significant effect on customers' perception. Ha6: Commission & Charges for the Service would have a positive and significant effect on customers' perception.	Accepting the null hypothesis	$\beta = -0.049$, at p$= 0.402$ so $p > 0.05$
Ho7: Access to Facilities would not have a positive and significant effect on customers' perception. Ha7: Access to Facilities would have a positive and significant effect on customers' perception.	Rejecting the null hypothesis	$\beta = 0.131$, at p $= 0.027$ so $p < 0.05$

Source: SPSS Survey Output, 2018

4.10. Discussion of the Research Hypotheses

As discussed and presented in the literature review part and cited under sub title 2.14 "Conceptual Relationship between Customer Satisfaction, Service Quality and Perception", Customer satisfaction measures the performance of organizations according to their needs. This further provides a measurement of service quality. By providing feedback on service aspects, customers can actually comment on products and services. In today's marketplace, if organizations fail to provide quality product and service, they lose customers to other competitors. Consumers are becoming more demanding, and their quality expectations have increased; as a result, organizations must be customer-centered, deliver superior value to customers, build relationships, and work on market engineering. Today's organizations keep track of their customers' expectations, their own performance, customer satisfaction, and even their competitors.

Since customer satisfaction is also defined as the attitude resulting from what customers believe should happen (expectations) compared to what they believe did happen (performance perception) (Neal, 1998). So banks try to satisfy customers by increasing the perceived service quality; in this respect, Parasuraman et al. stated the importance of a strong relationship between quality of service and customer satisfaction. In other words, one can state that the most important fact is that the customer is at the center of attention. Moreover, a negative discrepancy between perceptions and expectations a 'performance-gap', as it is referred to causes dissatisfaction, while a positive discrepancy leads to consumer satisfaction.

Many authors suggest that satisfaction reinforces service quality and drives to repeat purchase. As can be understood from this the authors defines quality in terms of major service quality dimensions; tangibility, reliability, empathy, responsiveness and assurance. They suggest that these service quality dimensions have positive and significant effect on customer satisfaction.

According to Zaim, Bayyurt, and Zaim (2010) tangibility, reliability and empathy are important for customer satisfaction, on the other hand Mengi (2009) suggests that responsiveness and assurance are more important.

Siddiqi (2010) in his study of retail banking industry in Bangladesh examined the applicability of service quality and found that service quality is positively correlated with customer satisfaction; empathy had the highest positive correlation with customer satisfaction, followed by assurance and tangibility.

Lo, Osman, Ramayah and Rahim (2010) found that empathy and assurance had the highest influence on customer satisfaction in the Malaysian retail banking industry. Arasli, Smadi and Katircioglu (2005) found that reliability had the highest impact on customer satisfaction. As concluded by Angur (1999), in banking industry responsiveness and reliability were the most important dimensions, followed by the empathy and tangible dimensions; assurance appeared to be the least important.

4.11. Hypotheses Analysis of Service Quality Dimensions and Perception

As presented on the above Table 4.12, the researcher has found four service quality dimensions namely; tangibility, responsiveness, empathy and access to facilities, which has positive and significant impact on customers perception the remaining three reliability, assurance and commission & charges for the service does not have significant impact on customers perception and all presented here under.

4.11.1. Tangibility and Customers' Perception

The hypotheses analysis summary result revealed that tangibility has a positive and significant effect on customers' perception. It is the fourth service quality dimensions to influence perception. The result indicated that customers in the studied branches were satisfied with the physical appearance of the service, such as employees' neat appearance, modern looking equipment, and the materials associated with the service, and that they found it easy to use. As many studies defined tangibility as those things related to appearance, equipment, personnel, and communication.

The result implies that customers in the studied branches are satisfied and that they view tangibility as an important factor. The result is also consistent with previous studies made by Zaim, Bayyurt, and Zaim (2010), Siddiqi (2010) from Bangladish, which show the importance of service quality to improve bank customer satisfaction. This result also confirmed with Angur

(1999) findings which identified tangibility as important dimensions to impact customer's perception.

