



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

CUSTOMERS EXPECTATIONS AND PERCEPTIONS OF
SERVICE QUALITY
THE CASE OF COMMERCIAL BANK OF ETHIOPIA
ADDIS ABABA BRANCH

BY
FANTAYE KASSAW ZELEKE

JUNE, 2021
ADDIS ABABA, ETHIOPIA

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ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
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SERVICE QUALITY:
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ABABA BIRANCH

BY

FANTAYE KASSAW ZELEKE

APPROVED BY BOARD OF EXAMINERS

Dean, School of Business



Yibeltal Nigussie (Assistant Professor)
Advisor



Girma Tegene
External Examiner

Internal Examiner

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Asst. Professor Yibeltal Nigussie. All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

The candidate:

Name: **Fantaye Kassaw Zeleke**

Sig _____ Date: _____

St. Mary's University, Addis Ababa

June, 2021

ENDORSEMENT

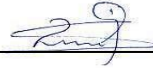
I attest that the works contained in the thesis entitled “**Customer’s Expectations and Perceptions of Service Quality The Case of Commercial Bank of Ethiopia Addis Ababa Branch**” are the original research works of **Fantaye Kassaw** and conducted under my supervision.

Name of the Advisor

Signature

Date

Yibeltal Nigussie (Assistance Professor)



22/7/2021

St. Mary’s University, Addis Ababa

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ABBREVIATIONS AND ACRONYMS

AA	Addis Ababa branch
CBE	Commercial Bank of Ethiopia
OCS	Overall customer Satisfaction
OSQ	Overall Service Quality
SERVPERF	Service Performance model
SERVQUAL	Service Quality Model
SPSS	Statistical Packages for Social Science
SQ	Service quality

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Abstract

Commercial Banks of Ethiopia plays a significant role in the economy, making up one of the biggest provider of services in Ethiopian economy. Hence, providing better quality is vital as banks have to compete for customers. The purpose of this study is to evaluate the current level of customers' expectations and perceptions of service quality of CBE Addis Ababa branch. To measure the service quality and customer satisfaction of bank service of CBE Addis Ababa branch SERVQUAL model was used. The SERVQUAL instrument maintained seven dimensions namely tangible, reliability, responsiveness, assurance, empathy, price and accessibility with a total of 30 statements placed on a 5 – point likert type scale (1-being strongly disagree to 5-being strongly agree). Furthermore, a sample of 100 respondents in CBE Addis Ababa branch was drawn using a convenience sampling approach, and 100 completely filled questionnaires were used in performing final analysis. The study was used both quantitative and qualitative data collection approach and also descriptive research design was applied. Findings support that all SERVQUAL dimensions of the service quality of CBE Addis Ababa Branch. Empathy was found to be the most critical factor of service quality followed by, responsiveness, reliability, assurance, accessibility and price, The main limitation of this study is that the data were gather form Addis Ababa branch only with a small sample size. Both the overall service quality and customer satisfaction were found to be reported above average, while still need improvement therefore it can be conclude that CBE Addis Ababa branch has to do on attributes associated with accessibility, empathy, responsiveness reliability, assurance and price in order to bring higher the level of customer satisfactions.

Key words: expectation, perception, service quality, customer satisfaction, SERVQUAL model

CHAPTER ONE

INTRODUCTION

This chapter introduces the general idea of the whole research area. It covers the background of the study, statement of the problem, research questions, and objectives of the study, significance of the study, scope and limitation and organization of the study.

1.1 Background of the study

In today's business world, competition has made it difficult for organizations to survive and every day new products (services and goods) are coming to the market. In order to survive and earn high profit and avoiding customer dissatisfaction companies need to work hard on their service quality.

The current business environment is becoming competitive and challenging than before. With multidimensional challenges and demand of globalization, the organizations are forced to reengineer their products and systems to improve the service quality and remain competitive. (Yasin et al., 2004; Rodie and Martin, 2001).

Customer service is considered as an integral part of any facet of industry and it defines the future of any organization. The rapid advances in technology based systems related to internet are leading to fundamental ways in how different organizations interact. This applies same for relation of an organization with its customer. In different services industries the relationship between customer satisfaction and service attributes have been difficult to identify because services nature is intangible. Due to intangible nature of services it is difficult for the firms to analysis how the customers perceive and evaluate the desired outcome of the service quality. As customer evaluates their level of satisfaction by experimenting the service quality, satisfaction with services is related to conformation or disconfirmation of expectations. The issue of highest priority today involves understanding the impact of service quality on profit and other financial outcomes of the organization (Hong, Goo et al., 2004; Nguyen and Leblanc, 2002).

Service quality refers the difference between customers' expectations for service performance prior to the service encounter and their perceptions of the service received (Ananth et al., 2011). In addition to this, service quality can be described as meeting customer needs satisfactorily by

matching his/her expectations. Service quality in banking implies constantly anticipating and satisfying the needs and expectations of customers (Ranjan et al., 2010).

Expectations are usually formed prior to the usage of a service but may occur where the customer is actively involved in the delivery of a service. They reflect inclinations or beliefs as to what will or should happen. Moreover, perceptions can also develop during a service. Invariably materialize after usage. They represent customers' evaluation of the service, particularly in relation to expectations (Peter and Angela, 2006, p.7). Service quality is measured by SERVQUAL instruments. This instrument has been widely utilized by both managers and academics (Safakli, 2009) to assess customers' perceptions of Service quality for a variety of service e.g. Banks, credit card companies and repair and maintenance companies. SERVQUAL is the most extensively used and accepted generic framework for measuring the perceptual gap in service quality. Therefore, banks need focus on Service quality as a core competitive strategy (Mohammed and Shirley, 2009). Moreover, banks all over the world offer similar kinds of services, and try to quickly match their competitor's innovations.

Banks play a very important role in the economic life of a nation. Although the banking industry is growing and offering various types of financial services to the public, the only existence of banks do not do any good unless they deliver a quality service. There is no doubt that the increasing level of competition has improved the quality of service to customers of the banking industry. Banking industries in Ethiopia is consequently put into lot of pressures towards increase in competition. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level. Being Commercial Bank of Ethiopia offers similar kinds of services to its customers like other banks in the world, it is expected to deliver quality bank services to its customers to be competent and also meets the customer's expectations on the service and their perceptions on the service they received. Commercial Bank of Ethiopia has been playing a noticeable role in economic development of the country. Today, the CBE has aggressively expanded its presence in all directions of the country. Despite the increasing number of Private Commercial Banks in Ethiopia, the CBE has remained in the lead in terms of assets, deposits, and capital and customer base. Currently (January 12, 2021, it has 1,656

branches open the entire breadth and width of the country, of which 365 branches in Addis Ababa reign (CBE Management Information System, January, 2021).

The main purpose of this study is to assess the current level of customers' expectations and perceptions of banking service of CBE Addis Ababa branch in order to determine the associated service quality and customer satisfaction.

1.2. Statement of the Problem

In the banking industry, offering quality services is very significant to create closer attachment with the entire customers. The issue of quality service is becoming a global concern that demands continuous improvement to fit the unbalanced environment and changing customer needs. Commercial Bank of Ethiopia is the largest and the country's most important financial sector. It plays a significant role in the economy, making up one of the biggest service providers in Ethiopian economy. Hence providing better service quality is vital as banks have to compete for customers. With stiffer competition among domestic banks, therefore, it is important for the CBE to improve the quality of its services. Customer expectations about services tend to be strongly influenced by their own prior experience as customers with a particular service provider with competing services in the same industry, or with related services in different industries. (Tahir and Bakal, 2007).

Customers' expectations may also vary from one industry to another reflecting industry reputation and past experience. In many countries people have lower expectations of government service provider than they do of private companies (Lovelock and Wright, 2002, p.81) and CBE in this case is not exceptional because it is one of the public sector banks in Ethiopia.

Within this background, CBE has used various leading programs of customer service, in order to offer an exceptional level of service to satisfy its customers. (www.combanketh.et).

Nevertheless, working as a senior branch manager in CBE, the researcher has noticed some customers' complaints on the services quality level of CBE. Being CBE is one of service offering institutions, the quality of the service offered by this bank is very crucial for its survival. As most of the commercial banks in the banking industry of Ethiopia offer similar types of products, the differentiation lies in the service quality offered. Banks operating in Ethiopia are consequently put in to lot of pressures as a result of the increased competition in the industry. Various strategies are formulated to retain the customer and the key of it is to increase the

service quality level. Such kind of research is so important to provide suggestion and improve service quality, to increase customer satisfaction level and to retain customers of CBE .Moreover; the output of this study is beneficial to identify the gap between customer perception and expectation of service quality of CBE. Accordingly, CBE will improve its performance, profitability and gain competitive advantage in the market by filling the gap.

Therefore the main interest of this study is to measure the perception and expectation of customers concerning a service provided by the bank and attempts to ascertain current level of expected and perceived service quality level of CBE Addis Ababa branch customers by raising the following research questions:

1. What are the factors that influence the CBE Addis Ababa branch quality service provision?
2. What is overall service quality and satisfaction level of customers at CBE Addis Ababa branch.
3. What is the gap between customers' expectations and Perceptions of service quality of CBE Addis Ababa branch?
4. What is the relationship between service quality dimensions and customer satisfaction?

1.3. Objectives of the Study

1.3.1. General Objective

The general objective of this study is to examine the current level of customers' expectations and perceptions of banking service of CBE Addis Ababa branch in order to determine the associated service quality.

1.3.2. Specific objectives

In assuring that the above general objective is achieved, there are few specific objectives that need to be accomplished in the case of CBE Addis Ababa branch. These specific objectives are the following:

- To identify the factors that influences the CBE Addis Ababa branch quality service provision.
- To evaluate the overall service quality and satisfaction level of customers at CBE Addis Ababa branch.
- To assess the relationship between service quality dimensions and customer satisfaction.
- To identify the gap between the customers' expectations and perceptions of the bank services.

1.4. Significance of the Study

The findings of the study are expected to be providing a more reliable understanding of the current level of customer satisfaction along with customer-perceived service quality of the CBE Addis Ababa branch. Therefore, it is assumed that the study gives an insight to the managers and higher officials on the part of CBE about the customers' expectations and perceptions of their service quality to determine the areas of resource allocation for service improvement and ensuring satisfied customers. It will also serves for other researchers who would like to conduct further research in the area of marketing of financial services specifically bank service quality and customer satisfaction.

The research would more important if it would conduct on a wider scale of the country. Due to time and financial constraints might not undertake exhaustive study involving all branches of CBE. Thus, the study is confined to assess customer satisfaction with service quality of Addis Ababa branch under North Addis Ababa district. The present study is on a small sample size of Addis Ababa branch only; therefore the results of this study could not be generalized for the whole branches of CBE.

1.5. Scope of the study

The research was focus on customer's expectations and perceptions of service quality in CBE Addis Ababa branch under north district. The bank (branch) provides various types of services such as saving accounts, checking accounts, loan, local and foreign money transfer, foreign exchange, fixed deposit, safe deposit etc.

The main area of the study is investigate the gap between customers perceptions and expectations of service quality, measure level of overall service quality and overall customer satisfactions of the bank by using of seven SERVQUAL DIMENSIONS. In order to conduct the study the researcher applied a methodology of standardized questionnaires and analyzed by using of descriptive statistics (mean and standard deviation). Finally, due to time and financial constraints to make the data manageable the study delimited only Addis Ababa branch.

