



ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES

DEPARTMENT OF BUSINESS ADMINISTRATION

**THE EFFECTS OF SERVICE QUALITY ON CUSTOMER
SATISFACTION IN ETHIOPIAN PRIVATE BANKS INDUSTRY: THE
CASE OF AWASH BANK S.C. IN ADDIS ABABA**

BY

MASTEWAL TESFAYE

JUNE 2021

ADDIS ABABA, ETHIOPIA

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SGS/0148/2011A

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE
STUDIES IN PARTIAL FULFILLMENT FOR THE REQUIREMENTS OF DEGREE OF
MASTERS OF ART IN BUSINESS ADMINISTRATION.**

JUNE 2021
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BOARD OF EXAMINES APPROVAL SHEET

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DECLARATION

I, the undersigned, declare that this thesis “THE EFFECTS OF SERVICE QUALITY ON CUSTOMER SATISFACTION IN ETHIOPIAN PRIVATE BANKS INDUSTRY: THE CASE OF AWASH BANK S.C. IN ADDIS ABABA” is my original work, prepared under the guidance of Berhanu Endeshaw (PHD). All sources of materials used for this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or full to any other higher learning institution for the purpose of earning any degree.

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St, Mary’s University, Addis Ababa

Signature

June 2021

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Advisor

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Signature

June 2021

ACKNOWLEDGEMENT

I would like to express my gratitude to almighty god for giving me endurance and strength in accomplishing my thesis work.

My heartfelt thanks and sincere appreciation go to my advisor Berhanu Endeshaw (PHD). He is the one who inspire and helped me explore my areas of interest and commitments in assisting me in shaping this research paper patiently.

I would like to forward my honest appreciation to Awash Bank S.C.'s management for their unreserved support in providing me detail information.

My deepest appreciations also go to my dearest parents.

Lastly, I wish to thank my classmates.

I remain grateful to you all.

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ABBREVIATION AND ACRONYMS

ATM -	Automatic Teller Machine
BSQ -	Banking Service Quality
CPQ -	Customer Perceived Quality
NBE -	National Bank of Ethiopia
SERVPERF -	Service Performance
SERVQUAL -	Service Quality
SQ -	Service Quality
SYSTRA-SQ -	System Transactional Service Quality
TVET -	Technical and Vocational Education and Training
VIF -	Variance Inflation Factor

ABSTRACT

The main objective of this study was to investigate the effect of service quality on customer satisfaction in Ethiopian private banks industry: the case of Awash Bank S.C. in Addis Ababa. To achieve the study objectives, explanatory research design along with quantitative approach was applied. A sample of 385 customers of Awash Bank S.C. in Addis Ababa was contacted through convenience mixed sampling method. Survey questionnaire was used to collect the primary data and a total of 296 valid responses were obtained for analysis. Using SPSS 20 statistical application software, both descriptive analysis and inferential analysis, and both correlation and multiple linear regression analysis were conducted to attain the intended objectives. The results showed that all the four dimensions of System Service Quality ($B=0.287$), Behavioural Service Quality ($B=0.117$), Machine Service Quality (0.392), and Service Transactional Accuracy ($B=0.251$) have significant positive effect on customer satisfaction. The p -value (significance value) of all the independent variables was below 0.05. Therefore, the result reveals that service quality dimensions had positive and significant effect on Customer Satisfaction in the case of Awash bank in Addis Ababa. Further improvement on system and machine service quality of the bank should be required to enhance sales performance of the company.

Keywords: *System Service Quality, Behavioral Service Quality, Machine Service Quality, Service Transactional Accuracy, Customer Satisfaction, Awash Bank Company*

CHAPTER ONE

INTRODUCTION

1.1. Background of The Study

Service sector is the lifeline for the social economic growth of a country. It has become the largest part of economy due to increasing rate of urbanization, privatization and more demand for intermediate and final consumer services in many countries (Kotler and Armstrong, 2012). As part of the service sector, development of financial industry plays a significant role in economic development promotes capital accumulation and technological advancement by boosting savings rate, optimizing the allocation of capital, mobilizing, and pooling savings, and facilitating and encouraging foreign capital inflows (Ibboston, 2010). Amongst others, commercial banks take the lion-share of the financial industry. However, the stiff competition amongst private banks has become a bottleneck that escalates the need for providing quality services to survive and sustain in the market. Service quality has become an important factor for reputable success in the ever-growing stiff competition of banking area. In order to survive in such intensively competitive sector, banks need to identify factors that affect their service quality so as to ensure their customer satisfaction (Wicks, 2009).