4.11.2. Reliability and Customers' Perception

Based on the finding of the hypotheses analysis reliability is the fifth service quality dimension and it does not have significant impact on customers' perception of service quality. Hence quality dimensions are the antecedents of customer satisfaction and so on perception. Based on the research conducted by, Angur et al., 1999 on two major banks in India indicated and presented in the literature part of this research report shows that service quality dimensions were not equally important in explaining variances in the overall service quality. It identifies responsiveness and reliability were the most important dimensions, followed by the empathy and tangibility dimensions; assurance appeared to be the least important. However the result of hypotheses analysis of this research discloses that reliability does not have significant impact on customers' perception.

4.11.3. Responsiveness and Customers' Perception

Based on the finding of this research responsiveness is the first factor to significantly impact customers' perception. It indicates that employees in the studied branches are willing to help customers, able to respond to requests and that they have the confidence to tell customers when services will be performed. The result also confirmed with the previous study conducted by Mengi (2009) and Angur (1999). Several authors identify responsiveness as being willing to help clients and give quick service; it is communicated to customers by the length of time they have to wait for assistance and attention to problems. So based on this, it can be said that responsiveness has a positive and significant impact on customer perception.

4.11.4. Assurance and Customers' Perception

As per the result found from hypothesis testing summary in Table 4.12, assurance found to be insignificant service quality dimension and does not have an impact on customers' perception since a small beta value (β) and a high p value ($p > 0.05$) indicate the predictor variable has little or no significant contribution to the model. In this study β has a negative value $\beta = -0.016$, $p = 0.866$ thus $p > 0.05$ and it will not be expected to be like this since it seems contradictory with the theory. So, the situation will call for other research.

4.11.5. Empathy and Customers' Perception

In the studied branches of CBE empathy found to be the second factor which has positive impact on customers' perception. Empathy also proved to be significantly related to customer perception. The hypotheses analysis result implies that customers in the studied branches are satisfied in terms of the empathy dimension where staffs found in the studied branches pay individualized /personal/ attention to customers, staffs have the customers' best interests at heart, the branch has convenient working hours to all type of customers and they understand the specific need of its customers. This finding is also in line with previous studies conducted by Zaim, Bayyurt, and Zaim (2010), Siddiqi (2010) from Bangladish, Lo, Osman, Ramayah and Rahim (2010) from Malaysian retail banking industry and Angur (1999).

Communication might be an element that could build an empathetic relation between a bank and its customers. Academics and professionals pay more attention to social and environmental aspects that affect human behavior. Companies are more aware of and responsible for activities that impact the society and the environment. Consequently, companies adopt sustainable development as a cornerstone in their policies to boost the relationship between social and environmental issues. Value creation by marketing action can be achieved, as can communication to achieve business sustainability, which positively influences performance.

4.11.6. Commission & Charges and Customers' Perception

As identified and presented on hypotheses summary Table 4.12, above commission & charges for the service does not have significant and positive impact on customers' perception with a beta value (Beta = - 0.049), at 95% confidence level p 0.402 is (p > 0.05). Beta value (-0.049) shows as one unit price decrease in commission and charge will positively promote customers perception by 4.9 %. Unlike assurance dimension, in this case, the negative beta value /opposite sign of beta value/ refer the predictor variable will have an inverse impact on dependent variable /customers' perception/. Thus the researcher able to understand that opposite beta value is preferable in the case of commission and charges for the service /price/.

4.11.7. Access to Facilities and Customers' Perception

Access is the third factor to impact customers' perception in the studied branches of CBE. The results show that the access dimension significantly influences customer perception.

Parasuraman et al. stated that access could be understood in terms of services being easy to access and delivered in time. It requires convenient location and access to branches and parking facilities. Moreover, approachability and ease of contact are relevant.

The result obtained from customers of the studied branches implies that, according to the customer's perspective, the access dimension has positive and significant impact on perception. The finding confirmed that customers are looking for easy ways of receiving the services offered, more options related to receiving services, and also the facility to receive the chosen service in the preferred location, time and way.

