St. Mary's University
School of Graduate Studies

ASSESSING THE RELATIONSHIP OF SERVICE QUALITY AND CUSTOMER SATISFACTION OF PRIVATE BANKS IN ADDIS ABABA

By: Tewodros Ayalew

A Thesis Submitted to the Department of Business Administration Presented in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

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ACRONYMS

E: Expected

MOT: Moment of Truth

NBE: National Bank of Ethiopia

P: Perceived

PIMS: Profit Impact of Marketing Strategies

ROA: Return on Assets

SERVPERF: Service Performance

SERVQUAL: Service Quality

SPSS: Statistical Package For Social Sciences

SQ: Service Quality

TQM: Total Quality Management

Abstract

The objective of this research is to assess the relationship of service quality and the coming year profitability(ROA) of private banks through proper analysis of customer satisfaction. It infers the relationship between service quality dimensions and profitability through customer satisfaction in private banks in Addis Ababa. Also, it shows the gaps between customers' expectations and perceptions on the quality of service in the private banks. The research is carried out through the use of cross-sectional survey design and primarily based on data collected through structured questionnaires that are developed based on SERVQUAL instrument. 50% that is eight banks are selected out of 16 private banks on the basis of stratification sampling technique. First, the private banks were categorized into four strata based on their year of establishment in descending order. Each strata have been made to hold four private banks out of which only two private banks were selected from each strata using simple random sampling. The sample size of the respondents for the study was determined using sample size formula. However, convenience sampling technique is used to select 400 respondents 50 from each of the selected eight commercial private banks. Quantitative research is employed on the dimensions of service quality to arrive at the relationship of them with Customer Satisfaction and then customer satisfaction with the coming year Profitability/ROA/ of the private banks. The internal consistency of the data is analyzed via reliability test method, Pearson's correlation and gap analysis. The reliability of the questionnaires is found acceptable and good. It is also found that all the dimensions of service quality have correlated with the customer satisfaction. However, customer satisfaction does not have positive relationship with the coming year profitability (ROA) of private banks for various possible reasons.

Keywords: *Service quality, Customer satisfaction, Profitability.*

CHAPTER ONE

INTRODUCTION

1. 1. Theoretical Background of the study

1.1.1. Definition of Service

Many writers define ‘service’ in different ways: for example Kottler, 2003:128 defined service as “*any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”*. Any intangible actions that are performed by person or machines or both to create good perception within users called service. Although services are performed by service providers and consumer together its quality results in perception and value assessment by the customer (Rao, 2007).

1.1.2. Service Quality

Previously, service quality was not been explicitly linked to profit. Zeithaml (2000) has found evidence about the influences of service quality on profits. Rust, Zahorik, and Keiningham (1995) provided a model of service quality improvement and profitability. The service concern of highest priority to today’s companies is the impact of service quality on profit and other financial outcomes of the organization (Greising 1994; Rust, Zahorik, and Keiningham, 1995).

The challenge in defining quality is that it is a subjective concept, like beauty. Everyone has a different definition based on their personal experiences. Crosby (1979) defined quality as conformance to requirements. This definition implies that organizations must establish requirements and specifications. Once these specifications are established, the quality goal of the various functions of an organization is to comply strictly with them. Juran (1982) defined quality as fitness for use. As indicated on www.qualitygurus.com quality also defined from different point of views: - From customer point, from process point of view, from product point of view and from the cost point of view. From customer point of view: quality means fitness for use and meeting customer satisfaction. From process point of view: quality means conformance with the process design, standards and specifications. From product point of view: quality means the degree of excellence at an acceptable price. From the cost point of view: quality means best combination between costs and features.

As described by Lewis and Booms (1983) giving quality service implies meeting the requirements to customer expectations regularly. Also Parasuraman, et al (1985) defined service quality as the degree and direction of discrepancy between consumer's perceptions and expectations in terms of different but relatively important dimensions of the service quality, which can affect their future purchasing behavior. This definition clearly shows that service quality is what customers' assess through their expectations and perceptions of a service experience. Customers' perceptions of service quality result from a comparison of their before-service expectations with their actual service experience. Service quality is founded on a comparison between what the customer feels should be offered and what is provided (Parasuraman et al., 1985).

In today's increasingly competitive business environment, service quality is essential for the success of any organization. Service quality is important aspect that affects the competitiveness of business. Banks should increase the quality of service constantly since there is no assurance that the current outstanding service is also suitable for future. Consequently, banks should develop new strategy to satisfy their customer and should provide quality service to distinguish themselves from rivalries (Siddiqi, 2011).

In order to provide the desired quality level service companies should know customers' expectation and the way they perceive or evaluate the quality of a service. As Zeithml and Bitner (2003) stated, customer satisfaction or dissatisfaction is considered to be the result of a comparison between the pre-use expectations that a customer has about the product or service and the post-use perception of product or service performance. One of the determinants of success of a firm is how the customers perceive the resulting service quality, as the perceived service quality is the key driver of perceived value.

1.1.3. Service Quality and its Measurement in Banking Industry

Banks are playing a great role in creating opportunities for the development of national resources by facilitating savings and making them accessible to trade and industry. This in turn would work for the expansion of the productivity and capacity of the people, to satisfy their wants with respect to both goods and services. Due to this, in the last twenty years the number of banks had increased in Ethiopia i.e. in 1994 there were only two commercial banks in the country. However, in 2014 the number of banks reached nineteen of which three of them are government owned while the remaining sixteen are private banks this in return creates a stiff competition among banks in meeting service quality expectation and customer satisfaction. Financial services particularly banks are competing in similar products therefore service quality grows to be a main competitive weapon (Stafford, 1996).

The banking industry is traditionally conservative because of its traditional management methods and legal restrictions. Because the cost of quality of business activities is very high and price competition is easily imitated, non-price competition can reach Porter's (1980) differentiation of competitive superiority; moreover, non-price competition inevitably increases service quality and introduces new financial goods. Recent research has begun to voice suspicions regarding whether or not several of the concepts underlying quality control operationalization to improve customer satisfaction and company quality actually achieve their intended goals.

In the current business world, the quality of service is becoming the concern of both customers and organizations. And in most industries, providing quality service is no longer simply an option. In service industries, globally, the subject of service quality remains critical as businesses strive to maintain a comparative advantage in the marketplace (Zeithaml and Bitner, 2000). Since financial services, particularly banks compete in the marketplace with generally undifferentiated products, and service quality becomes a primary competitive weapon (Mohammed and Shirley, 2009). Currently, technological changes are causing banks to rethink their strategies for services offered to both commercial and individual customers. Therefore, banks should focus on service quality as a core competitive strategy. Within this background, customer satisfaction and service quality are compelling the attention of all banking institutions around the world including Ethiopia.

The monetary and banking proclamation No, 83/1994 laid down the legal basis for investment in the banking sector in Ethiopia. Consequently, shortly after the proclamation the first private banks joined the industry which brought the number of banks in the industry to more than seventeen. Thus the banking sectors are becoming more competitive since this date than pre 1994. (www.nbe.gov.et/History/history.htm). Due to the increasing competition in the financial services market requires banks to review and reconsider their marketing strategies for approaching customers. The fierce competition in the banking sectors can mainly associated with the main objectives of banks which is to mobilize funds and channeling the fund to those area where the fund needed. Because, in Bank strategic positioning and some determinants of bank selection that the growth and financial strength of the commercial banks are measured in terms of the increase in assets financed by funds or deposits available from customers. Customer deposits generate funds and revenue for the bank. These indicators are of further interest in that they are considered reliable measures of confidence in the banking system. Due to this, market share on deposits and loans can be used as a more stable and sensible tool in evaluating bank's relative performance with competitors facing similar external conditions.

The models mostly used in measuring service quality in the banking sector are the SERVQUAL and SERVPERF models which is developed by Parasuraman et al. (1985, 1988). As per Gilmore (2003), perceived service quality has been defined as the discrepancy between what the customer feels that a service provider should offer and his or her perception of what the service firm actually offers.

SERVPERF model aimed to provide an alternative method of measuring perceived service quality and the significance of the relationships between service quality and customer's satisfaction. And Perceived performance will be a major contributory factor in influencing overall satisfaction and intention to re-buy. Also a business can achieve success only by understanding and fulfilling the needs of customers. In other words, the company must show constant sensitivity to emerging and existing customers and market requirements.

1.1.4. Customers Satisfaction and Profitability

As indicated by Lovelock (2004) many researchers conceptualize customer satisfaction as an individual's feeling of pleasure (or disappointment) resulting from comparing the perceived performance or outcome in relation to the expectation.

Service companies have since recently focused on customers in order to improve competitiveness. Customer satisfaction is one of the important outcomes of marketing activity (Mick and Fournier, 1999). In the competitive banking industry, customer satisfaction is considered as the fundamental of success. Satisfying customers is one of the main objectives of every business. Businesses recognize that keeping current customers is more profitable than having to win new ones to replace those lost. Management and marketing theorists emphasize the importance of customer satisfaction for a business's success (Kennedy & Schneider, 2000).

Good customer satisfaction has an effect on the profitability of nearly every business. For example, when customers receive good service, each will typically tell nine to ten people. However, customers who receive poor service will typically relate their dissatisfaction to between fifteen and twenty others (Naik, 2010). Anderson and Zemke, (1998) stated that satisfied customers improve business and dissatisfied customers impair business. Therefore, customer satisfaction is an asset that should be monitored and managed just like any physical asset.

Higher customer satisfaction leads to greater customer loyalty which in turn leads to higher future revenue. As a result, many market leaders are found to be highly superior customer-service orientated. They have been rewarded with high revenue and customer retention as well. For that reason, organizations in the same market sector are forced to assess the quality of the services that they provide in order to attract and retain their customers. Because satisfied customers are key to long-term business success (Zeithaml et al., 1996).

Customer satisfaction should reduce price elasticity for current customers (Garvin 1988). Satisfied customers are more willing to pay for the benefits they receive and are more likely to be tolerant of increases in price. This implies high margins and customer loyalty (Reichheld and Sasser 1990). Low customer satisfaction implies greater turnover of the customer base, higher replacement costs, and due to the difficulty of attracting customers who are satisfied doing business with a rival, higher customer acquisition costs. Decreased price elasticity lead to increased profits for a firm providing superior customer satisfaction.

In short, the focus of this paper is to assess the relationship of service quality and profitability of private banks in Addis Ababa through proper analysis of the link with customer satisfaction.