1.6. Limitations of the Study

The researcher encountered various limitations that were likely to hinder to access information. The study would more important if it would conduct on a wider scale of the bank while due to time and financial constraints might not undertake in depth study involving all branches of CBE thus this study conducts Addis Ababa branch only. The next major limitation of the study includes the sampling approach (convenience) to select the most representative respondents from the targeted population which limits the generalizability of the research findings. The third limitation relates to the sample size for primary data sources; the number of participants included in the sample is small hence it may not be good representative of the population. Lastly the employees of the organization are busy enough so they can not able to make interview and formal discussion about the customers.

1.7. Operational Definition of Terms

The researcher used the following technical terms in the study as defined as follows:

- Customer: refers to a generic term that anybody who receives a service or product from some person or group of people.
- Customer satisfaction: customer satisfaction is defined as the overall attitude regarding a good/ service after its acquisition and use.
- Expectations: refer to the desires or wants of the bank customers.
- Perceptions: refer to what bank customers actually experienced with service quality of the bank.
- SERVQUAL: refers to an instrument for measuring service quality from a customer's perspective.

1.8. Organization of the Study

The study was incorporated five major chapters. The first chapter dealt with background of the study, Statement of the problem, objectives of the study, scope and limitation of the study and operational definition of terms. The second chapter discussed the different literatures written on the subject matter. The third chapter presents in detail discussion of the research methodology and chapter four presents major analysis and interpretation of the data. Finally, chapter five drew conclusion and recommendation of the study that relay on finding analysis and interpretation.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter focuses on the review of literature related to customer service quality and its measurement. For the purpose, customers' expectations and perceptions of service quality, gap model of service quality by emphasizing the service quality dimensions, customer satisfaction, measurement of customer satisfaction and the service quality dimensions influence the customer satisfaction in the banking sector are described.

2.1. Theoretical Literature

2.1.1 Definition of Service

Services are economic activities that create value and provide benefits for customers at specific times and places as a result of bringing about a desired change in or on behalf of the recipient of the service. A service is an actor performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production. According to Lovelock and Wright (2002, p.6), services have traditionally been difficult to define because of their diversity. The way in which services are created and delivered to customers is often hard to grasp since many inputs and outputs are intangible. Most people have little difficulty defining manufacturing or agriculture, but defining service can elude them. Here are two approaches that capture the essence of the word.

2.1.2. Customer Expectations of Service Quality

Customer expectations may be described as the desires or wants of the customer. The crux is that customer's expectations are what the customer expects from the organization and its range of product or services, i.e. what customers feel the organization should offer them. These expectations are, in most instances different from what the customer gets in real-life situations from the organization. What is important here is to focus on the customer perceptions, rather than on the reality of the performance (Brink and Berndt, 2005, p.59).

2.1.2.1. Components of Customer Expectations

According to Lovelock and Wright (2002, pp.81-82), customer expectations embrace several different elements, including desired services, adequate services, predicted services and a zone of tolerance that falls between the desired and adequate service levels.

Desired Services: the “wished for” level of service quality that a customer believes can and should be delivered;

Adequate Service: the minimum level of service that a customer will accept without being dissatisfied;

Predicted Service: the level of service quality that a customer believes about a firm will actually deliver;

Zone of Tolerance: the range within which customers are willing to accept variations in service delivery. The zone of tolerance can increase or decrease for individual customers depending on factors like competition, price, or importance of specific service attributes. These factors most often affect adequate service levels (which may move up or down in response to situational factors), while desired service level tends to move up very slowly in response to accumulated customer experiences.

2.1.2.2. Factors that Influence Customer Expectations

According to Peter and Angela (2006, pp.241-242), there are five key factors that influence a customer’s expectations: previous experience; word of mouth communication; personal needs; explicit service communications; and implicit service communication.

Personal Needs: any customer or user of a service will have what they regard as a set of key personal needs that they expect the service to address. These will vary from services to service and from customer to customer. A clear understanding of these needs is necessary to design an appropriate service.

Previous Experience: many will have had service encounters before. Their previous experience will in part influence their future expectations of the service. This can include their past experience of the service in question, but also of other service for public services, expectations will be influenced by experience of similar private services.

Word of mouth Communications: Expectations will be shaped by communications from sources other than the service provider itself. This can include family, friends and colleagues, but more widely the media and other organizations.

Explicit Service Communications: statements from staff or from leaflets or other publicity material can have a direct impact on expectations.

Implicit Service Communication: this includes factors such as the physical appearance of buildings.

Research suggests that the most important of these factors in shaping expectations are the customer's past experience of the service and what other people say about it (Peter and Angela, 2006).

2.1.3. Customer Perceptions of Service Quality

Perceptions are defined in various ways. According to Strydom et al. (2000, p.84) perceptions are defined as the process of receiving, organizing and assigning meaning to information or stimuli detected by the customer's five senses and opinion that it gives meaning to the world that surrounds the customer. Perceptions are also described as the end result of a number of observations by the customer. Customers perceive services in terms of quality of services provided and the satisfaction level attained.

2.1.3.1. Factors that Influence Customer Perceptions

Service marketers must find out whether customers have experienced quality service and are satisfied with the service. The evaluation of services differs from person to person, culture to culture and situation to situation. There are four important factors that usually influence the service perception of customers (Peter and Angela, 2006). They are:

Service Encounter: is a situation where the customer interacts with service provider. In some services, there may be many service encounters and in some services there may be a few encounters. The most vivid impression of a service interactions are important to the service provider who should see opportunities to excel and create delight experiences for the consumers.

Evidence of Service: is another major factor that influences consumer perceptions. The intangible character of a service creates doubts in the minds of the customer and they search for

evidence in every interaction they have with the organization. The image of an organization influences the perceptions of the customer. A favorable image, either at corporate or local levels, is an asset for any firm because it has an impact on customer's perceptions relating to the operations and communications of the firm.

Image: image communicates expectations. A positive image makes people more open to favorable word-of-mouth communications. A natural image may not cause any harm but a negative image certainly affects the business of the organization.

Price: Consumers frequently rely on price as surrogate indicator to develop expectations and perceptions of a service because services are intangible. Usually, a high price leads to high quality expectations and a low price indicates low quality offerings.

2.1.4. Service Quality

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either (Wisnieski, 2001). During the past few decades service quality has become a major area of attention to practitioners, managers, and researchers owing to its strong impact on business performance, customer satisfaction, customer loyalty and profitability (Magesh, 2010).

Customer service can be described as the totality of what the organization does to add value to its products and services in the eyes of the customer. Quality is described as the measurement of how well the product or service of the organization conforms to the customer's wants and expectations. Another way to look at this issue is to say quality is the ability of the organization to meet or exceed customer Expectations (Brink and Berndt, 2005, pp.46-47).

According to Parasuraman et al. (1985, 1988), service quality is defined as the difference between customer perceptions of the current service being provided by a given organization and customer expectation of excellent service within that given industry. Service quality has become an increasingly important factor for success and survival in the banking sector. This means that the provision of high quality service facilitates the achievement of the main targets relating to customer satisfaction and loyalty, market share, gaining new customers, productivity, financial performance and profitability (Cui et al., 2003, p.191).

2.1.4.1. Understanding Service Quality

According to Lovelock and Wright (2002, pp.265-266), after making a purchase, customers compare the service expected to what is actually received. Customers decide how satisfied they are with service delivery and outcomes, and they also make judgments about quality.

Although service quality and customer satisfaction are related concepts, they are not exactly the same thing. Many researchers believe that customers' perceptions about quality are based on long term, cognitive evaluations of an organization's service delivery, whereas customer satisfaction is a short term emotional reaction to a specific service experience. Following service encounters, customers may evaluate the level of satisfaction or dissatisfaction and may use this information to update the perceptions of service quality. Customers must experience a service before they can be satisfied or dissatisfied with the outcome. Beliefs about quality don't necessarily reflect personal experience as people often make quality judgment about services that were never consumed, basing these evaluations on comments by acquaintances or advertising messages. Managing a business to optimize customer satisfaction is a strategic imperative at many organizations, since the cost of mediocre service quality may be high as forty percent of revenue in some service organizations. Most organizations realize that, by improving performance on service attributes, customer satisfaction should increase. This increase should, in turn, lead to greater customer retention and improved quality (Lovelock and Wright, 2002, pp. 266).

2.1.4.2. Measuring Service Quality

Edvardson et al. (1994) states that always there exists an important question: why should service quality be measured? Measurement allows for comparison before and after changes, for the location of quality related problems and for the establishment of clear standards for service delivery. According to Audrey (2003, pp.38-44), measurements need to take account of different type of concepts and customers. Indeed, different measurement criteria are required for different concepts such as service quality, customer satisfaction, customer perceptions, expectation and loyalty. Assessment of these concepts will also entail the use of different measuring scales, and scope of opinions, attitudes and behaviors.

Service companies spend substantial time and resources on measuring and managing customer satisfaction, customer loyalty and service quality. The comparison of customers' expectations with their perceptions of a service becomes a major focus of attention in the measurement of service quality from the early 1980s until the present day.

In relation to these concepts many researchers have focused on developing on 'scale' to measure service dimensions and customers perceptions and expectations. After the development of the SERVQUAL scale in the 1980s much of the subsequent research in services used this scale. However other scales were developed to focus on different aspects of service quality, customer satisfaction, customer loyalty and customer perceptions during the late 1980s and 1990s. As markets become more competitive, companies are more likely to recognize the importance of retaining current customers. Customer retention is considered to be a relatively easy to measure and reliable indicator of superior performance. The most frequently used methods for measuring and assessing service quality are SERVQUAL, SERVPERF, scales for measuring customer satisfaction and loyalty, critical incidents technique, focus group discussions, and in-depth interviews. For the purpose of this study, the researcher focuses on the SERVQUAL measurement.

SERVQUAL was created to measure service quality and is based on the view that the customers' assessments of service quality are paramount. It is operationalized in terms of relationship between expectations (E) and outcomes (O). If the outcome (O) matches the expectation (E), then the customer is satisfied. If the expectation (E) exceeds the outcome (O), then customer dissatisfaction is indicated. If outcome (O) exceeds expectations (E), then customers 'delight' may be the result.

Service quality is considered as a multiple-dimensional construct and in the early phase of development Parasuraman et al. (1985) identified ten service dimensions. In a further refinement these ten were reduced to five dimensions: tangibles, reliability, responsiveness, assurance and empathy (Parasuraman et al., 1988). These formed the core of the SERVQUAL measuring instrument. The five dimensions are measured with an instrument using 22 items. Parasuraman et al. (1988) established that a mismatch between expectations and perceptions of performance causes dissatisfaction or a 'performance gap'. This overall performance gap is made up of five gaps that contribute to the perception of service delivery.

There are a number of criticisms of SERVQUAL. Fundamentally the problems of measuring expectations is used as a major criticism of the SERVQUAL scale. Some researchers think that measuring expectations is unnecessary and that measuring service outcomes or perceptions of outcomes should be enough.

Cronin and Taylor's work (1992) on measuring service quality attempted to offer an alternative to SERVQUAL. They investigated the conceptualization and measurement of service quality and the relationships between service quality, customer satisfaction and purchase intentions. Their work focused on trying to overcome the 'perceptions-minus-expectations' measurement focus of SERVQUAL. Although the SERVQUAL encounters the above problems, it is mainly used in banks to measure the service quality gap analysis.