Generally based on the findings of this research and other various researchers not all service quality dimensions are the antecedents of customer satisfaction and so on perception. For example in this research the result discloses that, reliability, assurance and commission & charges service quality dimensions do not have significant impact on customers' perception. Where as, tangibility, responsiveness, empathy & access to facilities do have positive and significant impact on perception.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Summary of the Major Findings

The main objective of the study was to assess Customers' Perception on Service Quality on 10 selected branches of Commercial Bank of Ethiopia found under South Addis Ababa District. It has been conducted by administering 400 questionnaires to customers in the selected branches of the bank. Out of the total questionnaires 396 of it returned back at 99% response rate. Based on the main objective specific objectives have been set to assess customers' perception towards service quality of the bank; to examine relationship between service quality dimensions and customers' perception, to identify relative importance of quality attributes, to investigate whether there is a significant difference for customers between expected importance and perceived performance and finally to identify services and areas those are considered crucial to improve the service quality in Commercial Bank of Ethiopia.

The study was guided by the following modified service quality dimensions; Tangibility, Reliability, Responsiveness, Assurance, and Empathy; and added two elements /dimensions/ Commission & Charges for the Service /Price/ and Access to Facilities /Physical Evidence/. To make the survey more relevant Importance Performance Analysis (IPA) was also conducted.

In order to test validity and consistency of the questions in the questionnaire Cronbach Alpha Coefficient was computed. As mentioned in the literature, if Cronbach Alpha is > 0.7 it is considered good. All items in this study, both Importance and Performance Alpha Coefficient values are greater than 0.70 so, it can be said that the questions have enough capacity and considered valid to assess the research questions.

➢ The demographic information of respondents revealed that, from the total respondents 66.2% were male and 33.8% were female. The largest group of respondents which contains 54 % was aged between 18 and 28 while a smallest group aged above 50 comprises 10.1%. The rest 39.5% aged between 29 to 50 years. So this indicates that most of the respondent customers of the studied branches were young male people.

➢ The overall service evaluation result showed 39.4% of the respondents rated the service as good, 31.3% rated it fair followed by 21.7% of them rated it very good. The rest 6.6 % and 1 % rated it poor & very poor respectively. From this we can describe that, 92.4% of the customers found in these sampled branches have positive perception about the service quality of the branches.

   o The IPA analysis results of this study showed that, majority of the attributes are laid in "KEEP UP THE GOOD WORK" quadrant, which refers high in both importance and performance. Even though the IPA results fall under quadrant B "KEEP UP THE GOOD WORK", the gap analysis result disclosed existence of performance gap and this result was presented on Table 4.3 and attributes importance has been assessed against performance.

   o The 1st group with the highest gap score was Tangibility, Reliability & Access to facilities service quality dimensions with values, -0.794, -0.721, -0.657 respectively. In the 2nd group Assurance, Responsiveness & Empathy has almost similar gap scores which are, -0.543, -0.538 & -0.525 respectively. Finally Commission & Charges dimension has registered the lowest gap score which is -0.219 which fall in the 3rd group. This shows that in the Commission & Charges dimension in the studied branches relatively perform wel1.

   o The above two discussion points; the overall service evaluation and the IPA analysis results discussion seem confusing when compared to the GAP analysis result discussion. This is because the first ones; the overall service evaluation and IPA analysis disclosed positive result and have a mean value above average. However, the later one; the GAP analysis discussion revealed negative result. But having a mean value above average does not necessary mean there is not performance gap.

➢ The correlation result indicated that all the service quality dimensions /independent variables/ were positively associated with the dependent variable /customers' perception/. Among these independent variables (service quality dimensions) Empathy (r=0.453), Responsiveness (r=0.448), Reliability (r=0.410), Assurance (r=0.401) & Tangibility (r=0.400) have moderate positive relationship with Customers' Perception of Service Quality. Whereas Access to Facilities & Commission & Charges service quality dimensions have positive but relatively little correlation with customers' perception.