1.2. Statement of the Problem

Whatsoever the service provider is, be it governmental or private sector, the key for its existence and success lie on its ability to provide effective service and satisfying the customer. It is the quality of service that creates true customers: customers who buy more and who influence others to buy.

A key challenge for any service business is to deliver satisfactory outcomes to its customers in a ways that are cost effective for the company. *"If customers are dissatisfied with the quality of the service they would not be willing to pay very much for it or even to buy it, at all if competitor offer better"*.(Lovelock and Wirtz, 2004: 408). Today, the quality defines as customer demands and customer expectations and perceptions are considered the main factors in determining the quality of service(West, 2001).

One of the main topics discussed in the banks' competitiveness is the quality of services provided to its customers. Top managers of banks tend to measure such a quality of service that banks provide to their customers. But access to appropriate tools to measure customer expectations and perceptions of the received services is the main problem. Manager's unawareness from concept of quality in the field of banking and process of banking services quality characteristic increase the complexity of the issue. Active banks attempt as part of its ongoing reform program to constantly be aware of their customers' expectations, understand their needs and improve their services. In some cases, these assessments can be made monthly, quarterly, six monthly and annually. In some cases it has done even conservative about a particular bank compared to other banks and bank branches (Sangeetha, 2011).

Today, customers take good customer service for granted and customers are now the rules and that goes for business as much as customer market. All business customers want the same thing; better access to service, more competitive price better customer service and compliant handling process.(Douglus and Basto, 2002).

Though the ultimate goal of every service giving industry is satisfying customers, more often, many of the service delivering organizations are failed to satisfy customers as a result of not understanding customers’ interest well. Hence, this dilemma creates job difficulty to most business organizations that focus on customer relations (Munusamy et al, 2010).

Most of the time, there is a gap between customer expectation and service provided by the banks. These gaps in service expectation and delivery can damage relationships with customers as reported in the recent Internal Customer Satisfaction Survey in Awash International Bank S.C.

Today, Ethiopian banks are facing challenges with stiff competition. Hence, delivering quality service and creating customer satisfaction is expected of them to win this competition and to earn a maximum profit. So, it becomes very important for banks to meet or exceed the target customers' satisfaction with quality of services expected by them. With a lot of customers complaints, banks nowadays earn a progressive gross profit year to year irrespective of their service quality. In general, the study aims therefore, to answer the following questions:

1. What are the relationship between service quality dimensions and customer satisfaction in the private banks in Addis Ababa?
2. What are the level of quality of service being offered by the private banks in Addis Ababa?
3. What are customers' expectation and perception of service quality provided by the banks in Addis Ababa?
4. Finally, what is the relationship of the customer satisfaction with profitability of private banks in Addis Ababa?

1.3. Research Hypotheses

The following hypotheses were hypothesized and tested in the captioned research:

$H1_a$: Reliability has positive relationship with customer satisfaction in the private banks in Addis Ababa.

$H2_a$: Responsiveness has positive relationship with customer satisfaction in the private banks in Addis Ababa.

$H3_a$: Assurance has positive relationship with customer satisfaction in the private banks in Addis Ababa.

$H4_a$: Empathy has positive relationship with customer satisfaction in the private banks in Addis Ababa.

$H5_a$: Tangibles has positive relationship with customer satisfaction in the private banks in Addis Ababa.

$H6_a$: Customer satisfaction has positive relationship with profitability (ROA) in the private banks in Addis Ababa.

1.4. Objectives of the Study

1.4.1. General Objective of the Study

The overall objective of the study is to assess the relationship of service quality and the coming year profitability of private banks that are situated in Addis Ababa through proper analysis of its link with customer satisfaction.

1.4.2. Specific Objectives of the Study

The specific objectives of the study are:

1. To investigate the relationship between service quality dimensions and customer satisfaction.
2. To identify the dominant service quality dimension that has strong relation with customer satisfaction in private banks.
3. To investigate the relationship between customer satisfaction and profitability.
4. To examine customers' expectations and perceptions of service quality provided by private banks.
5. To identify the roles of frontline employees in delivering quality service to the customers.
6. To identify actions that must be taken by managers in order to satisfy customers through meeting their needs and wants.

1.5. Significance of the Study

Considering the high costs of acquiring new customers and the high customer turnover in private banks, it is very important to assess the relationship of service quality and profitability of private banks in Addis Ababa so as to work hard on the dominant dimensions of service quality that enables them to retain the customers and to maximize their profits. Service quality is the key factor for the existence of customer satisfaction in the successes of the company; therefore, it is very important to know how much they relate each other. The study has the following significance:-

1. The study provides adequate knowledge on the importance of service quality on profitability after thoroughly examined its effect on customer satisfaction.

2. The findings enable the banks to understand the relationship between service quality and customer satisfaction and helps them to know the most important dimension used to satisfy customers. Moreover, it has a great benefit in assessing the understanding of customers satisfaction on bank's profitability. Also it indicates the extent of the gap between perceived performance and customers' expectations of service quality. This enables them to minimize the gaps and to meet customers' expectations.

1.6. Scope of the Study

The study is designed to assess the relationship of service quality of private banks with their profitability (ROA) at least after a year by collecting through questionnaires their projected profitability (ROA) after looking its link with customer satisfaction. It is also designed to measure the gap analysis of the service quality dimensions of eight private banks that have been selected as a sample. The study is also stretched to assess the relationship of service quality and the profitability of the private banks only living in Addis Ababa.

1.7. Limitations of the Study

The study has the following limitations:

- It is limited by those five dimensions of SERVQUAL model. Had the researcher been used other dimensions of service quality, the result might be changed.

- It is also limited by the level of the respondents' understanding of the questionnaires in replying them upon request. This level of understanding could not be controlled by the researcher upon distributing the questionnaires. So, it might change the results.
- All the drawbacks that are attributed to convenient sampling technique might bring a limitation on the study in distributing the questionnaires and getting their responses. For instance, upon utilization of the technique, the right person for responding the questionnaires may not be sampled.
- Taking the population as indefinite numbers in calculating the sample size might limit on the final results of the study. Failure to get readily available absolute figures as to the number of customers by each product types might have an impact on the size of the sample. Definitely, sample size variation might also have an effect on the final results of the study.

1.8. Organization of the Study

The organization of the study is summarized as follows.

Chapter 1 introduces theoretical background, statement of the problem, hypotheses, objective, significance, describes the scope and limitations of the study.

Chapter 2 presents a review of related literature.

Chapter 3 presents the research methodology that has been used for data collection and analysis.

Chapter 4 contains data presentation, analysis and interpretation of the study.

Chapter 5 offers summary of the major findings, conclusions and recommendations of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Evaluation of service quality, customer satisfaction and profitability

Service plays a major role in building and maintaining the development and growth of a country's economy hence the size of the service sector is increasing around the world. On the other hand, the quality of service supplied by banks and other service provider is not fulfilling customers' wants consistently. *"People complain about late deliveries, incompetent personnel, inconvenient service hours, needlessly complicate procedures, long queues and a lot of other problems"* (Lovelock and Wirtz, 2004:3).

In today's world, the existence of all human being is related with different services including banking service, food service, communication service, medical service, transportation service, and emergency services to list some. In general, our economy is founded on service (James, 1998).

Banks that excel in quality service can have a distinct marketing edge since improved levels of service quality are related to higher revenues, increased cross-sell ratios, higher customer retention (Bennett and Higgins, 2001), and expanded market share. Likewise, provision of high quality services enhances customer retention rates, helps attract new customers through word of mouth advertising, increases productivity, leads to higher market shares, lowers staff turnover and operating costs, and improves employee morale, financial performance and profitability (Lewis, 1989, 1991). Therefore, delivering quality service to customers is a must for success and survival in today's competitive banking environment. Undoubtedly owing to the belief that delivery of high service quality is a must for attaining customer satisfaction and a number of other desirable behavioral outcomes, recent years have witnessed a flurry of research exploring interrelationships between service quality and, satisfaction and behavioral outcomes.

Quality evaluations derive from the service process as well as the service outcome. As stated by (Gronroos, 1982) there are two types of service quality these are technical quality and functional quality. Technical quality is - what the customer is actually receiving from the service (outcome) while functional quality is the manner in which the service is delivered (process*)*.

"A vague exhortation to customer contact employees to "improve quality" may have each employee acting on his/her notion of what quality is. It is likely to be much more effective to tell a service contact employee what specific attributes service quality includes, such as responsiveness. Management can say, if we can improve our responsiveness, quality will increase" (Asubonteng et al., 1996:63).

Service quality is becoming more critical for banks to maintain their market shares (Jabnoun and Hussein, 2003). In order to survive in this competitive environment and provide continual customer satisfaction, the banking services providers are required to frequently increase the quality of services. Moreover, in the banking industry, a key element of customer satisfaction is the nature of the relationship between the customer and the provider of the products and services those are banks. Thus, both product and service quality are commonly noted as a critical prerequisite for satisfying and retaining valued customers.
Service quality and customer satisfaction are unarguably the two core concepts that are at the root of the marketing theory and practices (Spreng and Macko,1996). In today's world of intense

competition, the key to sustainable competitive advantage lies in delivering high quality services that will in turn result in satisfied customers. When competition increases and environmental issue becomes dynamic, the importance of service quality is increased (*Asubonteng* et al., *1996*).

Service quality evaluated by assessing customer's expectations and perceptions of performance level for a variety of service attributes (Parasuraman et al., 1985). If the customer's expectations are meeting or exceeded, then the company is perceived to be offering higher service quality. But if on the other hand, the expectations of the customers are not meet, the company is on its way not only to face displeased and hostile customers, which in turn leads to defection to competitors. "*Customer's expectation serves as a foundation for evaluating service quality because quality is high when performance exceeds expectation and quality is low when performance does not meet their expectation''* (Asubonteng et al.,1996:64). Expectation is viewed in service quality literature as desires or wants of consumer i.e., what they feel a service provider should offer rather than would offer (Parasuraman et al., 1988). Perceived service is the outcome of the consumer's view of the service dimensions, which are both technical and functional in nature (Gronroos,1984). Parasuraman et al, (1988:15) define *"perceived quality as a form of attitude related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance."* Therefore, having a better understanding of consumers attitudes will help to know how they perceive service quality in banks.