Innovative strategies together with technology are introduced by the banking sector in order to enhance their service quality, which is important to attract and retain rational customers, and finally improve their performance as the customers highly expect efficient services in such a competitive market (Wasantha, Ali and Goash, 2015). Adhikari (2016) explained that the importance of service quality has been gaining momentum over the years as the improvement in service quality is likely to enhance the degree of customer satisfaction, which, in turn, helps a bank to retain its existing customer base in a highly competitive regime. Extant researchers have identified that customer satisfaction and service quality are most important factor to achieve the goals of banking sector (Bharwana, Bashir and Mohsin, 2013; Ramseook, Lukea and Naidoo, 2010; Silva, 2009).

The banking industry, as the main aspect of the financial sector in Ethiopian economy, provides very important and productive strategy to manipulate stability of the sector through achieving financial inclusion, maintaining favourable asset, and balancing capital and liquidity level of the economy (Silva, 2009). This is for the fact that commercial banks in the country are key players

in financial operations and act a significant role in keeping a country's economic operation as smooth as possible through facilitating money deposit, taking loans, exchanging currencies and supporting other finance intermediately activities (Morawakage and Kulathunga, 2013). With the heavy competition among commercial banks to attract and retain customers, they introduce different strategies to maximise customer satisfaction, which is very important for banks' performances, of which continuous improvement in service quality is one of the prominent key strategies.

In this regard, Awash bank is one the pioneer private bank in Ethiopian financial sector established in 1994 and started banking operations a year later. It was named after the popular river "Awash" which is the most utilized river in the country especially for irrigation and hydroelectric power. As of June 2014, the Bank has 150 branches spread throughout the country. Over a period of years, the earnings per share, the number of branches and types of service provided by the bank increased. All city branches and almost two third of the outlying branches are providing on-line services (National Bank of Ethiopia, 2020). However, the bank has been facing challenges to attain its target of attract new customers as well as maximizing the annual profit based on previous years (Ayinalem, 2020). Besides, according to customer grievances handling department database, customer complaints have been escalating time to time regarding system interruption, employees' lack of interest and empathy, unreliability of Automatic Teller Machine (ATM). This can be taken as implication of service quality incompetency, both functional and technical levels.

The increasing awareness among customers and their rights, changes the demand pattern that requires constant progress in service quality from the bankers to satisfy their customers (Robert, 2014). In literature, many researchers have studied the effect of service quality of banks on customer satisfaction (Chang 2015; Felix, 2017; Gupta and Agarwal, 2013). Same is true in Ethiopian context that have been carried out a number of studies on the subject, but, most (not all) of the empirical studies attempt to measure bank service quality by replicating or adapting the Service Quality (SERVQUAL) and Banking Service Quality (BSQ) scales focusing on gap assessment between expectation and perception of customers. However, though service in the retail banking sector has been the focus of a number of studies and dearth of empirical evidence related to the effect of service quality on customer satisfaction, to the best knowledge of the student researcher, none of these studies has taken the Gronroos model of service (functional and technical) quality.

By adapting Gronroos model, Abdullah and Fransis (2002) created or proposed System Transactional Service Quality (SYSTRA-SQ) model which combines functional quality and technical quality dimensions. The model helps to investigate a functional quality of an organizational level performance as a heuristic system (service-system attributes) and the operational or transactional level as technical quality of staffs and the bank system. Specifically, it focuses on service-system as a functional quality and the operational (in terms of behavioral, machine and transactional) as technical quality of employees and the bank system.

This study, thus, attempts to explore the effect of service quality on customers satisfaction in Ethiopian private commercial banks context taking Awash bank S.C. as case. It may help to the bank managers to identify what kind of factors are highly influential to improve their weaknesses and help to take remedial measures to improve satisfaction results in enhancing the performance of banking industry.

1.2. Statement of The Problem

Provision of quality service is a corner stone of any business firm indulged in service sector to survival and sustainable competitive advantage. Service quality enables to fulfill not only the present needs of customers satisfactorily but also to anticipate emanated future needs. The ability to anticipate the future needs of customers allows business firms to delight their customers through quality services on consistent basis in which it subsequently enhances organizational performance and loyalty level towards their brand or company image. (Zeithaml, 1988; Wisniewski, 2001). The utilization of service quality as a marketing strategy for gaining competitive advantage in a market-driven system has been well recognized by the financial institutions. However, in current highly competitive corporate environment, it has become increasingly important to distinguish the system (functional) and operational (technical) quality of the intended service in the context of approaching holistic firm performance as a system quality and employee behavioral orientation, machine adaptation to facilitate the system and the transactional process as operational quality.