It could be note that there is no one study that fully and completely measures service quality and that there is a need to fill knowledge gaps with additional studies. While there have been many different approaches or methods for measuring service quality, SERVQUAL instrument seems to have the greatest potentials for the applicability in different industries and sectors (Ananth et al., 2011).

2.1.4.3. Dimensions of Service Quality

The SERVQUAL scale is the principal instrument widely utilized to assess service quality for a variety of services. Parasuraman et al. (1988 as cited in Ananth et al., 2011) have conceptualized a five dimensional model of service quality such as: reliability, responsiveness, empathy, assurance and tangible. Their measurement instrument is known as SERVQUAL, which has become almost the standard way of measuring service quality. Further, each item of SERVQUAL has been used twice: to measure expectations and perceptions of service quality. The central idea of this model is that service quality is the function of difference in scores or gaps between expectorations and perceptions. The five dimensions of SERVQUAL include the following:

Tangibles: the appearance of physical facilities, equipment, personnel and communication materials. All of these are used in varying degrees to project an image that will find favor with customers. Tangibles will be of particular significance where the customer's physical presence at a service facility is necessary for consumption to occur.

Reliability: the ability to perform the promised service dependably and accurately. It is regarded as the most important determinant of perceptions of service quality. This dimension is particularly crucial for services such as railways, buses, banks, building societies, insurance companies, delivery services, and trade services.

Responsiveness: the willingness to help customers and to provide prompt services. This dimension is particularly prevalent where customers have requests, questions, complaints, and problems.

Assurance: the employees' knowledge and courtesy, and the ability of the firm and its employees to inspire trust and confidence. This dimension may be of particular concern for customers of health, financial and legal services.

Empathy: pertains the caring, individualize attention that the service provider provides to its customers. Small service companies are better placed (though not necessarily better at) for treating customers as individuals than their larger, invariably standardized counterpart. However, relationship marketing is designed to offer a more individualistic approach for customers of large organizations.

For the purpose of this study, the researcher adds the following two additional dimensions, based on their specific roles as witnessed through the review of related literature associated with banking sector.

Price: It is an additional dimension to reflect the customer expectations and perceptions of service charges and interest rates offered by the bank (Joshua and Moli, 2005).

Accessibility: refers to the approachability, availability and ease of contract with the service company. It will include the ease with which the service company may be reached telephone, or email, the waiting time to receive or experience the service, the opening hours or hours of operation and the location of the service (Audrey, 2003).

According to Brink and Berndt (2005), the organization and its employees must try to understand the customers' problems and strive to execute activities with the customers' best interests in mind. Lovelock and Wright (2002) stated that, of the first five dimensions, reliability has consistently proven to be the most important factor in customers' judgment of service quality. Reliability improvements lie at the heart of service quality enhancement efforts because

unreliable service implies broken promises on the attributes that customers care about the service received. If the core service is not performed reliability, customers may assume that the company is incompetent, and may switch to another service provider.

2.2. Empirical Review

Osei-Poku (2012) assessed the level of service quality delivery at Merchant Bank Ghana Limited. The focus was on the four branches of Merchant Bank located in the Kumasi metropolis. The outcome of the study will enhance the bank's competitive position in the banking industry and ensure its survival. Convenient sampling technique was employed in the study with Statistical Package for Social Scientist (SPSS) used in the analysis. The expectations and perceptions of Merchant Bank customers were assessed under the five dimensions of SEVQUEL. It was found that all the five dimensions contributed to quality of service delivery in Merchant Bank. Comparison between the customer responses and service delivery revealed the need for Merchant bank management should work towards enhancing customer relationship management. Statistically using the Z test, there were no significant differences among the five service quality dimensions. However, assurance and tangibility dimensions recorded significant difference among the expectation and perception with a quality gap of 0.310 and 0.325 respectively. It can however be concluded from the analysis that customers were not satisfied with service delivery of Merchant Bank. To ensure customer retention and improve on competitiveness, Merchant Bank should regularly assess service delivery.

Shanka (2012) measure the quality of service offered by private banks operating in Ethiopia. Moreover, it tries to investigate the relationship between service quality, customer satisfaction and loyalty. The five dimensions of SERVPERF model i.e. reliability, assurance; tangibility, empathy and responsiveness were used to measure the quality of service offered by the private banks. In order to achieve the aims, both primary and secondary sources of data were used. The primary data were collected through administrating questionnaire. Convenient sampling procedure was used to obtain 260 responses from customer of banking services in Hawassa city on the 22 item SERVPERF scale measure perception regarding their respective banks service. Correlation and multiple regressions were used to investigate the relationship between dependent and independent variables. The correlation results indicate that there is a positive correlation between the dimensions of service quality and customer satisfaction. The results of the

regression test showed that offering quality service have positive impact on overall customer satisfaction. The research proves that empathy and responsiveness plays the most important role in customer satisfaction level followed by tangibility, assurance, and finally the bank reliability. The research findings also indicate offering high quality service increase customer satisfaction, which in turn leads to high level of customer commitment and loyalty.

Hinson et al. (2006) investigate service quality perception of three top banks in Ghana: Barclays bank, Standard Chartered bank and Ghana Commercial Bank. The purpose of the study is to compare service quality across these three banks and to determine the most important factors contributing to service quality. The study reveals that all the banks selected differ on the service quality dimensions. BBGL provides better services in terms of the level of service quality provided to client than the listed (GCB and SCB) banks. The study also reveals that the locally owned bank (GCB) provides social services rather than the multinational banks. Interestingly, the study reveals that clients expectation on all the service dimension have not been met by the Ghanaian banks. The study revealed that all the service quality dimensions contributed significantly to the prediction of service quality in Ghana with human element of service quality being highly predictive of perceived service quality. Tangibility is the least predictive of perceived service quality. The findings show that there is room for service quality improvement provided in the main text.

Ahmad (2015) Measuring Service Quality Expectation and Perception Using SERVQUAL .The study was carried with the objective of understanding the level of gap exists between expectation (excellent bank) and perception (experience bank) among the banking customer in Pakistan in the content of service quality. This study is measuring service quality by using SERVQUAL- a perceived service quality questionnaire methodology. SERVQUAL examines five dimensions of service quality, responsiveness, assurance, empathy, tangible and Reliability. The finding of this study showed there is very huge Gap exists between excellent bank (expectation) and account holder experience (perception) bank in Pakistan with the regards of service quality. Finding of this study is help to minimize the GAP that was exist between excellent bank and account holder experience bank in Pakistan. This study used the word excellent bank because no bank in Pakistan up to the expectation of the account holders.

Aihie (2013) investigates the role that service quality plays in the Ghanaian banking sector and its impact on service delivery. A sample of 400 customers encompasses four major indigenous and foreign banks. SERVQUAL dimensions of service quality were used to structure the questionnaire. Data collected was analyzed using one sample T- test of the mean weighted differences between perception and expectation of customers. This, in an attempt to determine whether there is a significant gap between expectation and perception. Empirical findings from this study show that gaps exist between customers' expectations and perceptions of service delivery in all the banks even though the banks performed better on the tangibility dimension. Despite this observation, the banks retained their customers.

Ladhari et al (2011) compared perceptions of bank service quality among Canadian (a developed economy) and Tunisian (resource –challenged) customers. The study concluded that bank priorities vary depending on the origin of their customers. For instance in Canada empathy was identified as the most important dimension for predicting satisfaction and loyalty among customers whilst ‘reliability’ and ‘responsiveness’ dimensions of service quality were identified as the most important predictors of satisfaction and loyalty among Tunisian customers. It can be deduced from these findings that marketing practitioners must identify the dimensions of service quality that determine satisfaction and loyalty in their own country. Thus, it can be argued that a standardized marketing strategy in environment characterized by different economic, social and cultural environment is not appropriate. Ladhari et al (2011) further acknowledge the contribution of internet banking as an alternative for developing, operating and offering bank services and products. They however caution banks operating in resource – challenged environment to consider the challenges posed by adopting internet banking as internet users may have different demand expectations and needs from in-person customers.

2.3. Conceptual Framework of the Study

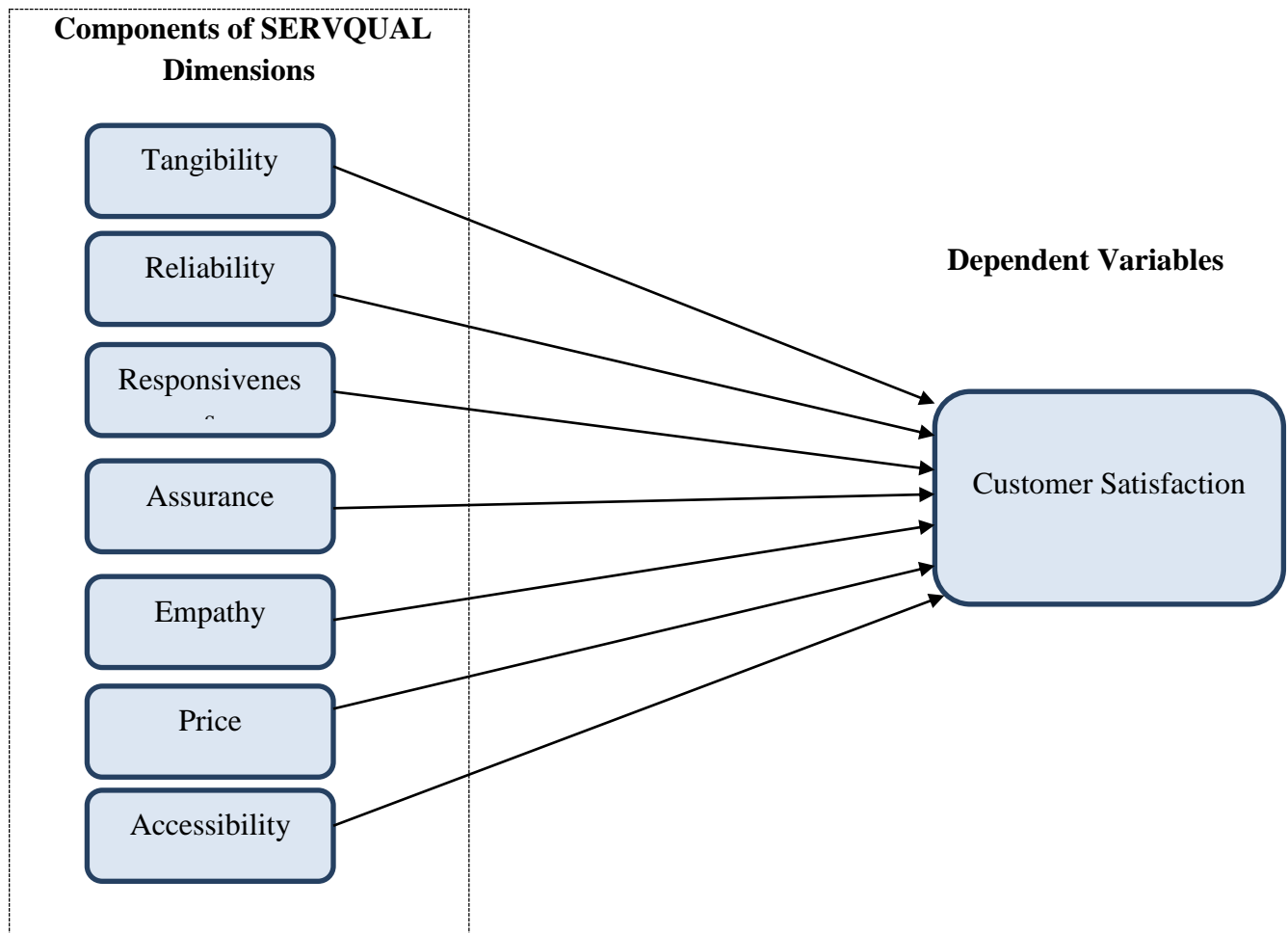
According to Botha (1989), conceptual frameworks (theoretical frameworks) are defined as “a type of intermediate theory that attempt to connect to all aspects of inquiry (e.g., problem definition, purpose, literature review, methodology, data collection and analysis)”.