➢ The regression analysis also revealed that the four dimensions, according to their rank, have statistically significant influence on customers' perception of service quality (Responsiveness, Empathy, Access to Facilities & Tangibility) has p value 0.008, 0.011, 0.027 & 0.54 respectively is < 0.05, which indicated that all of these dimensions have significant impact on customers' perception. The rest three Assurance, Commission & Charges and Reliability service quality dimensions have very little or no significant impact on customers' perception of customers' service quality since their p value is > 0.05; that is 0.866, 0.402 & 0.159 respectively.

➢ Hypothesis 1: Tangibility would have a positive and significant effect on customers' perception. The beta value $\beta = 0.138$, at $p = 0.054$ which is almost 0.05 accept this hypothesis. For a one unit change in tangibility there will 13.8% positive change on customers' perception.

➢ Hypothesis 2: Reliability would have a positive and significant effect on customers' perception. Since the beta value $\beta = 0.118$, at $p = 0.159$ thus $p > 0.05$; thus reject this hypothesis.

➢ Hypothesis 3: Responsiveness would have a positive and significant effect on customers' perception. Since the beta value $\beta = 0.220$, at $p = 0.008$ thus $p < 0.05$; accept this hypothesis. When there is a one unit change in responsiveness there will be a 22.2% positive change in customers' perception.

➢ Hypothesis 4: Assurance would have a positive and significant effect on customers' perception. Since beta value $\beta = -0.016$, at $p = 0.866$ thus $p > 0.05$; reject this hypothesis. In this assumption since the coefficient of beta value is negative it would not have positive contribution on customers assumption i.e. it will affect customers' perception negatively by 1.60% which is not desirable.

➢ Hypothesis 5: Empathy would have a positive and significant effect on customers' perception. Since beta value $\beta = 0.219$, at $p = 0.011$ thus $p < 0.05$; accept this hypothesis. For a one unit change in empathy there will be a 21.9% positive impact on customers' perception.

➢ Hypothesis 6: Commission & Charges for the Service would have a positive and significant effect on customers' perception. Since the beta value (Beta = - 0.049), at

95% confidence level p 0.402 is (p > 0.05) the researcher reject this hypothesis. In this particular case a negative beta value means; and a one unit decrease in commission and charges will bring a 4.9% positive impact or promote customers' perception positively.

Based on the basic economics theory of demand; demand for a certain service or product has negative /inverse/ relationship with price. Thus, in logical thinking, even though the researcher does not testify this by doing a research, assume fair pricing promote perception or bring positive impact on perception. So the researcher able to understand that negative beta value in the case of commission and charges /price/ dimension, like that of demand and price relationship, will bring opposite but desirable impact on perception which is expected result.

➢ Hypothesis 7: Access to Facilities would have a positive and significant effect on customers' perception. The beta value $\beta = 0.131$, at $p = 0.027$ thus $p < 0.05$; accept this hypothesis. A one unit adjustment and change in access to facilities dimension will bring a 13.1% positive contribution on customers' perception.

5.2. Conclusion

Even though all the twenty eight attributes of both importance and performance attributes have a value above 3, the cross section (median value), on the IPA graph and rests in the "KEEP UP THE GOOD WORK" quadrant refers high both in importance and performance attributes. The gap analysis result disclosed an existence of performance gap on the attributes. From the seven services quality dimensions, assurance (the behavior of staffs and their knowledge) is priority attribute for customers' whereas commission & charges for the service quality dimension has got the lowest importance score.

However, when we consider their performance rating, tangibility get the lowest score whereas commission and charges has got the highest score. In this regard according to customers' perception we can say that there is information gap between the branches and customers.

The result found from the overall perception rating, majority of the respondents, 92% of them have better perception about the service. More than half of the respondent rated the service good & very good. This result also supported by IPA graph and indicated in quadrant B "KEEP

UP THE GOOD WORK" which refers high both in importance & performance attributes analysis.

> The gap analysis of all attributes of the service quality dimension shows a negative value; so from this we can conclude that there must be some measures to be taken to improve the service quality especially on those with the highest gap scores. In addition the finding also indicated a negative magnitude because the service performance level of the branches were lower compared to the importance level, which tells us existence dissatisfaction.