As a key to business success of any banking institutions, customer satisfaction becomes in a limelight due to stiff competition where organizations are trying to take competitive advantage through their organizational integrity, human resources and customer transaction (Singh, 2011). Sustainably to stay in a competitive environment and deliver acceptable financial returns, managers must know how to handle changes which are unexpected by cementing on customer

satisfaction (Naseemetb, 2011). In this regards, Awash bank strives for considering various antecedents of service quality in order to have delighted customers and to enhance its sales performance and profitability (Hackl, 2010). Despite the subject of service quality has been studied and debated over the past two decades, Asubonteng (1996) asserts the importance of management's ability to understand what constitutes service quality and how to appropriately measure it in order for subsequent actions to be taken so as to make improvements and increase value to customers.

Substantial work has been done to understand the nature and dimensions of service quality and customer satisfaction across many different service settings. The Ethiopian private banking industry has been known and in the front-line in continuously improving diversified patterns of banking service due to an active participation of local stakeholders such as national bank, stockholders, customers and employees (Ermias, 2014). Due to promoted deregulation by government, in order to encourage the investors to participate in the banking sectors, results in escalating the number of banks in the market, brought stiff competition and difficulty among the banks. In this competitive environment, each bank wants to attract new potential customers and retain the existing ones to ensure its survival and keep its own competitiveness in the market. This can be achieved through providing quality services to customers. Failure to do so would lead to bankruptcy or make organizations out of competition. Awash bank is not far from this facet.

Awash bank, as a private bank, works within the limits prescribed by National Bank of Ethiopia (NBE) to stimulate business and trade activities. The bank has rigorously been working on expansion in its networks, size and structure due to the requirement of international banking standards (NBE, 2018). To attain the intended expansion sustainably, its resource capacity and service reputation take the lion-share (Abdullah and Fransis, 200). the reputation emanates from its prominent banking service quality but defection of loyal customer as well as failure in achieving the targeted sales volume and target profit are an implication of service incompetency against strategic competitors.

Extant researches revealed that service quality is a key differentiator especially very critical in a highly competitive environment through satisfying their customers (Robert, 2016; Ahmad, 2010; Bitner, 2001; Portela & Thanassolis, 2005). Nonetheless, their investigations are based on customer expectation and their perception of the service outcomes measured based on prominent

service gap models such as SERVQUAL and BSQ. However, according to Gronroos (1994), customer satisfaction is determined by functional and technical qualities of the service provided.

Abdullah and Fransis (2002) proposed a model to measure customer satisfaction based on the banking service quality. The model focuses on factors such as the overall organizational integrity, the efficiency and sufficiency of adapted machines and equipment, the competency and behavioral attitude of employees and transactional accuracy in terms of customer's experience of errors in transactions and employees' mistakes when performing banking services. These perspectives are the areas which little attention has been paid to the study of service quality in the Ethiopia private banking industry. This model can be taken as a holistic approach to measure customer satisfaction through the provision of quality banking service.

Thus, the aim of this study is to investigate the effect of banking service quality on customer satisfaction taking Awash bank S.C. in Addis Ababa as a case. Since private banks strive for further expansion, it needs a continuous assessment than any of the other financial institutes in Ethiopia. This study might go a long way in helping Awash bank managers and policy makers understand in their quality deliverance and develop improved quality service to their respective customers.

1.3. Research Questions

The main question is how banking service quality affect the overall customer satisfaction in the context of Ethiopian private banking industry. Through addressing the following specific research questions, the main objective of this study is achieved. The research questions are:

- 1- What is the effect of service system quality on customer satisfaction of Awash Bank?
- 2- What is the effect of behavioral service attributes of employees on customer satisfaction?
- 3- What is the effect of machine service quality on customer satisfaction of Awash Bank?
- 4- What is the effect of transactional accuracy on the customer satisfaction of Awash Bank?

1.4. Objectives of the Study

1.4.1. General Objective

The main objective of this study is to investigate the effect of service quality on customer satisfaction in the case of Ethiopian private banks in the case of Awash bank, Addis Ababa.

1.4.2. Specific Objectives

- i. To evaluate the effect of system service quality on customer satisfaction
- ii. To examine the effect of behavioral service quality on customer satisfaction
- iii. To evaluate the effect of machine service quality on customer satisfaction
- iv. To evaluate the effect of service transactional accuracy on customer satisfaction

1.5. Significance of the Study

The advancement of new technologies in the banking industry has enforced banks to improve their service quality to survive and sustain in the market. The provision of quality service is one of the critical foundations for service provider companies, financial institutions in particular. In course of assuring striving for assuring customers satisfaction, service qualities in a holistic manner should be designed and provided to the targeted customers.