The service will be considered excellent, if perceptions exceed expectations; it will be regarded as good or adequate, if it only equals the expectations; the service will be classed as bad, poor or deficient, if it does not meet them (Vázquez et al., 2001). "*The cumulative customer satisfaction is seen to be based on the total purchase and consumption experience with a good or service* *over time and as such, is a more fundamental indicator of the firms past, current and future performance."(*Anderson, 1998:53)

In the last few years, researchers have started to elaborate on the process by which delivering high-quality goods and services influences profitability through customer satisfaction. Building from the individual level model of customer satisfaction proposed by Oliver (1980), several studies discuss and/or observe a strong link between customer satisfaction and loyalty (Anderson and Sulivan 1993;Bearden and Teel 1983; Boulding et al,1993; Fornell 1992; LaBarbera and Mazursky 1983; Oliver Swan 1989), Reichheld and Sasser (1990) discuss why increasing customer loyalty should lead to higher profitability. Rust and Zahorik (1993) empirically demonstrate the relationship between customer satisfaction and profitability for health care organization.

The relationship between service and profits took time to verify, part of the delay due to the unfounded expectation that the connection was simple and direct. Investments in service quality, however, do not track directly to profits for a variety of reasons. First, in much the same way as advertising, service quality benefits are rarely experienced in the short term and instead accumulate over time, making them less amenable to detection using traditional research approaches. Second, many variables other than service improvements (such as pricing, distribution, competition, and advertising) influence company profits, leading the individual contribution of service to be difficult to isolate. Third, mere expenditures on service are not what lead to profits; instead, spending on the right variables and proper execution are responsible. The link between service quality and profits is neither straightforward nor simple (Greising 1994;

Zahorik and Rust 1992), and no single researcher or company has defined the relationship fully. Instead, different scholars have studied aspects of the connection.

The satisfaction judgment is related to all the experiences made with a certain business concerning its given products, the sales process, and the after- sale service. Whether the customer is satisfied after purchase also depends on the offer's performance in relation to the customer's expectation. Customers form their expectation from past buying experience, friends' and associates' advice, and marketers' and competitors' information and promises (Kotler, 2000). Information about the opinion of the customer regarding a product or service is of essential importance, and can be obtained in several ways, such as customer surveys, phone interviews, and customer panel discussions. It is also important to measure customer orientation continuously (Rampersad, 2001).

Fornell (1992) enumerates several key benefits of high customer satisfaction for the firm. In general, high customer satisfaction should indicate increased loyalty for current customers, reduced price elasticity, insulation of current customers from competitive efforts, lower costs of future transactions, reduced failure costs, lower costs of attracting new customers, and an enhanced reputation for the firm. Increased loyalty of current customers means more customers will repurchase (be retained) in the future. If a firm has strong customer loyalty, it should be reflected in the firm's economic return because it ensures a steady stream of future cash flow (Reichheld and Sasser 1990).

High customer satisfaction should lower the costs of transactions in the future. If a firm has high customer retention, it does not need to spend as much to acquire new customers each period . Satisfied customers are likely to buy more frequently and in greater volume and purchase other goods and services offered by the firm (Reichheld and Sasser 1990).

Consistently providing goods and services that satisfy customers should increase profitability by reducing failure costs. A firm that consistently provides high customer satisfaction should have fewer resources devoted to handling returns, reworking defective items, and handling and managing complaints (Crosby 1979; Garvin 1988; TARP 1979,1981)

An increase in customer satisfaction also should enhance the overall reputation of the firm. An enhanced reputation can aid in introducing new products by providing instant awareness and lowering the buyer's risk of trial (Robertson and Gatignon 1986; Schmalansee 1978), Reputation also can be beneficial in establishing and maintaining relationships with key suppliers, distributors, and potential allies (Anderson and Weitz 1989; Montgomery 1975). Reputation can provide a halo effect for the firm that positively influences customer evaluations, providing insulation from short-term shocks in the environment. Customer satisfaction should play an important role in building other important assets for the firm, such as brand equity (Aaker 1992; Keller 1993)

The costs of attracting new customers should be lower for firms that achieve a high level of customer satisfaction (Fornell 1992). For example, satisfied customers are reputedly more likely to engage in positive word of mouth, and less likely to engage in damaging negative word of mouth, for the firm (Anderson 1994b; Howard and Sheth 1969; Reichheld and Sasser 1990;

TARP 1979,1981). Media sources are also more likely to convey positive information to prospective buyers. Customer satisfaction claims may make advertising more effective, and high customer satisfaction may allow the firm to offer more attractive warranties.

2.2. Managing Service Quality

One of the critical tasks of service companies is service quality management. It is commonly said that "what is not measured is not managed'' (Anonymous). Without measurement managers will not be sure weather service gaps exist, let alone what types of gaps and where they exist.

Many organizations are eager to provide good quality services, but fall short simply because they do not accurately understand what customers expect from the company. The absence of well-defined tangible cues makes this understanding much more difficult than it would be if the organization were making manufactured goods. Services organizations should ask the following key question: - (Cole, 1995:147)

- What do customers consider the important features of the service to be?
- What level of these features do customers expect?
- How is service delivery perceived by customers?

In service marketing the quality of service is critical to a firm's success. Service providers must understand two attributes of service quality: - first quality is defined by the customer not by producer or seller. Second, Customer assesses service performed (Stanton, 1987). Consequently, to effectively manage quality, a service firm should:

- **Help customers formulate expectation:** Expectations are based on information from personnel and commercial sources promises made by the service provider and experience with the particular service as well as other similar services.
- **Measure the expectation level of target market :**A service firm must conduct research to measure expectations. Gathering data on the target market's past behavior, existing perceptions and believes and exposure of information can provide the bases for estimating expectation.
- **Strive to maintain consistent service quality at or above the expectation level**.

2.3. Factors that Affect Customer Satisfaction

Matzler et al., (2006) classify factors that affect customer satisfaction into three factor structures:-

1. **Basic factors: -** these are the minimum requirements that are required in a product to prevent the customer from being dissatisfied. They do not necessarily cause satisfaction but lead to dissatisfaction if absent. These are those factors that lead to the fulfillment of the basic requirement for which the product is produced. These constitute the basic attributes of the product or service. They thus have a low impact on satisfaction even though they are a prerequisite for satisfaction in a nutshell competence and accessibility.

2. **Performance factors: -** these are the factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled. These include reliability and friendliness.

3. **Excitement factors**: - these are factors that increase customers' satisfaction if fulfilled but does not cause dissatisfaction if not fulfilled which include project management.

2.4. Reasons of Customer Dissatisfaction

Sometimes customers become dissatisfied, as indicated on www.qualitygurus.com some of the reasons for this dissatisfaction are:-

- **Not knowing the Expectations:** Customer remains dissatisfied unless the company knows what the customer actually expects out of their product.
- **Not Meeting the Expectations:** A customer may become dissatisfied because the service does not live up to expectations. In addition to that as a result of the rapid improvement in the technology, customer may compare the services provided by a company with those of the competitors, which may lead to dissatisfaction and customers over expectations and their changing needs may lead them for dissatisfaction.

2.5. Things to Do When You Have a Dissatisfied Customer

If customers dissatisfied, the first step is to identify and define their dissatisfaction. Their wants and needs first must be uncovered and defined to see if the features and benefits of your company's product or services can satisfy those wants and needs. Their dissatisfaction as well as their satisfaction should be measured and analyzed to get a better perception of their true level of dissatisfaction. Once the reason and level of their dissatisfaction is exposed then a system to improve that unhappiness can be instituted and a control can be implemented to insure continuation of that improvement in product or level of service. (www.qualitygurus.com).

2.6. The Relationship between Service Quality and Customer Satisfaction

The relationship between customer satisfaction and service quality has received a good deal of attention in the literature (Bolton and Drew, 1994). Parasuraman et al (1988) 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. (Parasuraman et al., 1985).

Iacobucci et al. (1995) conclude that the key difference between service quality and customer satisfaction is that quality relates to managerial delivery of the service while satisfaction reflects customers' experiences with that service. They argue that quality improvements that are not based on customer needs will not lead to improved customer satisfaction. Bolton and Drew (1994:176) pointed out *``customer satisfaction depends on pre-existing or contemporaneous attitudes about service quality".* Anderson et al. (1994) also point out that improved service quality will result in a satisfied customer.

Service quality has found as one of the significant factors in distinguishing services and products. Service quality is an important tool to measure customer satisfaction (Pitt et. al, 1995). There is a close relationship between service quality and customer satisfaction. Customer satisfaction can be protected by providing products or services with high quality. In addition, as service quality increases, satisfaction with the service and intentions to reuse the service increase.

Based on the survey result Siddiqi (2011) described that all the service quality attributes are positively related to customer satisfaction and customer satisfaction is positively related to customer loyalty in the retail banking settings. Kumar et al (2009) also stated that high quality of service will result in high customer satisfaction and increase loyalty. Furthermore Parasuraman et al (1988) found that customer satisfaction is the outcome of service quality. As a result of this, service provider will earn a higher profit simply because of customer service quality.

2.7. The Service Quality Model

What the company thinks its customer wants is not necessarily the same as, what the company thinks it has to offer is not necessarily the same as, what the company actually offers is not necessarily the same as, how the customer experiences this is not necessarily the same as, what the customer really wants.(Rampersad, 2001).

2.8. SERVQUAL

For the purpose of measuring customer satisfaction with respect to different aspects of service quality and to overcome problems which is created as a result of the gap between management and customers, a survey instrument was developed by Parasuraman, Ziethaml and Berry (1988). The instrument is called SERVQUAL. The basic assumption of the measurement was that customers can evaluate a firm's service quality by comparing their perceptions with their experience. It is designed to measure service quality as perceived by the customer.

Based on the information from focus group interviews, Parasuraman et al. (1985) identified basic dimensions that reflect service attributes used by consumers in evaluating the quality of service provided by service businesses. Parasuraman *et al*. (1985; 1988) measured the quality of services provided by retail banks, a long-distance telephone company, a securities broker, an appliance repair and maintenance firm, and credit card companies. Based on their study Parasuraman *et al* (1985) identified ten key determinants of service quality. They are:

1. Reliability	2. Responsiveness	3. Competence
4. Access	5. Courtesy	6. Communication

7. Credibility 8. Security 9. Understanding/ knowing/ the customer

10. Tangibles

In their 1988 work, Parasuraman *et al* discovered an instrument for measuring consumers' perception of service quality, after that it became known as SERVQUAL. They prepared a quantitative research and the previous ten components were collapsed into five dimensions: -

1. Reliability: is ability to perform the promised service dependably and accurately.

2. Responsiveness: willingness or readiness of employee or professionals to provide service.

3. Assurance: knowledge and competence of service providers and the ability to convey trust and confidence.

4. Empathy: Caring, individualized attention the firm provides to its customers.

5. Tangibles: Physical facilities, equipments and appearance of personnel. Reliability, tangibles and responsiveness remained distinct, but the remaining seven components collapsed into two aggregate dimensions, assurance and empathy (Andersson, T.D.1992).