> Correlation result depicts that, all dependent and independent variables have positive linear relationship among them; five of the independent variables have moderate & the rest two have little or small relationship. So we can conclude that the improvement in one independent variable will have a positive and linear contribution on the dependent variable.

> The regression analysis result discloses responsiveness was the most significant factor on customers' perception, followed by empathy, access to facilities & tangibility. From this finding the researcher concluded that the bank need to work hard to improve the performance gap of these service quality dimensions since they have registered 4th, 3rd, 5th & 7th rank respectively in their performance too since they would influence the customers perception significantly. They have also high negative gap score valued against their importance.

5.3. Recommendation

Based on the findings of the study, the following recommendations are given;

> Responsiveness service quality dimensions can be improved by motivating staffs, by creating good working environment, by implementing & monitoring the service delivery standards, through providing trainings on customer service & handling to equip the staffs to have best customer handling skills, by providing technical trainings to narrow the gap on operational areas & to develop the staffs' confidence in dealing with their customers. This all will help to provide prompt service to customers.

➢ As observed from the finding of the study empathy has a significant impact on customers' perception so the bank needs to improve performance gaps observed in this dimension. In this regard the bank has to strongly work on attitude of its staffs to have better insight about importance of customers to an organization. In addition the bank has to strongly implement Customer Relationship Management (CRM) so as to retain customers for longer time.

➢ The third significant variable is access to facilities which shows existence of problem on branch location, layout & parking facilities. To narrow the gap in this dimension the bank needs to implement extended working hours, reduce waiting time of customers by increasing the number of service providers, by implementing modern banking technologies like electronic banking services & improving the existed ones.

➢ The fourth variable which has significant effect on customers' perception is tangibility. The bank needs to improve the standard of its branches through furnishing the branches by standard equipments, by improving appearance of the branch, by improving the cleanness of the office & improving dressing of the staffs. In addition the bank needs to provide resources like credit /loan facilities/, foreign currency on time.

➢ Finally, to as observed from the overall perception of customers the researcher understand that, majority of the respondent customers (92.4%) of them, have positive perception about the studied branches. The IPA chart also confirmed this and service quality dimensions of performance and importance ratings fall in quadrant "B" "keep up the good work quadrant which refers high in both importance and perform service quality dimensions since their value indicate above the median value i.e. 3 So, these branches should strengthen their strongest side and also they should focus highly significant service quality dimensions in order to get all the wallet share of their customers and also to be best competitor in the sector.

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St Mary's University
School of Graduate Studies
Masters of Marketing Management Program
Name of Student – Sosena Lemma

Dear Respondent

The purpose of this questionnaire is to collect primary data for a study on **"Assessing Customers' Perception on Service Quality: A case study in Commercial Bank of Ethiopia on Branches under South Addis Ababa District**". This is undertaken as a partial fulfillment for the degree of Masters in Marketing Management at St Mary University. In this regard I kindly ask you to provide me with reliable information to the best of your knowledge, so that the findings from the study would meet the intended purpose. I strongly assure you of confidentiality of the information you give me, and would like to extend my deepest gratitude in advance for being a volunteer to devote your valuable time in filling this questionnaire.

Directions
1. No need to write your name
2. Please tick (√) in the appropriate box

Section A - General Information

1. Gender

    1. Male ☐   2. Female ☐

2. Age

    1. 18 - 28 years   ☐

    2. 29 - 39 years   ☐

    3. 40 - 50 years   ☐

    4. Above 50 years   ☐

3. CBE branches

Ertu Lebu Branch	☐	Gofa Gebriel Branch	☐
Balcha Abanefso Branch	☐	Finfine Branch	☐
Jemmu Branch	☐	Nefas Silk Branch Branch	☐
Populare Branch	☐	Africa Union Branch	☐
Adey Abeba Branch	☐	Gotera Branch	☐

Section B: Importance and Performance Attributes

Importance attributes	**Performance Attribute**
How Importance to you each attributes which are mentioned below and rank them using the scale below.	How effectively does the branch/bank perform in comparison to your importance and rank them using the scale below.