Conceptual frameworks can act like maps that give coherence to empirical inquiry. Because conceptual frameworks are potentially so close to empirical inquiry, they take different forms depending upon the research question or problem.

In this study the perception minus expectation gap is assessed using seven service quality dimensions, i.e. tangible, reliability, responsiveness, assurance, empathy, price, and accessibility. Here is a conceptual framework designed for this study that helps to measure the gap scores of the customers' expectations and perceptions of service quality of CBE (see Figure 2.1). However, the next chapter explains the research methodology being used by the student researcher to collect primary data, determining sample size, designing of data collection instrument and approach to data analysis.

Figure 1 Figure 2.1 Conceptual frameworks on the effect of the service quality on customer satisfaction

Independent Variables



Source: adapted from SERVQUAL model

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter explains the research methodology used for the study. It begins with an explanation of the research approach, research design, followed by population and determination of sample size, designing of data collection instrument and procedures, and finally describes the data analysis approach being used by the study.

3.1. Research Approach

The study was used both quantitative and qualitative data collection approach. This approach is preferred as it enables to use a mixture of methods from both the quantitative and qualitative approaches for data collection and analysis. This means, both quantitative and qualitative data collection and analysis were carried out in parallel or side-by-side.

3.2. Research Design

For this study, the researcher has used descriptive type of research design. According to Kothari (2004, pp.31-32) is “the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.” In fact, it is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. Research design is needed because it facilitates smoothly the operation of the researcher and it makes the research efficient and effective to yield maximum information with minimum expenditure, time and money.

3.3. Population, Sample size and Sampling Techniques

3.3.1. Research Population

The populations of this study were the customers and Staffs of Addis Ababa branch under North Addis Ababa District. Commercial Bank of Ethiopia has 1,656 branches that are distributed across the country and currently it has more than 50 million customers in Ethiopia. Around 15 million of the total customers are found in Addis Ababa, from which 161,186 customers in Addis Ababa branch. The reason that select Addis Ababa Branch as the sample population for our study, it has more than 20 years’ service experience in the bank industry, it has many customers compared to other branches, and it gives different kinds of service which may not found in other branches. In addition to this customers of Addis Ababa branch include all of the various

categories of customers like individual customers, business customers, governmental customers, non-governmental customers and fixed time deposit customers etc. This makes that Addis Ababa branch unique case for the study.

3.3.2. Sample Size

In Addis Ababa branch there are about 161,686 total customers as at January, 2021. (Management Information Systems CBE). To determine the sample size, a previously proven formula (Yamane, 1967) would be applied. As it is known Yamane 1967, formula is simple and suitable to determine and manage the population sample size because it is difficult to conduct by involving all the population of the study areas. That is the reason why the researcher was used this proven formula.

That is,

$$n = N / (1 + N (e)^2)$$

Where, **n** = is the sample size

N = is the population size,

e = is the level of sampling error = (10%)

$$n = 161,686 / (1 + 161,686 (0.1)^2) = 99.98 = 100$$

Thus, sample size of 100 customers is selected from the population of 161,686.00.

The customers or (respondents) were classifying four sub groups such as government, non-government, individual and business.

Table 3.1. Classifications of Customers

Bank customers	Male	Female	Total
Customers (Government employees)	12	13	25
Customers (Non-Government employees)	13	12	25
Individuals Customers	12	13	25
Customers (Business man)	13	12	25

3.3.3. Sampling Technique

Sampling is one of a very important aspect of marketing research. From a general perspective, sampling involves selecting a relatively small number of elements (characteristics) from a large

defined group of elements and expecting that the information gathered from the small group of elements will provide accurate judgment about the larger group (Paurav, 2008, p.55). For the purpose of this study, a non-probability, convenience-sampling technique was used to select respondents from the target population (Customers of Addis Ababa branch). A sample of convenience is simply a potential source of participants that is easily accessible to the researcher. As the name implies, convenience sampling is a method in which samples are drawn at the convenience of the researcher often as the study is being conducted. The major aim of this technique is to reduce cost and time consumption (Hair et al., 2002, pp.359-361).

3.4. Sources of Data

The researcher used both primary and secondary data sources. Primary data is collected using structured questionnaires and these questionnaires are distributed to the chosen sample of 100 CBE Addis Ababa branch customers. Moreover, secondary data is collected from books, academic journal articles, internet or the company web page and other secondary published materials.

3.5. Data Gathering Instruments

The objective of data-collection is to get a good overall picture of how a process performs. It is important that, before any study or process will be carried out. Though there are several methods of collecting primary data, particularly in surveys based and descriptive researches (Hair et al., 2002), some of the most important ones are: observation method, interview method, questionnaires, schedules, and other methods. For this study, the researcher was used structured questionnaires to collect primary data from the customers of Addis Ababa branch and also it was conducted both structured types of interview for the employees of Addis Ababa branch who have high customer contact.

3.6. Pilot Testing

The Cronbach alpha coefficient is an indicator of internal consistency of the scale. A high value of the Cronbach alpha coefficient suggests that the items that make up the scale “hang together” and measure the same underlying construct. A value of Cronbach alpha above 0.70 can be used as a reasonable test of reliability. To meet the consistency reliability of instrument, the questionnaire was first distributed to 30 respondents and the Cronbach alpha for the independent variables (Tangibility, Reliability, Responsiveness, Empathy, Assurance, Accessibility and price)

was found to be 0.896. Therefore the dimensions of service quality were found to be high in their internal consistency and thereby in measuring the dimensions of interest.

3.7. Methods of Data Analysis

After collecting all the necessary data, the researcher coded, edited and rephrased to eliminate errors and ensure consistency. It involve categorizing, discussing, classifying and summarizing of the data to each question in coding frames based on various responses. In order to analyze the collected data for this study the researcher was use the descriptive statistics (frequency, percentage, mean and standard deviation). Besides of this to identify the gap between the perceptions and expectations of consumers' gap score analysis was applied.

3.8. Ethical Consideration

To accomplish the research, initial approval was get from the Sent Merry University and the other concerned bodies. During gathering of data and conducting of the study, all of the participants were asking in advance for their permission and assent. In the light of this, managers of the bank as well as the concerned bodies were asked for co-operation. The researcher was communicate with those mentioned bodies to aware or inform about the research work, study area, objectives of the study and its importance of the society. After such discussion and obtaining permission, the researcher started the study. Generally, the researcher give due respect to the norm, value, tradition and other cultural aspects of the participants of the study and follow the rules of research ethics.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter involves presentation of the data gathered in the process of conducting the study and includes the analysis made with the use of the output provided by the SPSS software version 20.00. The chapter includes that introduction, data Analysis, respondents' demographic characteristics, service quality gap analysis, customer's response on SERVQUAL dimensions, Analysis of SERVQUAL dimensions Service Quality Gap Score, analysis of overall service quality and analysis of overall customer satisfaction.

The objective of this study is to examine the stated specific objective by analysis of primary data that collected from the survey. Especially it focuses on responding the research questions that include finding out how customers perceive service quality in CBE Addis Ababa branch and whether they are satisfied with the service quality of the bank. This will lead to the objective of the present study that describing the practical trend of CBE Addis Ababa branch with regarding of service quality.

4.1. Response Rate

The primary focus of this study is to evaluate the current level of customers' expectations and perceptions of service quality of CBE Addis Ababa branch. To measure the service quality and customer satisfaction of bank service of CBE Addis Ababa branch SERVQUAL model was used. The SERVQUAL instrument maintained seven dimensions namely tangible, reliability, responsiveness, assurance, empathy, price and accessibility with a total of 30 statements placed on a 5 – point likert type scale (1-being strongly disagree to 5-being strongly agree). Furthermore, a sample of 100 respondents in CBE Addis Ababa branch was drawn using a convenience sampling approach, and 100 completely filled questionnaires were used in performing presentation, analysis and Interpretation of the questionnaire. The first part of the questionnaire consists of demographic information of the respondents are presented at subsequent tables and diagrams for the bank. The second part of the questionnaire presents the average gap score for each of the 30 Expectation statements, and then the score for each of the 30 perception statements this information is used to calculate the Gap Score for each of the

statements where the Gap Score = Perception – Expectation. The last part of the questionnaire deals with importance ranking of the five dimensions of service quality.

4.2. Respondents' Demographic Profile

The questionnaire was designed to seek information about the gender, age, education, their occupation and income.

Table 4.1.A. Demographic profile of Respondents

Variables		Percent (%)	Cumulative Percent
Gender	Female	58	58
	Male	42	100
Age	Below 21 years	12	12
	21 – 34 years	38	50
	35 -50 years	29	79
	Over 50 years	21	100
Academic Status	Did not complete high school	8	8
	Completed high school	17	25
	Completed college diploma	22	47
	Obtained a bachelor degree	35	82
	Post graduate degree (Master's degree & Doctorate)	18	100
Occupation	Government Employee	32	32
	Private Employee	22	54
	Self-employee	18	72
	Student	11	83
	Trader	17	100

Source: questionnaire

Table 4.1.A. shows that 58 percent of the respondents are male and 42 percent are female, among different age groups, 38 percent of the respondents are in the age group of 21-34 years which is the largest age groups of respondents and 29 percent of the respondents are in the age of 35-50 years which is the next largest group of the respondents, about 21 percent respondents are from the age group of greater than 50 years and the remaining 12 percent of respondents are in the age group of below 21 years. The analysis of different age groups indicates that majority of the service users (customers) which are provided by Addis Ababa branch are matured enough.

Analysis also shows that 35 percent of the respondents are those individuals who Bachelor degree holders and 22 percent of the respondents are completed their college diploma. Postgraduate degree especially Master's degree holders are 18 percent of the total respondents. Whereas those respondents who completed their high school education and those who did not complete their high school education account for 17 and 8 percent of the total respondents respectively. Therefore, based on this information, majority of the respondents are educated.

Considering the occupation characteristics of the respondents, the highest numbers of the service users are employed in government organizations 32 percent and followed by private organizations 23 percent, self-employment 18 percent, trader 17 percent, and students 11 percent respectively. The occupation category clearly indicate that majority of the users are government employees.