2.8.1. Criticisms of SERVQUAL

Though, the SERVQUAL model has been the major generic model used to measure and manage service quality across different service settings and various cultural backgrounds, it has been subjected to a number of theoretical and operational criticisms (Buttle, 1996). However Asubonteng et al (1996) conclude that until better but equally simple model emerges SERVQUAL will predominate as a service quality measure.

As identified by Buttle (1996) theoretical and operational criticisms of SERVQUAL are listed below.

- **“Theoretical:**

- **Paradigmatic objections**: SERVQUAL is based on a disconfirmation model rather than an attitudinal paradigm; and SERVQUAL fails to draw on established economic, statistical and psychological theory.
- **Gaps model**: there is little evidence that customers will assess service quality in terms of P – E gaps.
- **Process orientation**: SERVQUAL focuses on the process of service delivery, not the outcomes of the service encounter.
- **Dimensionality**: SERVQUAL’s five dimensions are not universals; the number of dimensions comprising SQ is contextualized; items do not always load on to the factors which one would a priori expect; and there is a high degree of inter-correlation between the five rater dimensions (Buttle, 1996).

- **“Operational:**

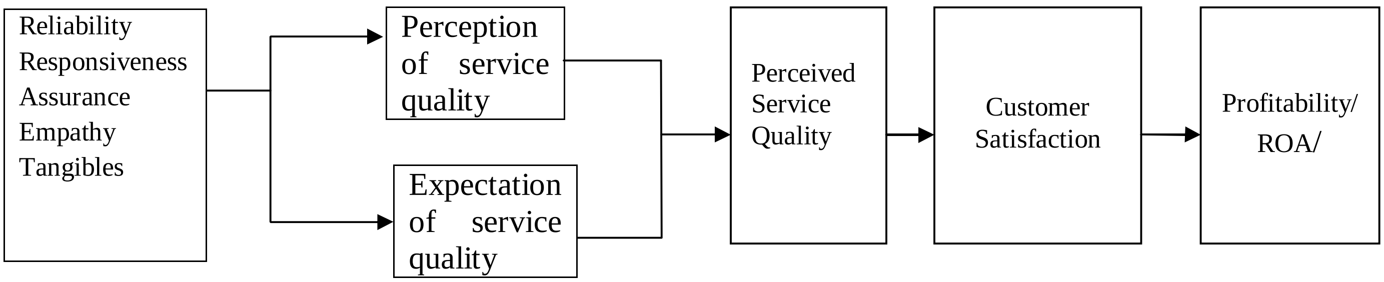
- **Expectations**: the term expectation is polysemic; consumers use standards other than expectations to evaluate SQ; and SERVQUAL fails to measure absolute SQ expectations.
- **Item composition**: four or five items cannot capture the variability within each SQ dimension.
- **Moments of truth** (**MOT**): customers’ assessments of SQ may vary from MOT to MOT.
- **Polarity**: the reversed polarity of items in the scale causes respondent error.
- **Two administrations**: two administrations of the instrument cause boredom and confusion.
- **Variance extracted**: the over SERVQUAL score accounts for a disappointing proportion of item variances (Buttle, 1996).

2.9. Service Quality and Profitability: The Direct Relationship

At the aggregate level, a growing body of evidence is emerging about the relationship between service quality and profitability. Academically, this research stream began with the Profit Impact of Marketing Strategies (PIMS) cross-sectional company database that enabled researchers to investigate relationships among strategy variables (Buzzell and Gale, 1987). One of the major benefits of the PIMS database is that it allowed researchers to examine the impact of service quality on financial outcomes after controlling for the effects of other variables such as price and advertising. Managerially, the research stream began when firms sought documentation that their investments in service quality, and in Total Quality Management (TQM) in general, were paying off. Because individual firms found it difficult to substantiate the impact of their investments, they turned for insight to a group of early studies conducted by management consulting firms that explored effects across a broad sample of firms. The news was not encouraging. McKinsey and Company found that nearly two thirds of quality programs examined had either stalled or fallen short of delivering real improvements (Matthews and Katel, 1992). In two other studies, A. T. Kearney found that 80 percent of British firms reported no significant impact as a result of TQM, and Arthur D. Little claimed that almost two thirds of 500 U.S. companies saw “zero competitive gain” from TQM (“The Cracks in Quality” 1992).

2.10. Conceptual Framework

The conceptual framework indicates the relationship of variables in the study, which is useful to show the direction of the study. The study shows the relationship between the five service quality dimensions (reliability, responsiveness, assurance, empathy and tangible) and profitability of the banks after thoroughly analyzing the customer satisfaction. Also the study focuses on gap which represents the difference between customers' expectation and perceptions which is referred to as the perceived service quality.



The difference between expectations and perceptions is called the gap which is the determinant of customers' perception of service quality.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Approaches and Methods

The research was carried out through the use of cross-sectional survey design also known as one-shot. The research is a quantitative research type with inferential statistic and deductive reasoning.

3.2. Sources of Data

The sources of data are both primary and secondary sources. Primary sources of data are gathered from respondents through questionnaires. Secondary sources of data are from different books, journals, magazines, websites and documents related with service quality and customer satisfaction.

3.3. Sampling Methods and Techniques

The populations of this study are all currently working sixteen private banks of Ethiopia that are having branches in Addis Ababa. Out of which 50% that is eight banks were selected on the basis of stratified sampling method. In this sampling method, the overall private banks were grouped into four strata based on their year of establishment. Each of the strata has made to hold four private banks. Two private banks have been selected from each of them on simple random sampling. As a result, Awash International Bank, Abay Bank, Berhan International Bank, Dashen Bank, Hibret Bank, Lion International Bank, Nib International Bank and Oromia International Bank have been selected for the study. Moreover, customers who received services from these selected eight commercial private banks in Addis Ababa are considered as a population of the study. The total number of population in these banks has been taken as indefinite since there was no record for number of customers by product types at the same time to avoid double or triple counting of customers. The study used convenience sampling methods to select the sample from the available population. The reasons for the use of convenience sampling method are the impossibility of carrying on a probability sampling since there is no point in time on which all customers are available for different reasons and the impossibility of contacting everyone who may be sampled. The sample size of the study is determined by the sample size formula by taking into consideration the size of the population as infinite at 95% confidence level.

$$SS = \frac{Z^2 p(1-p)}{c^2}$$

Where:

SS= Sample Size

Z = Z value (Example 1.96 for 95% confidence level)

p = percentage picking a choice, expressed as decimal (.5 used for sample size needed)

c = confidence interval, expressed as decimal

Accordingly, a total of 385 respondents are selected to fill the questionnaires however to avoid any unnecessary events in connection with filling the questionnaires, additional respondents of 15 were allowed to fill. As a result, the sample size became 400 respondents. 50 respondents were selected equally as a sample from each sampled banks. Out of the total branches of the selected banks that are situated in Addis Ababa, only 16 branches were selected randomly. So, only two branches were selected equally from each sampled banks.

3.4. Tools of Data Collection

In this study structured questionnaires were used to collect data. The questionnaires have five parts. The first part was about the personal information of respondents. The second part was designed to measure the customers’ expectations about the service quality of the bank. The third part is about customers' perceptions and the forth part is about customers’ satisfaction. The last part is about profitability that will be distributed to the internal customers/staff/ of the banks whose job status were Managers or supervisors. The research uses a 5 point Likert scale to measure the variables:-

- Service quality is measured by using SERVQUAL model developed by Zeithaml, Berry, and Parasuraman since the related literature points out that this model has been used for service rendering businesses for long time.
- “Customer satisfaction is measured by using a single scale item. The single scale item adapted from Jamal and Naser, 2002; Mittal and Kamakura, 2001 and Cronin and Taylor, 1992” (As cited by Siddiqi, 2010).
- Profitability of the banks is measured by return on assets /ROA/ of the coming year of the selected private banks as per the responses collected from the internal staff of the banks whose job positions are Managers or Supervisors through questionnaires.

3.5. Description of Variables and Measurements

To oversee the relationship of service quality dimensions and customer satisfaction:

The related service quality dimensions' variables were Tangibles, Reliability, Responsiveness and Assurance and Empathy. To see thoroughly the relationship of customer satisfaction and the coming year profitability /ROA/.

3.6. Method of Data Analysis and Interpretation

The data that were collected from respondents through structured questionnaires were analyzed by using reliability test method, Pearson's correlation and Gap analysis. SPSS version 20 software packages has been applied for analyzing the data. Accordingly, the results of the analysis are also interpreted

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Introduction

This chapter consists of the presentation, analysis and the interpretation of data gathered through structured questionnaires. The data considered in this chapter is obtained by using SERVQUAL model. Under this section, result of reliability test, the relationship between the five service quality dimensions and customer satisfaction, the service quality gap score of sample banks, comparison between the average gap score of the sample banks, the total gap score and the overall customer satisfaction rating as well as the relationship of customer satisfaction and the coming year profitability (ROA) were presented and analyzed respectively.

The questionnaires, demographic statistics, description of attributes and the responses to the questionnaires are attached in the appendices.

Table 1: Number of Respondents in Each Banks

Banks	Frequency	Percent	Cumulative Percent
Abay Bank	50	12.5	12.5
Awash International Bank	50	12.5	25.0
Berhan international Bank	50	12.5	37.5
Dashen Bank	50	12.5	50.0
Lion International Bank	50	12.5	62.5
NIB International Bank	50	12.5	75.0
Oromia International Bank	50	12.5	87.5
United Bank	50	12.5	100
Total	400	100	

50 questionnaires were distributed for the customers of each banks and the above table 1 indicates the frequency and percentage of the respondents in each banks.

4.2. Reliability Test

As stated by “Hair et al., (2010) reliability indicates the extents to which a variables or set of variables is consistent in what it is intended to measure”(cited by Siddiqi; 2011:20). Reliability analysis used to measure the consistency of a questionnaire. There are different methods of reliability test, for this study Cronbach’s alpha is considered to be suitable. Cronbach’s alpha is the most common measure of reliability. For this study the Alpha coefficient for the overall scale calculated as a reliability indicator is 0.873. The individual Alpha coefficients for the scales were presented on the following table. As described by Andy (2006) the values of Cronbach’s alpha around 0.8 is good. The alpha values in this study are around 0.8, therefore it is good.