Column I	**Column II**
1. Very Unimportant	1. Very Poor
2. Unimportant	2. Poor
3. Neutral	3. Neutral
4. Important	4. Good
5. Very Important	5. Very Good

Instruction: ** You should have to fill both columns*

               * Circle only one option from each column (column I and Column II)

						Item					
Column I **Importance Rating**							**Column II** **Performance Rating**				
Tangibility											
1	2	3	4	5	**1**	The branch is clean, furnished with modern equipments and facilities & there is enough lobby space.	1	2	3	4	5

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1	2	3	4	5	**2**	The physical facilities at the branch are visually appalling.	1	2	3	4	5
1	2	3	4	5	**3**	Dressing code of branch staffs is in order (dressed appropriately & neatly)	1	2	3	4	5
1	2	3	4	5	**4**	Resources associated with the service (Foreign Currency, Credit Facility, etc) are delivered /made/ on time.	1	2	3	4	5
						Reliability					
1	2	3	4	5	**5**	When the bank promises to do something, it fulfills its promise.	1	2	3	4	5
1	2	3	4	5	**6**	When customers have a problem the branch resolve it sincerely & shows interest in solving it.	1	2	3	4	5
1	2	3	4	5	**7**	The branch provides satisfactory service.	1	2	3	4	5
1	2	3	4	5	**8**	The branch provides its services at the time they undertook to do so.	1	2	3	4	5
1	2	3	4	5	**9**	The branch provides error free transactions/services.	1	2	3	4	5
						Responsiveness					
1	2	3	4	5	**10**	Staffs of the branch tell their customers exactly when service will be performed.	1	2	3	4	5
1	2	3	4	5	**11**	Staff of the branch provides prompt service to all customers.	1	2	3	4	5
1	2	3	4	5	**12**	Staff of the branch always willing &	1	2	3	4	5

1	2	3	4	5		tries to assist customers.				
1	2	3	4	5	**13**	Staff of the branch never be too busy to respond to customers requests.	1	2	3	4	5

Assurance

1	2	3	4	5	**14**	The behavior of staff of the branch will instill confidence in you.	1	2	3	4	5
1	2	3	4	5	**15**	Customers of the branch feel safe in their dealings with the bank.	1	2	3	4	5
1	2	3	4	5	**16**	Staffs of the branch are consistently courteous towards customers.	1	2	3	4	5
1	2	3	4	5	**17**	Staffs of the branch have sufficient knowledge to answer customers' requests & questions.	1	2	3	4	5

Empathy

1	2	3	4	5	**18**	Staffs of the branch pay individual/personal attention to customers.	1	2	3	4	5
1	2	3	4	5	**19**	The branch has convenient working hours to all type of customers.	1	2	3	4	5
1	2	3	4	5	**20**	The customers at the branch receive special attention from staff.	1	2	3	4	5
1	2	3	4	5	**21**	The branch staffs have the customers' best interests at heart.	1	2	3	4	5
1	2	3	4	5	**22**	The staffs of the branch understand the specific need of its customers.	1	2	3	4	5

						Commissions & Charges for the Services					
1	2	3	4	5	**23**	The service charges (Foreign, Local Charges and loan rates are reasonable.	1	2	3	4	5
1	2	3	4	5	**24**	The cost of miscellaneous services reasonable.	1	2	3	4	5
1	2	3	4	5	**25**	A variety of services are offered to customers with free charge	1	2	3	4	5
						Access to Facilities					
1	2	3	4	5	**26**	The convenience of branch lay-out & signs of necessary sections.	1	2	3	4	5
1	2	3	4	5	**27**	The location, convenience & access to branches.	1	2	3	4	5
1	2	3	4	5	**28**	The convenience & access to the parking facility.	1	2	3	4	5

29. What is your overall perception towards the service quality of branch?

Very poor	Poor	Fair	Good	Very Good
1	2	3	4	5

Thank you for your Cooperation!