Table 4.1.B. Demographic Profile of Respondents

Variables		Percent (%)	Cumulative Percent
Frequency of Visiting the Branch	Daily	18	18
	Weekly	22	40
	Two times a month	24	64
	Monthly	28	92
	More than a month	8	100
Relationship with the Bank	Less than 1 year	7	7
	1 – 5 years	21	28
	6 – 10 years	22	50
	10 – 15 years	26	76
	More than 15 years	24	100
Income Level	Under 1,000 Birr	4	4
	1,000 – 2,000 Birr	11	15
	2,001 – 4,000 Birr	17	32
	4001 - 8,000 Birr	22	54
	Over 8000 Birr	46	100

Source: questionnaire

As shown the above table, customers are asked how frequently they visited the branch to get service. Accordingly, their response shows that 18 percent of the respondents visited the branch daily, 22 percent of the respondents weekly, 24 percent visited twice in a month, 28 percent of

respondents are visited monthly and 8 percent who visited the bank more than a month. The highest number that visited the branch are customers who visited the bank monthly 28 percent are assumed to be government employees and other customers who withdraw salary and money transferred to or received from other places respectively.

By considering the number of years of relationship with the bank apart from all other things the level of quality service can be seen by customers' loyalty. As shown in the above table 26 percent of customers are stayed in the bank for 10 – 15 years, 24 percent of customers stayed for more than 15 years, 23 percent of the customers from 6 - 10 years, 20 percent of customer of the bank for 1 – 5 years and the remaining 7 percent of customers have stayed in less than one year. Thus, the large numbers of these respondents were customers who have lots of experience about the service delivery quality of the bank and they can easily measure the level of service quality and customer satisfaction of the CBE Addis Ababa Branch. However, as those who had lesser year's relationship were not significant in number. Since there is tough competition in the market the bank give attention for each service dimension attributes to retain this group as it is expected to be the newly emerging economic power in the economy.

Analysis also shows that 46 percent of the respondents are in the income level of over 8,000 birr. The next largest income level of the respondents is in the income level of 4,001 –8,000 birr 22 percent, the third largest income level of 17 percent are from the income level of 2,001 – 4,000 birr, lastly the remaining 11 percent and 4 percent of respondents are 1,000 – 2,000 birr and under 1000 birr respectively.

4.3. Analysis of Collected Data

4.3.1 Service Quality Gap Analysis

This analysis is done in order to measure the gap between the customers' expectations and their perceptions toward the quality of bank services in CBE Addis Ababa branch. Gap scores were calculated by subtracting expectations from perceptions of bank customers. The basic assumption underlying the SERVQUAL scale is that performance below expectation (obtaining a negative score) leads to a perception of low service quality, while exceeding expectation (obtaining a positive score) leads to a perception of high service quality. The gap scores with the minus sign indicate that customers felt the service quality of CBE Addis Ababa branch is below their expectations. A comparison of customers' actual perceptions of service quality with their

expectations indicated that there exist negative gaps across all the attributes/dimensions, indicating that customers rated service quality of Addis Ababa branch as lower their expectations. This implies that CBE Addis Ababa branch needs to examine its services and make improvements for any shortfalls.

4.3.2. Customer's Response on SERVQUAL Dimensions

According to Magesh (2010) the Average service gap which is measured by the difference between perception mean score and the expected mean score on service quality greater than '1' in absolute value was considered to be highly critical area for the improvement of the performance dimensions. Average service gap of less than 0.50 in absolute value was treated as less significant and between of -0.50 to -1 was considered as critical and further needs for improvements. In addition to a paired sample T-test is employed in this study. The aim was to test whether or not the difference between perception mean score and expected mean score on service quality statistically significant at 5% level of significance. Among the three commonly used significance levels (i.e. .01 – highly significant, .05 – significant, and .10 – moderately significant) then 5% level of significant was selected for this study.

Parasuraman (1988) proposed that customers' perception of service quality is based on the comparison of their expectation of customers (what they feel service providers should offer) with their perceptions of the performance of the service provider. In this study the gap score analysis enables to find out how consumers perceive service quality in CBE Addis Ababa branch and helps to identify what dimensions of service quality they are satisfied with. According to Parasuraman et al., (1985) the higher (more positive) the perception minus expectation scores, the higher the perceived service quality and thereby leading to a higher level of customer satisfaction. In this regard, the gap scores are calculated based on the difference between the customers' perceptions and expectations of services offered by CBE Addis Ababa branch. For each dimension, the SERVQUAL scale provides a score for customer expectations and a score for customer perceptions of service quality. The differences between the two scores on each dimension are called gap scores.

Table: 4.2. Descriptive Statistics on Tangibility Dimension

Service Dimension		Evaluation Statement	Perception Score	Expectation Score	SQ Gap score
Tangibility	1	The bank has up-to-date equipment and technology	3.9457	3.9721	-0.0264
	2	The physical facilities (buildings, chairs, tables, parking areas and others) of Addis Ababa branch are visually appealing.	3.9325	4.2730	-0.2743
	3	Employees of Addis Ababa branch are professional dressed.	4.2956	4.5375	-0.2419
	4	The materials (pamphlets, statements, magazines, brochures and others) in Addis Ababa branch are visually appealing	3.8596	4.4651	-0.6055
Average gap score of tangibles dimension					-0.3170

Source: questionnaire

As stated in the literature review part tangibility means the appearance of physical facilities, equipment, personnel and communication materials. All of these are used in varying degree to project an image that will find favor with customers. It will be of particular significance where the customer's physical presence at a service facility is necessary for consumption to occur.

As show in the above table, Addis Ababa branch has tangible average gap score of **-0.3170**. This shows that the majority of the customers perceive less attracted with the materials associated with the service. This implies that the tangibility attributes whose gap scores are below 0.5 can be considered as less critical areas that may not need further improvement and may not influence that much the quality of service in CBE.

Table 4.2.1: Paired Samples Statistics Based on grand mean

		Mean	N	Std. Deviation	Std. Error Mean
Tangibility	Perception	4.0084	4	.19521	.09760
	Expectation	4.3254	4	.25121	.12561

Table 4.2.2: Paired Samples Test for tangibility

Tangibility	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 TP - TE	-.31707	.24449	.12225	-.70611	.07196	-2.594	4	.081

Table 4.2.2 shows paired sample test result and mean gaps for tangibility. The result shows that the significance value is (.08) which is greater than .05 at 5% level of significance so that null hypothesis of “there is no significant differences or gaps between mean score of perception and expectation” is not rejected and concluded that there is no significant gap between mean score of perception and expectation on “tangibility” service quality dimension in CBE Addis Ababa Branch. This implies that the tangibility attributes whose gap scores is 0.081 can be considered as no significant for perception and expectation of service quality of CBE. This indicates that it may not need further improvement and not influence that much the quality of service.

Table: 4.3. Descriptive Statistics on Reliability Dimension

Service Dimension	No.	Evaluation Statement	Perception Score	Expectation Score	S Q Gap score
Reliability	1	Addis Ababa branch delivers on promises in a timely manner.	3.9483	4.4132	-0.4649
	2	The employees of Addis Ababa branch are sympathetic to solving customer problems.	3.9723	4.5382	-0.5659
	3	Addis Ababa branch performs services right the first time.	3.9041	4.5684	-0.6643
	4	Services in Addis Ababa branch deliver on time.	3.8937	4.4329	-0.5392
	5	Addis Ababa branch insists on error-free records.	3.9798	4.5371	-0.5573
Average gap score of Reliability dimension					-0.5583

Source: questionnaire

Reliability: the ability to perform the promised service dependably and accurately. It is regarded as the most important determinant of perceptions of service quality. This dimension is particularly crucial for service giving company. As indicated in the above table the average gap score of reliability service dimension has a gap score of **-0.5583**. Among the reliability attributes the bank performs “services right the first time” and “the employees of Addis Ababa branch are sympathetic to solving customer problems” have gap score -0.6643 and -0.5659 respectively. Which are the highest gap score in this attributes which means that perceptions of customers related to the level of service quality far from their expectations. This is an alarming message to the management of the company and may imply that the officials of CBE will be expected to spend most of their time to improve the reliability attribute.

Table 4.3.1 Paired Samples Statistics for Reliability ((based on grand mean)

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	RP1	3.9396	5	.03914	.01750
	RE1	4.4980	5	.06987	.03125

Table 4.3.2 Paired Samples Test for Reliability(based on grand mean)

Reliability	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 RP1 - RE1	-.55832	.07138	.03192	-.64696	-.46968	-17.489	4	.000

Table 4.3.2 shows paired sample test result and mean gaps for reliability (-0.55832). From the result, there is no strong evidence to reject the null hypothesis which is formulated as “there is no a significant difference or gaps between mean score of perception and expectation” at 5% level of significance (the significance value (.000) is less than .05). Therefore, it is conclude that there is a significant gap between mean score of perception and expectation on “reliability” service quality dimension in CBE Addis Ababa Branch. This implies that the higher official of the bank should give more attention for this attributes and they should have to see a mechanism to increase the reliability of its customer perception.

Table: 4.4. Descriptive Statistics on Responsiveness Dimension

Service Dimension	No.	Evaluation Statement	Perception Score	Expectation Score	SQ Gap score
Responsiveness	1	Customers at Addis Ababa branch are told exactly when services will be provided.	4.1325	4.7310	-0.5985
	2	Employees in Addis Ababa branch give prompt service	4.2584	4.7553	-0.4969
	3	Addis Ababa branch employees are always willing to help customers.	4.1253	4.6924	-0.5671
	4	Employees in Addis Ababa branch are never too busy to respond to customers' requests.	3.9825	4.5325	-0.5500
Average Gap score					-0.5531

As stated in the literature review, responsiveness service dimension is concerned with the willingness, readiness of employees and the preparedness of the firm to provide a service to satisfy the needs and desires of customers. The result shows from the above table, responsiveness has average gap score of -0.5531. The attribute “customers are told exactly when service will be provided” has largest gap score (-0.5985) the next highest gap score is “Addis Ababa branch employees are always willing to help customers” the remains attributes “Employees in Addis Ababa branch are never too busy to respond to customers’ requests and “Employees in Addis Ababa branch give prompt service “gap score are (-0.5671 and -0.4969) respectively. Based on the above analysis, the responsiveness dimension of all attributes has large service quality gap score. This implies that the bank should have to do more to improve the performance of this attributes.

Table 4.4.1 Paired Samples Statistics for Responsiveness

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 RSP1	4.1247	4	.11278	.05639
RSP2	4.6778	4	.10027	.05013

Table 4.4.2 Paired Samples Test for Responsiveness(based on grand mean)

Responsiveness	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 Res.P – Res. E	-.55312	.04253	.02126	-.62079	-.48546	-26.014	3	.000

Table 4.4.2 shows paired sample test result and mean gaps for Responsiveness (-0.5531). The result shows that the significance value is (.000) which is less than .05 at 95% level of significance so that null hypothesis of “there is no significant differences or gaps between mean score of perception and expectation” is rejected and it is concluded that there is a significant gap between mean score of perception and expectation on “responsiveness” service quality dimension in CBE Addis Ababa Branch. This implies that the higher official of the bank should have to see a mechanism to increase the responsiveness of its customer perception.