Table 2: Result of Reliability Test

SERVEQUAL Dimension	Number of Attributes	Cronbach’s Alpha of Perceived Performance	Cronbach’s Alpha of Expectation
Tangibles	4	0.780	0.753
Reliability	5	0.837	0.780
Responsiveness	4	0.806	0.688
Assurance	4	0.856	0.802
Empathy	5	0.817	0.822

Source: Survey Result (2014)

4.3. Hypotheses Test

In order to test the research hypotheses Pearson's Correlation Coefficient was used because it is appropriate method to measure the correlation when the data are measured at ordinal level (Andy;2006). Correlations are the measure of the linear relationship between two variables. A correlation coefficient has a value ranging from -1 to 1. Values that are closer to the absolute value of 1 indicate that there is a strong relationship between the variables being correlated whereas values closer to 0 indicates that there is little or no linear relationship (Fikre et al, 2009:78)

As described by Andy (2006) the correlation coefficient is a commonly used measure of the size of an effect: Values of ± 0.1 represent a small effect, ± 0.3 is a medium effect and

± 0.5 is a large effect. As explained on Fikre et al (2009) “the sign of a correlation describes the type of relationship between the variables being correlated. A positive correlation coefficient indicates that there is a positive linear relationship between the variables. A negative value indicates a negative linear relationship between variables.

Table 3: Relationship between Service Quality Dimensions and Customer Satisfaction

Variables	Customer satisfaction	Tangibles	Reliability	Responsiveness	Assurance	Empathy
Customer satisfaction	1	0.390	0.485	0.461	0.413	0.414
Tangibles	0.390	1	0.563	0.547	0.609	0.474
Reliability	0.485	0.563	1	0.540	0.662	0.550
Responsiveness	0.461	0.547	0.540	1	0.673	0.602
Assurance	0.413	0.609	0.662	0.673	1	0.706
Empathy	0.414	0.474	0.550	0.602	0.706	1

Correlation is significant at the 0.05 level (1-tailed).

Source: Survey Result (2014)

Hypothesis # 1

H_{1a}: Reliability has positive relationship with customer satisfaction in the private banks in Addis Ababa.

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

As indicated on table 3, the correlation (r) for reliability is 0.485 and the p-value is .000 which is less than the significant level .05. This positive correlation coefficient (.485) indicates that there is a large positive correlation between reliability and customer satisfaction in the private banks in Addis Ababa. From this, the researcher can conclude that when there is an increase in the reliability of banks', there is an increment in customers' satisfaction. Therefore, the alternate hypothesis is accepted.

Hypothesis # 2

H_{2a}: Responsiveness has positive relationship with customer satisfaction in the private banks in Addis Ababa.

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

As stated on Table 3 the correlation (r) of responsiveness is .461 and p-value is .000, which is less than .05. This implies that there is a large positive relationship between responsiveness and customer satisfaction in the private banks in Addis Ababa Ethiopia. This means if the banks increase the responsiveness dimension of the service quality they can also increase their customers' satisfaction. Thus, the alternate hypothesis is accepted. Khalid et al (2011) also found that responsiveness and customer satisfaction has a strong relationship.

Hypothesis # 3

H_{3a}: Assurance has positive relationship with customer satisfaction in the private banks in Addis Ababa.

Assurance refers to the knowledge and competence of service providers and the ability to convey trust and confidence. For the purpose of this research assurance includes the behaviour of banks' employees in instilling confidence in the customers' mind, the ability of the banks' in ensuring safety in transaction with customers, courteous of employees for the customers and the knowledge of employees to answer the customers' questions.

The above table shows that the correlation (r) of assurance is .413 at .05 significant level. The result indicated that the p-value is .000, which is less than the significant level. This indicated that there is large positive relationship between assurance and customer satisfaction in the private banks in Addis Ababa. As a result, we accept the alternate hypothesis.

Hypothesis # 4

H_{4a}: Empathy has positive relationship with customer satisfaction in the private banks in Addis Ababa.

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

As per table 3, the correlation (r) of empathy is .414 and the significant level is .05. The p-value is .000 which is less than the significant level. As a result, null hypothesis is rejected and the conclusion would be that there is a large positive relationship between empathy and customer satisfaction. Meaning, the more employees of the bank increase the level of empathy, the more they can satisfy their customers.

Hypothesis # 5

H_{5a}: Tangibles has positive relationship with customer satisfaction in the private banks in Addis Ababa.

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

As indicated on table 3, the correlation (r) of tangibles is .390 and the p-value is .000 which is less than .05. From this, one can understand that there is medium positive relationship between tangibles and customer satisfaction. Therefore, the alternate hypothesis is accepted. Siddiqi (2011) also found that there is a medium positive relationship between tangibles and customer satisfaction in the retail banking sector.

Hypothesis # 6

$H5_a$: Customer satisfaction has positive relationship with the coming year profitability (ROA) in the private banks in Addis Ababa.

Table 4: Relationship between Customer Satisfaction and the coming year Profitability (ROA)

	Customer Satisfaction
Coming Year Profitability (ROA)	-0.033

As depicted in the table 4 above, the coefficient of correlation (r) of customer satisfaction is -0.033 and the p-value is .258 which is greater than 0.05. Therefore, customer satisfaction does not have positive relationship with the coming year profitability (ROA). The negative coefficient of correlation that is -0.033 is nearly closed to 0.00 implies that the coming year profitability (ROA) can change with no change in the customer satisfaction. This further implies that the effect of customer satisfaction on profitability (ROA) is negligible at least in the short-run in the private banking industry.

4.4. Gap Analysis

Parasuraman et al. (1985) defined service quality as a measure of how well the service level delivered matches customer expectations; delivering quality service means confirming to customer expectations on a consistent basis. This definition clearly shows that as service quality is what customers' assess through their expectations and perceptions of a service experience.

The researcher calculates the gap between perceived performance and customer's expectation by subtracting the mean score of customers' expectation from the mean score of perceived performance.

4.4.1. Overall Private Banks' Gap Analysis

In this section, the overall private banks' gap analysis are presented item by item on the basis of service quality dimensions.

Table 5: Mean of Perceived Performance, Expectation and Gap Score of Reliability Service Quality Dimension

Attribute	Perceived Performance Score	Expected Score	Gap Score
P Reliability 1-E Reliability 1	3.32	4.14	-0.82
P Reliability 2-E Reliability 2	3.60	4.45	-0.85
P Reliability 3-E Reliability 3	3.62	4.32	-0.70
P Reliability 4-E Reliability 4	3.42	4.23	-0.81
P Reliability 5-E Reliability 5	3.31	3.85	-0.54
Average Gap Score			-0.74

According to the above table 5, the difference of mean between P Reliability 1-E Reliability 1 is -0.82. This means the mean score of customers' expectations about the sampled private banks' ability to promise to do something in a certain time and their ability to do as promised is more than the mean of perceived performance score. From this, one can understand that sampled private banks were not keeping the promise as expected by their customers.

As indicated in the above table 5, the difference of mean between P Reliability 2 and E Reliability 2 is -0.85. This implies that there is -0.85 gap between mean of customers expectation regarding the sampled private banks' capacity of showing sincere interest to solve customers' problems which exceeds the mean of perceived performance. This proves that employees were not always willing to solve the problem of customers.

The above table also revealed that the mean of P Reliability 3 and E Reliability 3 has a gap score of -0.70 which means there is -0.70 gap between customers expectations about the ability of sampled private banks to perform the service right the first time and perceived performance. From this one can conclude as the ability of the sampled private banks in performing the service well right the first time was not matching with the expectations of the customers.

Table 5 above further shows P Reliability 4 - E Reliability 4 which is the difference between the mean score of customers' expectations and perceived performance concerning the ability of these private banks in providing service at the time they promised to do so and its dependency on error free records. As per the respondents' responses, there is -0.81 gap between their expectation and perceived performances regarding the ability of sampled private banks in providing its service at the time it promised to do so. This implies that sampled private banks do not provide the service on the time. In addition to this, P Reliability 5-E Reliability 5 that is the perceived performance of sampled private banks' insistence on error free records is less by -0.54 from customers' expectations.

Table 6: Mean of Perceived Performance, Expectation and Gap Score of Responsiveness Service Quality Dimension

Attribute	Perceived Performance Score	Expected Score	Gap Score
P Responsiveness 1-E Responsiveness 1	3.91	4.13	-0.22
P Responsiveness 2-E Responsiveness 2	3.97	4.39	-0.42
P Responsiveness 3- E Responsiveness 3	3.91	4.48	-0.57
P Responsiveness 4- E Responsiveness 4	3.67	4.14	-0.47
Average Gap Score			-0.42

The above table 6 depicts that the information about the gap between P Responsiveness 1-E Responsiveness 1. Accordingly, the mean of customers' expectations about the employees' willingness to tell the time when they provide service for their customers is greater than perceived performance by -0.22. This shows that the customers are expecting more than the employees' willingness to inform the time when customers get service.

As indicated in the table 6 above, there is a gap of -0.42 between the score of mean of P Responsiveness 2 and E Responsiveness 2. This means the customers' expectations about the employees' ability to provide quick service for their customers is greater than perceived performances which implies that employees' of these private banks were not providing prompt service to their customers.

As it can be observed from the table 6 above, the gap between customers' expectations and perceived performances (P Responsiveness 3- E Responsiveness 3) concerning the willingness of employees in helping customers is -0.57. This result indicated that the employees of the banks should do more to be willing full to help the customers.

P Responsiveness 4– E Responsiveness 4, as presented in table 6 above, indicates that as there is a difference between mean of expectations and perceived performances. The customers' expectations regarding the employees' willingness to respond for customers' questions is greater than the perceived performances by 0.47. Therefore, the customers are expecting more from the employees.

Table 7: Mean of Perceived Performance, Expectation and Gap Score on Assurance Service Quality Dimension

Attribute	Perceived Performance Score	Expected Score	Gap Score
P Assurance 1- E Assurance 1	3.73	4.37	-0.64
P Assurance 2- E Assurance 2	3.68	4.34	-0.66
P Assurance 3- E Assurance 3	3.71	4.27	-0.56
P Assurance 4- E Assurance 4	3.70	4.33	-0.63
Average Gap Score			-0.62

Table 7 shows that the difference of the mean score between perceived performance and customers' expectations on employees' ability in instilling confidence in the customers which is (-0.64), the safety of the banks' transactions (-0.66), the politeness of employees (-0.56) and the knowledge of employees to answer the customers' questions (-0.63). The entire gap scores are all negative; which means, the mean score of perceived performances is less than the expectation which can approves that customers are expecting more on the assurance of the banks.

Table 8: Mean of Perceived Performance, Expectation and Gap Score on Empathy Service Quality Dimension

Attribute	Perceived Performance Score	Expected Score	Gap Score
P Empathy 1- E Empathy 1	3.47	3.90	-0.43
P Empathy 2- E Empathy 2	3.75	4.07	-0.32
P Empathy 3- E Empathy 3	3.61	3.73	-0.12
P Empathy 4- E Empathy 4	3.34	3.90	-0.56
P Empathy 5- E Empathy 5	3.35	3.82	-0.47
Average Gap Score			-0.38

As illustrated in the table 8, the mean of customers' expectations is greater than the perceived performance score concerning on the willingness of the sampled banks in giving individualized attention to customers. P Empathy 1-E Empathy 1 by a result of -0.43 which evidenced as the sampled private banks are not giving enough individualized attention for their customers.

The gap result of empathy attributes, P Empathy 2- E Empathy 2 represents -0.32 which is somewhat a small difference between actual performance and expectation of customers
related with these private banks' operating hours. In the above table 7, the gap result of P Empathy3 –E Empathy3 which is the difference of mean of expectations regarding to the sample banks' employees' ability in giving personal attention and perceived performance is -0.12.

With regarding to these banks' employees' understanding of the customers' best interest at heart, P Empathy4 – E Empathy4 the gap result constitutes -0.56. This shows the mean score of expectation is greater than perceived performance. Therefore, the result depicts, as there is problem with the employees of the bank in understanding the customers' interests at heart.

The empathy attributes, P Empathy 5- E Empathy 5, -0.47 indicating that the mean score of customers' expectations is greater than the actual performance related with the employees understanding of the specific needs of customers which implies as more is expected from the employees of the banks to understand the specific needs of customers.

Table 9: Mean of Perceived Performance, Expectation and Gap Score on Tangibles Service Quality Dimension

Attribute	Perceived Performance Score	Expected Score	Gap Score
P Tangibles 1- E Tangibles 1	3.71	4.26	-0.55
P Tangibles 2- E Tangibles 2	3.62	4.23	-0.61
P Tangibles 3- E Tangibles 3	3.80	4.33	-0.53
P Tangibles 4- E Tangibles 4	3.54	4.07	-0.53
Average Gap Score			-0.56

As it is seen from the table 9 above, the gap score for P Tangibles 1- E Tangibles 1 is -0.55 which implies that the perceived performance about the nature of the banks' equipments is less than the expectation of customers. The customers expect more from the private banks regarding their equipments.

The gap result of P Tangibility 2- E Tangibility 2 as can be seen from the above table 9 is -0.61 which indicated that the mean score of customers’ expectations is exceeded the mean perceived performance score with regard to the attractiveness of the physical facilities of the banks that are taken as a sample of the study. This means the equipments were not visually appealing for the customers.

The mean difference of (-0.53) indicated in P Tangibility 3-E Tangibility 3 illustrates the mean score of expectation was exceeded the mean score of perceived performance which are scores of the appearances and dressing of the staffs.

P Tangibility 4- E Tangibility 4 describes the difference of the mean score of customers' expectations and perceived performance about the cleanness and attractiveness of the banks' materials which is -0.53. As illustrated in the table 9 above, the mean of expectation is more than the mean of perceived performance. This implies that materials of the banks were not clear and understandable.

4.5. Overall Customer Satisfaction Rating

The overall customer satisfaction frequency and percentage are summarized here below.

Table 10: Frequency of Customer Satisfaction

	Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Highly Dissatisfied	9	2.3	2.3	2.3
Dissatisfied	32	8.0	8.0	10.3
Valid Somehow Satisfied	133	33.3	33.3	43.5
Satisfied	144	36.0	36.0	79.5
Highly Satisfied	82	20.5	20.5	100.0
Total	400	100.0	100.0	

Source: Survey result(2014)

Table 11: Descriptive Analysis of Customer Satisfaction

	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Customer Satisfaction Valid N (listwise)	400	1	5	3.64	.968

Source: Survey result (2014)

In order to generate the overall score of customer service, respondents were asked to rate the level of their satisfaction on Likert's 5 point scale. The responses of the questionnaires are shown on table 10 above. The overall satisfaction of the respondents indicates that only 20.5% were highly satisfied and 36% were satisfied, 33.3% were somewhat satisfied, 8% were dissatisfied, 2.3% was highly dissatisfied. From the responses, one can observe that apart from the 10.3% respondents who expressed their dissatisfaction, large number of respondents 36% have expressed that the level of their satisfaction is only satisfied. The mean score of the satisfaction 3.64 (72.8%) out of maximum of 5 as indicated in the table 11. This implied that there is a lot of room for improving in the level of satisfaction. In general, it implies that private banks' performances towards the satisfaction of customer are still requiring to be given a serious attention more than ever so as to maximize the level of it.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of the Major Findings

After analyzing the information gathered through structured questionnaires, the following major findings are presented:-

- There is a no positive correlation between customer satisfaction and the coming year profitability (ROA) of private banks in Addis Ababa.
- There is a large positive correlation between customer satisfaction and the four service quality dimensions namely reliability, responsiveness, assurance and empathy in the private banks in Addis Ababa. Also there is a medium positive relationship between tangibles and customer satisfaction.
- The gap between customer expectation and perceived performance scores regarding to error free records, telling customers exactly when services will be performed and giving customers personal attention were small. So, these are not much critical problems.
- Customers' expectations score about the ability of private banks to promise to do something and their ability to do as promised were more than perceived performance score.
- Customers' expectations about capacity of private banks to show sincere interest in solving their customers' problems exceeded perceived performance.
- Customers' expectations about the ability of private banks to perform the service right the first time was greater than perceived performance.
- Customers' expectations regarding the ability of private banks in providing their service at the time they promised to do so was greater than perceived performance.

- Customers' expectations about the employees' ability to give quick service for their customers is greater than perceived performance.
- Customers' expectations about the willingness of employees in helping and responding for the customers questions was greater than perceived performance.
- Customers' expectations about the willingness of employees to respond to customers requests was greater than perceived performance.
- Customers' expectations regarding to the ability of employees' in instilling confidence in customers exceeded perceived performance.
- Customers' expectations regarding to the safe feeling in their transactions exceeded perceived performance.
- Customers' expectation was greater than perceived performance concerning to the consistent courteous with customers.
- Customers' expectations was greater than perceived performance concerning to the possession of knowledge to answer customers' questions.
- Customers' expectation was greater than perceived performance concerning to the ability of banks in giving individualized and personalized attention.
- Customers' expectation was greater than perceived performance concerning to the convenience operating hours that the private banks had to all their customers.
- Customers' expectation was greater than perceived performance with regard to the understanding of private banks the best interest at heart and specific needs of customers.
- Perceived performance about the nature of the private banks equipments was less than the expectation of customers.

- Perceived performance about the physical facilities of the private banks that are visually appealing was less than the expectation of customers.
- Perceived performance about the physical facilities of the private banks that are visually appealing was less than the expectation of customers.
- Perceived performance about the dressing and appearance neatness of the private banks was less than the expectation of customers.
- Perceived performance about the clearness and visually appealing of materials that are associated with the service like pamphlets or statements of the private banks was less than the expectation of customers.

5.2. Conclusions

The main objective of the study was to assess the relationship of service quality and the coming year profitability of private banks that are situated in Addis Ababa city through proper analysis of its link with customer satisfaction. The study wanted to identify the most important service quality dimensions for private banks and to show the gap between customers' perceived performances and expectations. The study has used the SERVQUAL instrument to measure the service quality perceptions in private banks. All 400 questionnaires were distributed and collected back and then used for the analysis of the paper. Based on the aforementioned major findings of the study, the following conclusions are forwarded.

- The ability to deliver service as promised has a positive effect on customer satisfaction. Therefore, customers of private banks in Addis Ababa wish constancy and loyalty from them. However, these banks are not providing the service as promised, the banks employees do not show sincere interest in solving customers' problems and the banks do not provide the service on the time they promised to do so as expected by customers.

- Error free records, telling customers exactly when services will be performed and giving customers personal attention in the private banks situated in Addis Ababa were relatively good.
- When the private banks' reliability became high, the level of customer satisfaction also increases. Therefore, ability of private banks to promise to do something and keeping the promise and insisting on error-free records have positive effect on customer satisfaction. Thus, customers of private banks in Addis Ababa prefer the banks which have the ability to keep their promises by doing in a certain time and insisting on error-free records. Also they expect help and answer for their problems and questions from front line employees. Nevertheless, the banks are not tell the exact time when the service will be performed and not provide prompt service as expected by customers. In addition to these, employees of the private banks are not always willing to help customers and to respond customers' questions.
- When the private banks' responsiveness became high, the level of customer satisfaction also increases next to reliability. Therefore, willingness and readiness of employees of banks in providing service has positive effect on customer satisfaction. Thus, customers of private banks in Addis Ababa prefer the banks which is willing and ready to give prompt service and to tell the exact time when they provide service.
- Knowledge and competence of service providers and the ability to convey trust and confidence has positive effect on customer satisfaction. But, employees in the private banks have a problem in instilling confidence in customers and the banks' employees are not courteous as expected by customers. In addition, they lack knowledge to answer customers' questions.

- If the private banks understand customers' needs and provide individualized attention to their customers or increase the empathy, they can also improve the level of customers satisfaction. However, these banks have a problem in giving individualized attention and they don't have employees who can give personalized attention. Furthermore, the employees have a problem in understanding the specific needs and the interest of their customers as expected by them.
- The banks' facilities, equipments and the appearance of banks' personnel have positive effect on customer satisfaction. However, private banks in Addis Ababa do not have modern, visually appealing equipments as expected by customers. Furthermore, they do not have clear and visually appealing materials associated with the service.
- Customer satisfaction and the coming year profitability (ROA) of private banks in Addis Ababa do not have positive relationship. The first reason for this might be the shortage of money that the private banks faced as a result of the Directives of National Bank of Ethiopia that instruct them to purchase 27% NBE bond bills whenever they lend money to the borrowers. Therefore, the money market is not in equilibrium position in terms of demand and supply of money. The other reason might go to the knowledge status of the customers to sense that is either to challenge or to bear/accept the inconvenience created in getting customer services that they faced in the course of their business transactions with the private banks.