Table: 4.5. Descriptive Statistics on Assurance Dimension

Service Dimension	No.	Evaluation Statement	Perception Score	Expectation Score	SQ Gap score
Assurance	1	The behavior of employees in A.A branch encourages confidence in customers.	4.2355	4.6872	-0.4517
	2	I feel safe in all transactions of Addis Ababa branch.	4.3568	4.7328	-0.3760
	3	In Addis Ababa branch, employees are consistently courteous with me.	4.2748	4.7255	-0.4507
	4	Employees in Addis Ababa branch have the knowledge to answer customers’ questions.	4.7366	4.9258	-0.1892
Average Gap score of Assurance					-0.3669

Source: questionnaire

Assurance shows politeness of employees, customer feeling safe in their transaction, personal behavior of employee and adequate knowledge of employee are satisfying assurance dimension

of service quality. The above table indicated that the average gap score of assurance dimensions is -0.3669. Among the attribute of assurance, “The behavior of employees in Addis Ababa branch instills confidence in customers” has a largest gap score (-0.4517) which indicated that the behavior of employees not encourages the confidence of customers and the attribute of “employees in Addis Ababa branch have the knowledge to answer customers’ questions” has the least gap score(-0.1892).Based on the above analysis assurance service dimension has better performance compared to other attributes while still its gap score is negative result which means perceptions of customers is less than their expectation related to the bank service quality so it needs slight improvement. This implies that the bank should give attention to improve the skills of its employees by providing adequate training to update their knowledge with regard to how to serve its loyal customers specially and also for new entrants to make them loyal to the bank.

Table 4.5.1 Paired Samples Statistics for Assurance

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	AS.P	4.4009	4	.22942	.11471
	AS.E	4.7678	4	.10720	.05360

Table 4.5.2 Paired Samples Test for Assurance(based on grand mean)

Assurance	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 AS.P1 – AS.E1	-.36690	.12366	.06183	-.56367	-.17013	-5.934	3	.010

Table 4.5.2 shows paired sample test result and mean gaps for Assurance (-0.3669). From the result, there is enough evidence to reject the null hypothesis which is formulated as “there is no a significant difference or gaps between mean score of perception and expectation” at 5% level of significance (the significance value (.010) is less than 0.05) and it is concluded that there is a significant gap between mean score of perception and expectation on “Assurance” service quality of the bank. This implies that the management should give attention to emphasis on this item to make its excellent.

Table: 4.6. Descriptive Statistics on Empathy Dimension

Service Dimension	No.	Evaluation Statement	Perception Score	Expectation Score	SQ Gap score
Empathy	1	Addis Ababa branch gives me individual attention.	3.9567	4.5588	-0.6021
	2	The operating hours of Addis Ababa branch are convenient to all of its customers.	4.3268	4.6465	-0.3197
	3	Employees of Addis Ababa branch give their customers personal attention.	3.8586	4.4526	-0.5940
	4	Addis Ababa branch has a customer's best interests at heart.	3.9825	4.6225	-0.6400
	5	Addis Ababa branch employees understand the specific needs of their customers.	3.8560	4.5345	-0.6785
Average Gap score					-0.5668

Source: questionnaire

As it is known, a service provider who tries to put himself in the position of its customers to understand customers need, and then providing what they want in a convenient way have the potential to satisfy its customers on empathy dimension of service quality. As illustrated in the above table, the empathy dimension has average gap score of -0.5668. In the empathy dimension, the largest SQ gap score is “Addis Ababa branch employees understand the specific needs of their customers” -0.6785 which indicated that the bank does not take in to account to understand the specific needs of their customers and the smallest SQ gap score in this attribute is “the operation hours of Addis Ababa branch are convenient to all of its customers” -0.3197 which indicated that the majority of the customers' expectations near to their perception then customers are relatively satisfied by the bank service hours. This implies that the management of the company should give more attention and they will be expected to spend most of their time to improve this attribute.

Table 4.6.1: Paired Samples Statistics for Empathy

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Em.P	3.9961	5	.19341	.08650
	Em.E	4.5630	5	.07670	.03430

Table 4.6.2 Paired Samples Test for Empathy (based on grand mean)

Empathy	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 TP1 - TE1	-.56686	.14220	.06359	-.74342	-.39030	-8.914	4	.001

Table 4.6.2 shows paired sample test result and mean gaps for Empathy (-0.566). The result shows that the significance value is (.0010) which is less than .05 at 95% level of significance so that null hypothesis of “there is no significant differences or gaps between mean score of perception and expectation” is rejected and it is concluded that there is a significant gap between mean score of perception and expectation on “Empathy” service quality dimension in CBE Addis Ababa Branch. This implies that the higher official of the bank should have to see a mechanism to increase the Empathy of its customer perception.

Table: 4.7. Descriptive Statistics on Price Dimension

Service Dimension	No.	Evaluation Statement	Perception Score	Expectation Score	SQ Gap score
Price	1	Addis Ababa branch gives good explanations of service fee to its customers.	4.4265	4.5567	-0.1302
	2	Addis Ababa branch charges reasonable fees for the administration of the accounts.	4.5173	4.6225	-0.1052
	3	Addis Ababa branch properly balances amounts from which service charges begin.	4.6146	4.7385	-0.1239
Average Gap score					-0.1197

Source: questionnaire

The above table shows that price dimension has average gap score of -0.6590. At this service dimension the highest SQ gap score is “Addis Ababa branch gives good explanations of service fee to its customers” -1.1302, the next SQ gap score is “Addis Ababa branch properly balances amounts from which service charges begin” -0.1239 the least gap score is “Addis Ababa branch charges reasonable fees for the administration of the accounts” is -0.1052. Based on the analysis, Addis Ababa branch has better performance related to this attributes because the customers’ expectations of service quality is nearer to their perceptions while still its gap score is negative result (customer perception of service quality is less than their expectation). This implies that the Price attributes whose gap scores are below 0.5 can be considered as less critical areas that may not need further improvement and may not influence that much the quality of service in CBE

Table 4.7.1: Paired Samples Statistics for Price

	Mean	N	Std. Deviation	Std. Error Mean
Price P	4.5195	3	.09407	.05431
Price E	4.6392	3	.09205	.05314

Table 4.7.2 Paired Samples Test for price (based on grand mean)

Price	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair Price P – Price E	-.11977	.01300	.00751	-.15207	-.08747	-15.954	2	.004

Table 4.7.2 shows paired sample test result and mean gaps for Price (-0.1197). The result shows that the significance value is (.0040) which is less than .05 at 5% level of significance so that there is enough evidence to reject the null hypothesis of “there is no significant differences or gaps between mean score of perception and expectation” and it is concluded that there is a significant gap between mean score of perception and expectation on “price” service quality dimension in CBE Addis Ababa Branch. This implies that the price service a dimension has significant value on service quality of the bank thus the higher official of the bank should give attention in order to improve this attributes.

Table: 4.8. Descriptive Statistics on Accessibility Dimension

Service Dimension	No.	Evaluation Statement	Mean of Perception	Mean of Expectation	S.Q Gap score
Accessibility	1	Addis Ababa branch has sufficient number of ATMs per branch.	4.5259	4.6578	-0.1319
	2	Addis Ababa branch has convenient branch locations.	4.7196	4.8245	-0.1049
	3	In Addis Ababa branch, waiting a service is not too long.	4.5967	4.7325	-0.1358
	4	Addis Ababa branch has extended working hours to provide services to its customers.	4.2355	4.6428	-0.4073
	5	Addis Ababa branch has convenient ATM locations.	4.5846	4.8568	-0.2722
Average Gap score					-0.2104

Source: questionnaire

As shown to table 4.8 accessibility dimensions average gap score is -0.2104, the attribute “Addis Ababa branch has sufficient number of ATMs around the branch” SQ Gap score is -0.1319, “Addis Ababa branch has convenient branch locations” SQ Gap score is -0.1049, “In Addis Ababa branch, waiting a service is not too long” SQ Gap score is -0.1358, “Addis Ababa branch has extended working hours to provide services to its customers” SQ Gap score is -0.4073 and lastly “Addis Ababa branch has convenient ATM locations” SQ Gap score is -0.2722. Based on the above analysis, each attribute of accessibility SQ gap score is better than others because the respondents’ expectation score result is closer to the perception score. This implied that relatively the branch gives better service related to these attributes even if its average gap score result is still negative. So it needs slight improvement to satisfy more its customers.

Table 4.8.1 Paired Samples Statistics for Accessibility

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	RSP1	4.5325	5	.18034	.08065
	RSP2	4.7429	5	.09618	.04301

Table 4.8.2 Paired Samples Test for Accessibility (based on grand mean)

Accessibility	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 ACP1 - ACP2	-.21042	.12791	.05720	-.36924	-.05160	-3.678	4	.021

Table 4.8.2 shows paired sample test result and mean gaps for accessibility (-0.2104). From the result, there is enough evidence to reject the null hypothesis which is formulated as “there is no a significant difference or gaps between mean score of perception and expectation” at 5% level of significance (the significance value (.021) is less than 0.05) and concluded that there is a significant gap between mean score of perception and expectation on “Accessibility” service quality dimension in CBE Addis Ababa Branch. This implies that the Accessibility service dimension has significant value on service quality of the bank thus the higher official of the bank should set different mechanisms in order to improve these attributes.

4.3.2. Analysis of SERVQUAL Dimensions Service Quality Gap Score

Service Dimension	Evaluation Statement	Service Quality Gap Score
Tangibility	The bank has up-to-date equipment and technology	-0.0264
	The physical facilities (buildings, chairs, tables, parking areas & others) of AA branch are visually appealing.	-0.2743
	Employees of Addis Ababa branch are professional dressed.	-0.2419
	The materials (pamphlets, statements, magazines, brochures and others) in Addis Ababa branch are visually	-0.6055
Average gap score of tangibility		-0.3170
Reliability	Addis Ababa branch delivers on promises in a timely manner.	-0.4649
	The employees of Addis Ababa branch are sympathetic to solving customer problems.	-0.5659
	Addis Ababa branch performs services right the first time.	-0.6643
	Services in Addis Ababa branch deliver on time.	-0.5392
	Addis Ababa branch insists on error- free records	-0.5573
Average gap score of reliability		-0.5583
Responsive	Customers at Addis Ababa branch are told exactly when services will be provided.	-0.5985
	Employees in Addis Ababa branch give prompt service.	-0.4969
	Addis Ababa branch employees are always willing to help customers.	-0.5671
	Employees in Addis Ababa branch are never too busy to respond to customers' requests.	-0.5500
Average gap score of Responsiveness		-0.5531
Assurance	The behavior of employees in A.A branch instills confidence in customers.	-0.4517
	I feel safe in all transactions of Addis Ababa branch.	-0.3760
	In Addis Ababa branch, employees are consistently courteous with me.	-0.4507
	Employees in Addis Ababa branch have the knowledge to answer customers' questions.	-0.1892
Average gap score of Responsiveness		-0.3669
Empathy	Addis Ababa branch gives me individual attention.	-0.6021
	The operating hours of Addis Ababa branch are convenient to all of its customers.	-0.3197-
	Employees of Addis Ababa branch give their customers personal attention.	-0.5940
	Addis Ababa branch has a customer's best interests at heart.	-0.6400
	Addis Ababa branch employees understand the specific needs of their customers.	-0.6785
Average gap score of Empathy		-0.5668

Price	Addis Ababa branch gives good explanations of service fee to its customers.	-0.1302
	Addis Ababa branch charges reasonable fees for the admin. Of the accounts.	-0.1052
	Addis Ababa branch properly balances amounts from which service charges	-0.1239
Average gap score of price		-0.1197
Accessibility	Addis Ababa branch has sufficient number of ATMs per branch.	-0.1319
	Addis Ababa branch has convenient branch locations.	-0.1049
	In Addis Ababa branch, waiting a service is not too long.	-0.1358
	Addis Ababa branch has extended working hours to provide services to its customers.	-0.4073
	Addis Ababa branch has convenient ATM locations.	-0.2722
Average Gap Score of Accessibility		-0.2104

Table: 4.9. Descriptive Statistics on SQ Gap Score

The above table indicated that, the highest average gap score of the service dimension is empathy (-0.5668), followed by responsiveness (-0.5531), reliability, (-0.5583), assurance (-0.3669), tangibility (-0.3170) and the least attributes are accessibility and price dimensions (-0.2104) and (0.1197) respectively. The analysis shows that, the result of all attributes of average gap score have negative SQ gap score which means the difference between perceptions and expectations are negative. This implies that there is no dimension on which customers perceptions is equal to or greater than its expectation regarding service quality of the branch. Generally from the above result actual customers perceived service quality less attractive compared to their expectations thus CBE Addis Ababa branch needs improvement in all service dimensions in order to compete successfully to other banks and to accomplish CBE's vision to become world commercial bank in 2025.