5.3. Recommendations

Based on the aforementioned summary of major findings and conclusions, the following recommendations are forwarded.

- Since keeping the promise for customers contributes in attracting as well as retained loyal customers of an organization, the employees of the banks should respect their promise by telling to customers only the truth about their services.
- Giving attention for customers' needs and wants in service delivering organizations contributes for the increment of loyal customers who are the blood vessels of the organizations. Hence, the employees of banks should pay due attention to their customers' needs and wants, by appearing being polite and cooperative to solve customers' problems which should need continuous follow up from the management side.
- Hence, delivering prompt service for the customer adds the satisfaction level of our customers, the employees should give prompt service and willing to tell the accurate time when they provide the service for customers.
- Good working environment or conditions such as enough working place and well organized office arrangement facilitates the service delivery of the employees for the customers that adds value for the satisfaction of customers. So, in order to do so, the private banks should create a good working condition that can create satisfied employees, who can serve the customers well.
- Office grooming, equipping it with modern facilities and in sum organizing the office in well and comfortable manner have immeasurable value in facilitating service delivery system that in turn increases the satisfaction of customers. Thus, the private banks should acquire modern and modern-looking equipments and visually appealing physical facilities and the banks' should also prepare their materials like pamphlets and statements in clear, understandable and visually appealing manner.

- Moreover, to serve the customers well, providing timely training and development for employees plays a great role. Thus, the private banks should give training to staff to enable them in serving the customers well and provide them with relevant and timely information that enables the banks also to have proper communication among staff members and ensuring error-free transaction.
- Evidence from the study show that private banks have to improve performance on all the dimensions of service quality in order to increase customer satisfaction since consumers expect more than what is been offered by these banks. This will enable them to maintain the level of their competitiveness.
- In general, delivering a quality service for customers have a tremendous effect on customers' satisfaction that in turn determines the existence and success of banks. So, it's mandatory that the bank should attempt to maintain consistent service quality at or above customers' expectation by assessing all the service quality dimensions regularly.

5.4. Implications for Future Research

This study was covered to infer about the overall private banks by using only eight private banks and sixteen branches with a total of sample size 400 and intended to focus only in Addis Ababa. Therefore, it is better for any forthcoming author who wants to investigate similar issue by involving or including all the remaining private banks and requires to take considerable sample size by including the newly established banks. Additionally, it is also better if comparative study will be conducted between public and private banks with similar issue at hand so as to find out the impact of other factors that can affect customer satisfaction and profitability (ROA) if there is any.

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APPENDICES

St. Mary's University
School of Graduate Studies
Master of Business Administration

Questionnaire to be Filled by Customer of _________ Bank

Dear Respondent,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic, **"Assessing the Relationship of Service Quality and Profitability of Private Banks in Addis Ababa"** for the partial fulfillment of the Masters of Business Administration (MBA) Program at St. Mary's University. I kindly request you to provide me reliable information. Your responses will be kept confidential.

Thank you in advance for your cooperation.

N.B

- No need to write your name.
- Put (√) inside the box or circle appropriate number in the table for an alternative you think is right.

Part I. Personal information

1.1 Gender	☐	Male	☐	Female		
1.2 Age	☐	18-29 years old	☐	30-39 years old		
	☐	40-49 years old	☐	50 years old and above		
1.3 Marital Status	☐	Single	☐	Married		
1.4 Duration with Bank	☐	Less than 2 years	☐	2=<4 years	☐	4=<6 years
	☐	6 and more years				

Part II. Customer Expectations

Directions: Based on your experiences as a consumer of bank services, please think about the kind of bank that would deliver an excellent quality of service. Please show the extent to which you think such a bank would possess the feature described by each statement. **If you feel a feature is not at all essential for excellent Bank such as the one you have in mind, circle the number 1**. If **you feel a feature is absolutely essential for excellent bank, circle 5(1=Strongly disagree, 2= Disagree, 3= No Comment 4= Agree and 5= Strongly Agree**. **If your feelings are less strong, circle one of the numbers in the middle.** There is no right or wrong answers –

all I am interested in is a number that truly reflects your feelings regarding companies that would deliver excellent quality of service.

	Variables					
2.1	**Tangibles**					
2.1.1	Excellent banks will have modern-looking equipment.	1	2	3	4	5
2.1.2	The physical facilities at excellent banks will be visually appealing.	1	2	3	4	5
2.1.3	Employees of excellent banks will be well dressed and neat in appearance.	1	2	3	4	5
2.1.4	Materials associated with the service (such as pamphlets and monthly bank statements) will be clear and visually appealing in an excellent banks.	1	2	3	4	5
2.2	**Reliability**					
2.2.1	When excellent banks promise to do something by a certain time, they will do so.	1	2	3	4	5
2.2.2	When customers have a problem, excellent banks will show a sincere interest in solving it.	1	2	3	4	5
2.2.3	Excellent banks will perform the service right first time.	1	2	3	4	5
2.2.4	Excellent bank will provide their services at the time they promise to do so.	1	2	3	4	5
2.2.5	Excellent banks will insist on error-free records. For instance, error free records in time of depositing and withdrawing money from account, etc.	1	2	3	4	5
2.3	**Responsiveness**					
2.3.1	Excellent banks will tell customers exactly when services will be performed. For instance, annual closing, maintenance of office as well as regular working hours will be clearly explained to customers.	1	2	3	4	5
2.3.2	Excellent banks will give prompt service to customers.	1	2	3	4	5
2.3.3	Employees of excellent banks will always be willing to help customers.	1	2	3	4	5
2.3.4	Excellent banks will never be too busy to respond to customer requests	1	2	3	4	5
2.4	**Assurance**					
2.4.1	The behaviour of employees of excellent banks will instill confidence in customers.	1	2	3	4	5
2.4.2	Customers of excellent banks will feel safe in their transactions.	1	2	3	4	5
2.4.3	Employees of excellent banks will be consistently courteous with customers.	1	2	3	4	5
2.4.4	Employees of excellent banks will have the knowledge to answer customer questions.	1	2	3	4	5

2.5	**Empathy**					
2.5.1	Excellent banks will give customers individual attention. So, the management will assign professional that care customers.	1	2	3	4	5
2.5.2	Excellent banks will have operating hours convenient to all their customers.	1	2	3	4	5
2.5.3	Excellent banks will have employees who give customers personal attention.	1	2	3	4	5
2.5.4	Excellent banks will have the customers' best interests at heart.	1	2	3	4	5
2.5.5	The employees of excellent banks will understand the specific needs of their customers	1	2	3	4	5

Part III. Customer Perceptions

Directions: The following set of statements relate to your feelings about my bank. For each statement, please show the extent to which you believe my bank has the feature described by the statement**. Circle 1 if you strongly disagree that my bank has that feature**, and circle 5 that if you strongly agree. **You may circle any of the numbers in the middle that show how strong your feelings are** (2= Disagree 3= No Comment and 4= Agree). There is no right or wrong answer – all I am interested in is a number that best shows your perceptions about my bank.

	Variables					
3.1	**Tangibles**					
3.1.1	My bank has modern-looking equipments.	1	2	3	4	5
3.1.2	My bank's physical facilities are visually appealing.	1	2	3	4	5
3.1.3	My bank's employees are well dressed and neat in appearance.	1	2	3	4	5
3.1.4	Materials associated with the service (such as pamphlets and monthly bank statements) are clear and visually appealing at my bank.	1	2	3	4	5
3.2	**Reliability**					
3.2.1	When my bank promises to do something by a certain time, it does so.	1	2	3	4	5
3.2.2	When you have a problem, my bank shows a sincere interest in solving it.	1	2	3	4	5
3.2.3	My bank performs its service right first time.	1	2	3	4	5
3.2.4	My bank insists on error-free records.	1	2	3	4	5

3.3	**Responsiveness**					
3.3.1	Employees of my bank tell you exactly when the service will be performed. For instance, annual closing, maintenance of office as well as regular working hours will be clearly explained to you.	1	2	3	4	5
3.3.2	My bank gives you prompt service.	1	2	3	4	5
3.3.3	My bank is always willing to help you.	1	2	3	4	5
3.3.4	Employees of my bank are never too busy to respond to your requests.	1	2	3	4	5
3.4	**Assurance**					
3.4.1	The behavior of my bank's employees instills confidence in you.	1	2	3	4	5
3.4.2	You feel safe in your transactions with my bank's employees(no fear of fraud etc.).	1	2	3	4	5
3.4.3	Employees of my bank are consistently courteous with you.	1	2	3	4	5
3.4.4	Employees of my bank have the knowledge to answer your questions.	1	2	3	4	5
3.5	**Empathy**					
3.5.1	My bank gives you individual attention. So, the management will assign professional that care you.	1	2	3	4	5
3.5.2	My bank has operating hours convenient to you.	1	2	3	4	5
3.5.3	My bank has employees who give you personal attention.	1	2	3	4	5
3.5.4	My bank has your best interests at heart.	1	2	3	4	5
3.5.5	Employees of my bank understand your specific needs.	1	2	3	4	5

Part IV. Customer Satisfaction

The following statement relates to your feeling about my bank. Please respond by circling the number which best reflects your own perceptions. My feelings towards Awash bank's services can best be described as:

1. Highly dissatisfied 2. Dissatisfied 3. Somewhat satisfied 4. Very Satisfied 5. Highly satisfied

St. Mary's University
School of Graduate Studies
Master of Business Administration

Questionnaire to be Filled by Managers/Supervisors of __________ Bank

Dear Respondent,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic, **"Assessing the Relationship of Service Quality and Profitability of Private Banks in Addis Ababa"** for the partial fulfillment of the Masters of Business Administration (MBA) Program at St. Mary's University. I kindly request you to provide me reliable information. Your responses will be kept confidential.

Thank you in advance for your cooperation.

N.B

- No need to write your name.
- Put (√) inside the box or circle appropriate number in the table for an alternative you think is right.