4.3.3. Analysis of Overall Service Quality

In order to analyze overall service quality and overall customer satisfactions, here below a table was produced showing the mean score of each factor. To describe the mean score of the participants, mean score measurement used by Pihie (2009) was applied where mean score of <3.39 considered as low, mean score of 3.4-3.79 as moderate and mean score of >3.8 as high.

Table 10: Overall Service Quality

Scale	Percentage	Mean	std. dev
Strongly Disagree	4%		
Disagree	14%		
Neutral	19%	3.50	0.980
Agree	54%		
Strongly Agree	9%		
Total	100%		

Source: Questionnaire

Respondents were asked to rate the overall service quality of CBE Addis Ababa branch. The overall quality of the banking service on a five point Likert-type scale (5 being strongly agreed and 1 being strongly disagreed) was rated by the respondents in terms of its excellence. As shown in Table 4 below, 4 percent respondents were strongly disagreed, 14percent respondents were disagreed, while 19 percent of the respondent's opinion was neither agreed nor disagreed. The remaining 54 percent and 9 percent of the respondents were agreed and strongly agreed respectively.

Using descriptive statistics the mean value of overall service quality was computed. The mean value of OSQ was found to be 3.50 which is moderate value based on the mean score measurement used by Pihie (2009). This indicates that the service quality level of Addis Ababa branch shows better progress but still it needs improvement in order to achieve high mean values to effectively compete with other private commercial banks .In general, based on the above analysis, the overall service quality of CBE Addis Ababa branch needs further improvement.

4.3.4. Analysis of Overall Customer Satisfaction

Table 11: Overall Customer Satisfaction

Scale	Percentage	Mean	Std. Deviation
Highly dissatisfied		8.0	
Dissatisfied		13.0	
Neutral		23.0	3.4
Satisfied		51.0	1.034
Strongly satisfied		5.0	

Source: Questionnaire

The purpose of analyzing customer satisfaction in this study is to confirm the degree of satisfaction or dissatisfaction as a result of superior or inferior service quality level. The respondents were asked to rate statements based on their level of satisfaction; from 1 to 5 where 1= highly dissatisfied, 2= dissatisfied, 3= neutral, 4= satisfied and 5= highly satisfied. As shown in Table 5 above, more than half of the respondents (51 percent) were satisfied, 23 percent of respondents were neither satisfied nor dissatisfied (neutral), 13percent of the respondent's opinion was dissatisfied; the remaining 8 percent and 5 percent of the respondents were highly dissatisfied and highly satisfied respectively.

Using descriptive statistics the mean value of overall customer satisfaction was computed. The above table indicates that the mean value of OCS was found to be 3.4 which is moderate value based on the mean score measurement used by Pihie (2009). This implies that overall customer satisfaction level of CBE AA branch needs attention by top management of the bank because in today competitive environment recruiting new customer is more costly than retaining the existing customer.

4.3.5. Correlation Analysis

In order to establish the relationships between variables bivariate correlation analysis was conducted. Pearson correlation (r) was chosen for this purpose since it is best suited for the data of the study and helps to determine the strengths and directions of the association between dependent variable (Customer satisfaction) and independent variables (Tangibility, Reliability,

Responsiveness, Assurance, Empathy, Price and Accessibility). Among the three commonly used significance levels (i.e. .01 – highly significant, .05 – significant, and .01 – moderately significant) 5% level of significant was selected for this study.

Cohen (1969) firstly introduced the specific criteria for categorizing the magnitude of linear relationship and divided them into weak, moderate, and strong. According to his often-cited publication the correlational values for Pearson approximately equal to $r = \pm.10$ are considered weak; $r = \pm.30$ are considered moderate; and $r = \pm.50$ are considered strong (Cohen, 1988). Weinberg and Abramowitz (2002) confirmed the dispensation and wide usage of this scale as well as its appliance for behavior science. Such wise, this classification has been used for correlation analysis.

Table 4.11 illustrates the correlation coefficients of the relationship between overall customer satisfaction and service quality dimension (Tangibility, Price, Accessibility, Assurance Reliability, Empathy and Responsiveness). From the correlation result it is found that “Tangibility ($r = 0.647$, $p < 0.01$), “price”, ($r = 0.564$, $p < 0.01$), and “Accessibility” ($r = 0.537$, $p < 0.01$) had a strong positive correlation with overall customer satisfaction while “Assurance” ($r = 0.384$, $p < 0.01$), Reliability ($r = 0.373$, $p < 0.01$), “Empathy” ($r = 0.291$, $p < 0.01$) and “responsiveness” ($r = 0.343$, $p < 0.01$) showed a moderate positive interrelation with customer satisfaction.

Table 12. The correlation analysis results for all variables under study

	OCS	OSQ	Tangibi lity	Price	Accessi bility	Assura nce	Reliab ility	Empathy	respons iveness
Pearson Correlation	1								
OCS Sig. (2-tailed)									
N	100								
Pearson Correlation	.699**	1							
OSQ Sig. (2-tailed)	.000								
N	100	100							
Pearson Correlation	.647**	.906**	1						
Tangi bility Sig. (2-tailed)	.000	.000							
N	100	100	100						
Pearson Correlation	.564**	.686**	.730**	1					
Price Sig. (2-tailed)	.000	.000	.000						
N	100	100	100	100					
Pearson Correlation	.537**	.423**	.440**	.684**	1				
Acces sibilit y Sig. (2-tailed)	.000	.000	.000	.000					
N	100	100	100	100	100				
Pearson Correlation	.384**	.610**	.647**	.908**	.632**	1			
Assur ance Sig. (2-tailed)	.000	.000	.000	.000	.000				
N	100	100	100	100	100	100			
Pearson Correlation	.373**	.402**	.430**	.672**	.864**	.621**	1		
Reliab ility Sig. (2-tailed)	.000	.000	.000	.000	.000	.000			
N	100	100	100	100	100	100	100		
Pearson Correlation	.291**	.423**	.440**	.684**	1.000**	.632**	.864**	1	
Empat hy Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000		
N	100	100	100	100	100	100	100	100	
Pearson Correlation	.343**	.644**	.698**	.887**	.551**	.764**	.520**	.551**	1
Respo nsiven ess Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	
N	100	100	100	100	100	100	100	100	100

Source: Questionnaire

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

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

4.3.6. Discussion

This study, aimed to deepen the understanding of customers' perception and expectation of bank services, identify and examine the factors that influence the quality of bank services in CBE Addis Ababa branch and their level of satisfaction with bank services.

The research on measuring service quality has focused primarily on how to meet or exceed the customers' expectations, and has viewed service quality as a measure of how the delivered service level matches customers' expectations.

The concept of measuring the difference between expectations and perceptions in the form of the SERVQUAL gap score proved very useful for assessing levels of service quality.

The results of the survey would seem to suggest that respondents' perceptions of the quality of bank services in all service dimensions is above "average" (3.0 over a 5-point scale) except empathy and reliability service dimensions. This implies that CBE provides good banking services to its customers in general. However, customers' expectations of the quality of bank services are more than (3.0 over a 5-point scale) their perceptions. This indicates that the gap scores of the seven service quality dimensions are negative. The study indicates that the largest negative gap score is obtained in empathy (-0.5668) service quality dimensions followed by reliability (-0.5583), responsiveness (-0.5531), assurance (-0.3669), price (-0.1197) and tangibility (-0.3170). The largest negative gaps combined with assessment of where expectations are highest, facilitates prioritization of performance improvement. Equally, if gap scores in some aspects of service do turn out to be positive, implying expectations are actually not just being met but exceeded, then this allows managers to review whether they may be "over-supplying" this particular feature of the service and whether there is potential for re-deployment of resources into features which are underperforming. From this analysis the researcher infers that the dimensions of empathy, reliability, responsiveness, assurance, tangibility, price and accessibility, are to be used to improve the service performance of the bank. In addition, the analysis of the data shows that the overall service quality has a mean value 3.32. This shows that the overall performance measure of service quality of CBE is good while still needs higher performance, as rated by the respondents of this study. The overall satisfaction level of customers was measured using five point Likert scale ranging from highly dissatisfied (1) to highly satisfied (5). (51%) of the respondents are satisfied, 5% are strongly satisfied, and 23% are neither dissatisfied nor satisfied. The remains 13% and 8% are dissatisfied and highly dissatisfied. There is also mean

value 3.32 that shows the overall customer satisfaction is above the average but it needs further improvement to satisfy all the bank customers. The correlation analysis also shows that all service quality dimensions were associated each other and also associated with overall service quality and customer satisfaction, The service quality associated with empathy like giving individual attention, having convenient operating hours, giving personal attentions to customers, having best interests at heart, and understanding the specific needs of the customer are critical points to evaluate the bank services in CBE Addis Ababa branch.

The service quality associated with reliability are delivery of bank services on promises in a timely manner, performs services right the first time, checking whether employees are sympathetic to solve customers' problem or not, delivering bank services on time, and transacting error free records

The service quality associated with responsiveness like tell exactly when services are provided, give prompt service, willing to help customers, not too busy to respond customers' request are also critical points to evaluate the quality of banking service at CBE. In addition to this, the service qualities associated with assurance like the behaviors of employees, feel safe in their transaction with CBE, consistently courteous with customers, and knowledge to answer customers' questions are another aspect that bank customers use to evaluate the service quality of CBE Addis Ababa branch.

However, the next chapter draws the general findings and conclusion based on the questions being raised by the present study. Additionally, certain recommendations are forwarded with an objective to help improving the bank its service quality provisions and associated customer satisfaction based on the conclusion drawn.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Findings

The main objective of the study was to examine the current level of customers' expectations and perceptions of bank service of CBE Addis Ababa branch.

The study was conducted by distributing 100 questionnaires to bank customers of CBE Addis Ababa branch, all respondents were found to be completely filled and used for the purpose of data analysis.

A comparison of customers' actual perceptions of service quality with their expectations indicated that there exist negative gap across all the dimensions. All attributes has negative mean scores indicating that customers rated service quality of CBE Addis Ababa branch as below their expectations.

Grand mean scores are computed on the basis of expectations, perceptions and gap scores for each dimension. The grand mean scores of the SERVQUAL DIMENSIONS were obtained by summing the data through SPP about each statement, and dividing by the number of items in each dimensions. The results show that there are significant differences between expectations and perceptions of all dimensions as indicated.

Empathy showed the highest gap score (-0.5668), followed by reliability (-0.5583), responsiveness (-0.5531), assurance (-0.3669), tangibility (-0.317), accessibility (-0.2104) and price (-0.1197).

The study results also showed that the overall service quality of CBE Addis Ababa branch mean value is 3.5. This indicates that the performance of the bank needs improvement in related to service quality to effectively compute in the banking industry. In addition to this, the overall satisfaction level of the customers mean value is 3.4 this indicates that customers were slightly dissatisfied with the serve provided by CBE Addis Ababa branch. From Paired sample T-test, the study revealed is a significant gap between mean score of perception and expectation on "Accessibility", Price, Accessibility, Assurance Reliability, Empathy and "responsiveness: service quality dimension in CBE Addis Ababa Branch while the mean score gap between

perception and expectation for “tangibility” service quality dimension is statistically insignificant.

From the correlation analysis, it is found that “Tangibility ($r = 0.647$, $p < 0.01$), “price”, ($r = 0.564$, $p < 0.01$), and “Accessibility” ($r = 0.537$, $p < 0.01$) had a strong positive correlation with overall customer satisfaction while “Assurance” ($r = 0.384$, $p < 0.01$), Reliability ($r = 0.373$, $p < 0.01$), “Empathy” ($r = 0.291$, $p < 0.01$) and “responsiveness” ($r = 0.343$, $p < 0.01$) showed a moderate positive interrelation with overall customer satisfaction.

Generally, the findings of the study indicates that empathy is the most significant service quality dimension that influences overall service quality of CBE Addis Ababa branch followed by reliability, responsiveness, respectively.

5.2. Conclusions

A comparison of customers’ actual perceptions of service quality with their expectations indicated that there exist negative gaps across all the attributes. The results of the study showed that all dimensions had negative mean score. In general, the grand mean scores of the SERVQUAL dimensions were negative this indicating that CBE Addis Ababa branch provided lower overall service quality from customers’ expectations.

Respondents were asked to rate their feelings towards the overall service quality of the bank using five point likert – type scale. The study results showed that 54 percent respondents were agreed, 19 percent of the respondent’s neither agreed nor disagreed 14 percent of the respondents were disagreed, lastly the remaining 9 percent and 4 percent of the respondent’s was strongly agreed and strongly disagreed respectively. In addition to this, the mean value of overall service quality (3.5) shows that the quality of bank services in Addis Ababa branch still needs further improvement. Similarly respondents were asked to rate their feelings towards the overall customer satisfaction of bank services of CBE Addis Ababa using five point Likert-type scale. The study results showed that more than half of the respondents (51 percent) were satisfied, and 23 percent of the respondents’ opinion was neither satisfied nor dissatisfied with service quality of CBE Addis Ababa branch ,13 percent of the respondents were dissatisfied and the remaining 8 percent and 5 percent) of respondents opinion were highly dissatisfied and highly satisfied respectively. In addition to this, the mean value of overall customer satisfaction (3.4). This

indicates that customers were slightly dissatisfied with the service provided by the bank Addis Ababa branch.

5.3. Recommendations

Based on the above conclusions, the following recommendations are drawn:

- In order to meet customers' perceptions and their expectations of bank service quality, CBE Addis Ababa branch should work hard across all the service quality dimensions being reported by the study empathy, responsiveness, reliability, assurance, and accessibility based on the given sequence.
- The results of the research findings indicates that the quality of bank services in CBE Addis Ababa branch needs further improvement and because of this reason all the bank customers are not satisfied with the service provided by the bank. Thus, the bank (Addis Ababa branch) should improve the quality of its services.
- In order to alleviate the problems associated with empathy focus should be assigned sufficient number of lobby man, tellers and those staffs that concern these tasks, and emphasis should be placed on selection and training of concerned employees in the bank.
- In order to minimize the problem associated with responsiveness, the bank should focus on telling the customers exactly when services are provided, giving prompt service, willing to help customers and not too busy to respond customer's request.
- The result of this study indicated that the bank should focus on performing the promised services dependably and accurately.
- CBE Addis Ababa branch should be able to encourage its employees to inspire trust and confidence about safe transaction and to answer customers' questions consistently and courteously.
- The higher official of the bank should direct their attention towards the proper allocation of ATM machines convenient to their customers, and emphasis should give proper function of the ATM machines.
- The bank should be given good explanations about the services that will be charged, its amount charge reasonable fees for administration and balance amounts from service charges.

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Appendix I: Questionnaire in English



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

Questionnaire for customers of Commercial bank of Ethiopia in Addis Ababa branch

Dear Participant

I am a post graduate Second year student at St. Mary's University in Business Administration and conducting a survey study on Customers' Expectations and Perceptions of Service Quality in Commercial bank of Ethiopia especially in Addis Ababa branch. Therefore, you are kindly requested to participate in the survey intended to assess the level of service quality and customer satisfaction of CBE in Addis Ababa Branch. The first section of the questionnaire is focused on your personal profile; the second section of the questionnaire is focused on your expectation of the service quality of your bank and the third part focuses on your perception of the service quality of your bank. Please feel free to share your comments about any specific issues you think and your level of agreement about the services that you expect and perceive from CBE in Addis Ababa branch. The information is totally required for academic purpose and shall be kept strictly confidential. I am Master's student of St. Mary University department of Business Administration. Thank you very much in advance for your cooperation and time. Use the following responses from 1 to 5 to answer, where, strongly Disagree to Strongly Agree. If you feel a feature is not at all essential for excellent bank companies, make a "√" mark in number "1". If you feel a feature is absolutely essential, make a "√" in number "5". If your feelings are less strong, select one of the numbers in the middle.

Sincerely yours

Fantayekassaw

Post graduate student

Section I

Respondent's profile

Please circle one from each statement.

1. Please what is your gender?
A. Male B. Female
2. Please select your age group.
A. below 21 years B. 21 - 34 years C. 35 - 50 years D. over 50 years
3. Please indicate the highest level of education you have attained
A. Did not complete high school B. Completed high school C. completed college diploma D. obtained a bachelor degree E. Post graduate degree (masters or doctorate degree)
4. What is your Occupation?
A. Government Employee C. Self-employee
B. Private Employee D. Student
E. Trader F. Others
5. What is your frequency of visiting the branch to use its service?
A. Daily B. Weekly C. Two times a month D. Monthly E. More than a month
6. How long is the period, since you established relationship with the bank?
A. Less than 1 year B. 1- 5 years C. 6-10 years D. 10-15 years E. More than 15yrs
7. What is your monthly salary income?
A. under 1,000 birr B. 1,000 - 2000 birr C. 2001 - 4000 birr
D. 4001 - 8,000 birr E. Over 8,000 birr

Section II

Customer Expectation: it means what you require and what you hope to get.

No.	Service Dimensions and Statement of evaluation	Rating Scale				
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
	Tangibility					
1	The bank has up-to-date equipment and technology					
2	The physical facilities (buildings, chairs, tables, parking areas and others) of Addis Ababa branch are visually appealing.					
3	Employees of Addis Ababa branch are professional dressed.					
4	The materials (pamphlets, statements, magazines, brochures and others) in Addis Ababa branch are visually appealing.					
	Reliability					
5	Addis Ababa branch delivers on promises in a timely manner.					
6	The employees of Addis Ababa branch are sympathetic to solving customer problems.					
7	Addis Ababa branch performs services right the first time.					
8	Services in Addis Ababa branch deliver on time.					
9	Addis Ababa branch insists on error-free records.					
	Responsibility					
10	Customers at Addis Ababa branch are told exactly when services will be provided.					
11	Employees in Addis Ababa branch give prompt service					
12	Addis Ababa branch employees are always willing to help customers.					
13	Employees in Addis Ababa branch are never too busy to respond to customers' requests.					
	Assurance					
14	The behavior of employees in A.A branch					

	instills confidence in customers.					
15	I feel safe in all transactions of Addis Ababa branch.					
16	In Addis Ababa branch, employees are consistently courteous with me.					
17	Employees in Addis Ababa branch have the knowledge to answer customers' questions.					
	Empathy					
18	Addis Ababa branch gives me individual attention.					
19	The operating hours of Addis Ababa branch are convenient to all of its customers.					
20	Employees of Addis Ababa branch give their customers personal attention.					
21	Addis Ababa branch has a customer's best interests at heart.					
22	Addis Ababa branch employees understand the specific needs of their customers.					
	Price					
23	Addis Ababa branch gives good explanations of service fee to its customers.					
24	Addis Ababa branch charges reasonable fees for the administration of the accounts.					
25	Addis Ababa branch properly balances amounts from which service charges begin.					
	Accessibility					
26	Addis Ababa branch has sufficient number of ATMs around its location.					
27	Addis Ababa branch has convenient branch locations.					
28	In Addis Ababa branch, waiting a service is not too long.					
29	Addis Ababa branch has extended working hours to provide services to its customers.					
30	Addis Ababa branch has convenient ATM locations.					

Section III

Customer Perception: it means what you expect from the organization.

No.	Service Dimensions and Statement of evaluation	Rating Scale				
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
	Tangibility					
1	The bank has up-to-date equipment and technology					
2	The physical facilities (buildings, chairs, tables, parking areas and others) of Addis Ababa branch are visually appealing.					
3	Employees of Addis Ababa branch are professional dressed.					
4	The materials (pamphlets, statements, magazines, brochures and others) in Addis Ababa branch are visually appealing.					
	Reliability					
5	Addis Ababa branch delivers on promises in a timely manner.					
6	The employees of Addis Ababa branch are sympathetic to solving customer problems.					
7	Addis Ababa branch performs services right the first time.					
8	Services in Addis Ababa branch deliver on time.					
9	Addis Ababa branch insists on error-free records.					
	Responsibility					
10	Customers at Addis Ababa branch are told exactly when services will be provided.					
11	Employees in Addis Ababa branch give prompt service					
12	Addis Ababa branch employees are always willing to help customers.					
13	Employees in Addis Ababa branch are never too busy to respond to customers' requests.					
	Assurance					
14	The behavior of employees in A.A branch instills confidence in customers.					
15	I feel safe in all transactions of Addis					

	Ababa branch.					
16	In Addis Ababa branch, employees are consistently courteous with me.					
17	Employees in Addis Ababa branch have the knowledge to answer customers' questions.					
	Empathy					
18	Addis Ababa branch gives me individual attention.					
19	The operating hours of Addis Ababa branch are convenient to all of its customers.					
20	Employees of Addis Ababa branch give their customers personal attention.					
21	Addis Ababa branch has a customer's best interests at heart.					
22	Addis Ababa branch employees understand the specific needs of their customers.					
	Price					
23	Addis Ababa branch gives good explanations of service fee to its customers.					
24	Addis Ababa branch charges reasonable fees for the administration of the accounts.					
25	Addis Ababa branch properly balances amounts from which service charges begin.					
	Accessibility					
26	Addis Ababa branch has sufficient number of ATMs around its location.					
27	Addis Ababa branch has convenient branch locations.					
28	In Addis Ababa branch, waiting a service is not too long.					
29	Addis Ababa branch has extended working hours to provide services to its customers.					
30	Addis Ababa branch has convenient ATM locations.					

General questions

Please state your level of agreement with each of the following statements. Please circle one number for each statement.

31. The overall banking service quality of CBE is excellent.

a. Strongly Agree b. Agree c. Neutral d. Disagree e. Strongly Disagree

32. To what extent do you satisfy from the banking services of CBE?

a. Highly satisfied b. satisfied c. Neutral d. dissatisfied e. Highly Dissatisfied

Thank you for your effort and time taken in fulfilling this questionnaire.