Part I. Personal information

1.1 Gender:

Male ☐ Female ☐

1.2 Age ☐ 18-29 years old ☐ 30-39 years old

☐ 40-49 years old ☐ 50 years old and above

1.3 Marital Status ☐ Single ☐ Married

1.4 Duration with Bank ☐ Less than 2 years ☐ 2=<4 years ☐ 4=<6 years

☐ 6 and more years

Part V. Profitability /ROA/

Directions: The following statement relates to your feeling about your bank. Please respond by circling the number which best reflects your own opinions. My feelings towards my bank's ROAs can best be described as:

1. Very Low 2. Low 3. Average 4. High 5. Very High

	Variable					
5	**Return on Assets/ROAs/**					
5.1	My feelings towards my bank's ROAs in the coming year as compared to its peer banks' ROAs will be .	1	2	3	4	5
5.2	My feelings towards my bank's ROAs in the coming year as compared to the industry average ROAs will be .	1	2	3	4	5
5.3	My feelings towards my bank's ROAs in the coming year as compared to its own last year ROAs will be .	1	2	3	4	5
5.4	My feelings towards my bank's ROAs in the coming year as compared to last year peer banks' ROAs will be .	1	2	3	4	5
5.5	My feelings towards my bank's ROAs in the coming year as compared to its peer banks Average ROAs will be .	1	2	3	4	5

```
BOOTSTRAP
  /SAMPLING METHOD=STRATIFIED(STRATA=CUSTOMERSAT SQTAN SQREL SQRES SQASS
SQEMP )
  /VARIABLES INPUT=CUSTOMERSAT SQTAN SQREL SQRES SQASS SQEMP
  /CRITERIA CILEVEL=95 CITYPE=PERCENTILE  NSAMPLES=400
  /MISSING USERMISSING=EXCLUDE.
```

Bootstrap

[DataSet1] D:\MBA1.sav

Bootstrap Specifications

Sampling Method	Stratified
Number of Samples	400
Confidence Interval Level	95.0%
Confidence Interval Type	Percentile
Strata Variables	Customer Satisfaction, SQTAN, SQREL, SQRES, SQASS, SQEMP

```
CORRELATIONS
  /VARIABLES=CUSTOMERSAT SQTAN SQREL SQRES SQASS SQEMP
  /PRINT=ONETAIL SIG
  /MISSING=PAIRWISE.
```

Correlations

[DataSet1] D:\MBA1.sav

Correlations

				Customer Satisfaction	SQTAN	SQREL	SQRES	SQASS	SQEMP
Customer Satisfaction	Pearson Correlation			1	.390	.485	.461	.413	.414
	Sig. (1-tailed)				.000	.000	.000	.000	.000
	N			400	400	400	400	400	400
	Bootstrap[a]	Bias		0	.000	.000	.000	.000	.000
		Std. Error		0	.000	.000	.000	.000	.000
		95% Confidence Interval	Lower	1	.390	.485	.461	.413	.414
			Upper	1	.390	.485	.461	.413	.414
SQTAN	Pearson Correlation			.390	1	.563	.547	.609	.474
	Sig. (1-tailed)			.000		.000	.000	.000	.000
	N			400	400	400	400	400	400
	Bootstrap[a]	Bias		.000	0	.000	.000	.000	.000
		Std. Error		.000	0	.000	.000	.000	.000
		95% Confidence Interval	Lower	.390	1	.563	.547	.609	.474
			Upper	.390	1	.563	.547	.609	.474

	Pearson Correlation			.485	.563	1	.540	.662	.550
	Sig. (1-tailed)			.000	.000		.000	.000	.000
	N			400	400	400	400	400	400
SQREL	Bootstrap[a]	Bias		.000	.000	0	.000	.000	.000
		Std. Error		.000	.000	0	.000	.000	.000
		95% Confidence Interval	Lower	.485	.563	1	.540	.662	.550
			Upper	.485	.563	1	.540	.662	.550
	Pearson Correlation			.461	.547	.540	1	.673	.602
	Sig. (1-tailed)			.000	.000	.000		.000	.000
	N			400	400	400	400	400	400
SQRES	Bootstrap[a]	Bias		.000	.000	.000	0	.000	.000
		Std. Error		.000	.000	.000	0	.000	.000
		95% Confidence Interval	Lower	.461	.547	.540	1	.673	.602
			Upper	.461	.547	.540	1	.673	.602
	Pearson Correlation			.413	.609	.662	.673	1	.706
	Sig. (1-tailed)			.000	.000	.000	.000		.000
	N			400	400	400	400	400	400
SQASS	Bootstrap[a]	Bias		.000	.000	.000	.000	0	.000
		Std. Error		.000	.000	.000	.000	0	.000
		95% Confidence Interval	Lower	.413	.609	.662	.673	1	.706
			Upper	.413	.609	.662	.673	1	.706
	Pearson Correlation			.414	.474	.550	.602	.706	1
	Sig. (1-tailed)			.000	.000	.000	.000	.000	
	N			400	400	400	400	400	400
SQEMP	Bootstrap[a]	Bias		.000	.000	.000	.000	.000	0
		Std. Error		.000	.000	.000	.000	.000	0
		95% Confidence Interval	Lower	.414	.474	.550	.602	.706	1
			Upper	.414	.474	.550	.602	.706	1

a. Unless otherwise noted, bootstrap results are based on 400 stratified bootstrap samples

```
BOOTSTRAP
  /SAMPLING METHOD=STRATIFIED(STRATA=CUSTOMERSAT SQTAN SQREL SQRES SQASS
SQEMP )
  /VARIABLES INPUT=ROAFUTUREAVE CUSTOMERSAT
  /CRITERIA CILEVEL=95 CITYPE=PERCENTILE  NSAMPLES=400
  /MISSING USERMISSING=EXCLUDE.
```

Bootstrap

```
[DataSet1] D:\MBA1.sav
```

Bootstrap Specifications

Sampling Method	Stratified
Number of Samples	400
Confidence Interval Level	95.0%
Confidence Interval Type	Percentile
Strata Variables	Customer Satisfaction, SQTAN, SQREL, SQRES, SQASS, SQEMP

```
CORRELATIONS
  /VARIABLES=ROAFUTUREAVE CUSTOMERSAT
  /PRINT=ONETAIL NOSIG
  /MISSING=PAIRWISE.
```

Correlations

```
[DataSet1] D:\MBA1.sav
```

Correlations

				ROAFUTUREAVE	Customer Satisfaction
ROAFUTUREAVE	Pearson Correlation			1	-.033
	Sig. (1-tailed)				.258
	N			400	400
	Bootstrap[b]	Bias		0	.000
		Std. Error		0	.026
		95% Confidence Interval	Lower	1	-.082
			Upper	1	.023
Customer Satisfaction	Pearson Correlation			-.033	1
	Sig. (1-tailed)			.258	
	N			400	400
	Bootstrap[b]	Bias		.000	0
		Std. Error		.026	0
		95% Confidence Interval	Lower	-.082	1
			Upper	.023	1

*. Correlation is significant at the 0.05 level (1-tailed).

b. Unless otherwise noted, bootstrap results are based on 400 stratified bootstrap samples

```
RELIABILITY
  /VARIABLES=TANGIBLESAVEEXP RELIABILITYAVEEXP RESPONSIVENESSAVEEXP
ASSURANCEAVEEXP EMPATHYAVEEXP TANGIBLESAVEPER RELIABILITYAVEPER
RESPONSIVENESSAVEPER ASSURANCEAVEPER EMPATHYAVEPER
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

[DataSet1] D:\MBA1.sav

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

```
RELIABILITY
  /VARIABLES=TANGIBLESEXP1 TANGIBLESEXP2 TANGIBLESEXP4 TANGIBLESEXP3
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

[DataSet1] D:\MBA1.sav

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.753	4

```
RELIABILITY
  /VARIABLES=RELIABILITYEXP1 RELIABILITYEXP2 RELIABILITYEXP3 RELIABILITYEXP4
RELIABILITYEXP5
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

[DataSet1] D:\MBA1.sav

Case Processing Summary

		N	%
	Valid	400	100.0
Cases	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.780	5

```
RELIABILITY
  /VARIABLES=RESPONSIVENESSEXP1 RESPONSIVENESSEXP2 RESPONSIVENESSEXP3
RESPONSIVENESSEXP4
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

[DataSet1] D:\MBA1.sav

Scale: ALL VARIABLES

Case Processing Summary

		N	%
	Valid	400	100.0
Cases	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.688	4

```
RELIABILITY
  /VARIABLES=ASSURANCEEXP1 ASSURANCEEXP2 ASSURANCEEXP3 ASSURANCEEXP4
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

[DataSet1] D:\MBA1.sav

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.802	4

```
RELIABILITY
  /VARIABLES=EMPATHYEXP1 EMPATHYEXP2 EMPATHYEXP3 EMPATHYEXP4 EMPATHYEXP5
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

[DataSet1] D:\MBA1.sav

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.822	5

```
RELIABILITY
  /VARIABLES=TANGIBLESPER1 TANGIBLESPER2 TANGIBLESPER3 TANGIBLESPER4
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

```
[DataSet1] D:\MBA1.sav
```

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.780	4

```
RELIABILITY
  /VARIABLES=RELIABILITYPER1 RELIABILITYPER2 RELIABILITYPER3 RELIABILITYPER4
RELIABILITYPER5
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

```
[DataSet1] D:\MBA1.sav
```

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.837	5

```
RELIABILITY
  /VARIABLES=RESPONSIVENESSPER1 RESPONSIVENESSPER2 RESPONSIVENESSPER3
RESPONSIVENESSPER4
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

[DataSet1] D:\MBA1.sav

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.806	4

```
RELIABILITY
  /VARIABLES=ASSURANCEPER1 ASSURANCEPER2 ASSURANCEPER3 ASSURANCEPER4
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

[DataSet1] D:\MBA1.sav

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.856	4

```
RELIABILITY
  /VARIABLES=EMPATHYPER1 EMPATHYPER2 EMPATHYPER3 EMPATHYPER4 EMPATHYPER5
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

[DataSet1] D:\MBA1.sav

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.817	5

```
GET
  FILE='D:\MBA1.sav'.
DATASET NAME DataSet1 WINDOW=FRONT.
FREQUENCIES VARIABLES=CUSTOMERSAT
  /ORDER=ANALYSIS.
```

Frequencies

[DataSet1] D:\MBA1.sav

Statistics

Customer Satisfaction

N	Valid	400
	Missing	0

Customer Satisfaction

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Highly Dissatisfied	9	2.3	2.3	2.3
	Dissatisfied	32	8.0	8.0	10.3
	Somewhat Satisfied	133	33.3	33.3	43.5
	Satisfied	144	36.0	36.0	79.5
	Highly Satisfied	82	20.5	20.5	100.0
	Total	400	100.0	100.0	

```
DESCRIPTIVES VARIABLES=CUSTOMERSAT
  /STATISTICS=MEAN STDDEV MIN MAX.
```

Descriptive

```
[DataSet1] D:\MBA1.sav
```

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Customer Satisfaction	400	1	5	3.64	.968
Valid N (listwise)	400				