This study will contribute to the marketing literature in the banking industry. From the academic point of view, it will examine the service marketing constructs in the banking industry. The findings of this study would enhance the current understanding of customers' satisfaction and its relative constructs such as service quality perceptions in Ethiopian private banking industry. It may contribute to the existing knowledge in terms of pin pointing the relationship of service quality on customer satisfaction from the perspective of system, employees, machine and customers' transactional accuracy.

In this regard, private commercial banks will have the opportunity to understand which service quality will have the significant effect on delighting or exceeding their service users' expectations. From the practical perspective, this study will benefit bank management in the industry. The research findings will provide information about different customer characteristics and backgrounds which affect their evaluation of service quality and other satisfaction constructs. The research findings may help the bank managers and marketers to develop and implement marketing strategies and policy to deliver quality services to their bank customers. This may help them to enhance their service system, human resource competency, technological infrastructure and their transactional accuracy. On top of that consumers will be benefited from quality services rendered by competitive banks. Further it also serves as a springboard for future studies on the subject matter.

1.6. Scope of the Study

The scope of the study is delimited for sake of managing the overall process of the survey within the capacity of the student researcher. Hence, it has to be delimited geographically, conceptually and methodologically as necessary.

Geographically limited to Addis Ababa, the capital city of Ethiopia, for the reason that the head-quarter of Awash bank and about one third of its branches are located in the city. Thus, due to their service homogeneity, representativeness of customers dwelled in the city is justifiable. Bank customers other than Awash bank in Addis Ababa, were thus intentionally excluded.

Meanwhile, though there are a number of factors that affect the overall customer satisfaction, this study conceptually sought to evaluate the overall customer satisfaction only from service quality perspective in terms of system, behavioral, machine and transactional service quality dimensions. Other factors like service charge, promotion, place and the likes were intentionally excluded as they were out of the scope of this study.

As far as methodological delimitation, the study took primary data that were collected from individual Awash bank customers who had active account in the bank through convenience sampling technique. Other stakeholders like managements, other staffs and shareholders were also intentionally excluded as there were out of the scope of the study.

1.7. Limitation

Although the study focused on the relationship between service quality and customer satisfaction, other mediating and moderating factors such as service charge, location, culture (emergence of Islamic banking services) are ignored. These might put their adverse influences on the wholeness or generalizability of the output of the findings. Similarly, the image of the banks in consumer mind would also affect the overall reputation of the organizations due to different socio-political orientation as the emerging banks now a day are either political parties or ethnic centered. Lack of dissemination of bank activities to the society in regard to their respective integrity, social responsibilities, profitability and other important issues limit the awareness of the end users. Thus, respondents might have limitation in understanding the overall operation or service delivery of a given bank.

1.8. Organization of the Study

This thesis is categorized into five main chapters. The first chapter refers introduction of the study which includes the background, the problem statement, the research objectives, hypotheses, significance and scope of the study. The second chapter focuses on literature review. It contains relevant theories, conceptual and empirical discussions leading to identification of research gaps and the conceptual framework. The third chapter presents the research design, target population, sampling methods, sample size, data collection instruments to be used as well as method of data analysis and presentation. The fourth chapter presents demographic characteristics, descriptive and inferential statistics analysis, findings and their interpretations. The last chapter consist summary of major findings, conclusions and recommendations of the research study.

CHAPTER TWO

REVIEW OF THE RELATED LITERATURE

2.1. Theoretical Review

2.1.1. What is Service?

Service industries are playing an increasingly important role in the overall economies of the countries of developed and developing countries. The 21st century is considered to be as the service industry and scholars have tried to define service and to explain what service constitutes. There are many definitions regarding the concepts of service. Services are deeds, processes, and performances (Parasuraman, 1985). Gronroos, (1984) defined service as an activity or series of activities of more or less intangibles nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of service provider, which are provided as solutions to customer problems. Similarly, Kotler (2000) defined service as any activity or benefit that one party offers to another which is essentially intangible and does not result in the ownership of anything, and it may or may not be tied to a physical product.

The above two definitions of service state that services include all economic activities which are intangible, not physically apparent like products, which provide value to the customer. Service has become very crucial in all business industries due to the transformation from agriculture to industrial sector, increase number of aged people, double income, and a need for leisure time (Clow, 2002). Services are now seen in almost every part of our life, starting from the most essential demands, like eating to other entertainment activities, such as sport, travelling, etc. Service is found on all companies' strategic tools for gaining a competitive advantage. Nowadays products heavily rely on its services to acquire competitive advantage, and to satisfy customers' needs (Kotler, 2012)

2.1.2. Service Quality

Service quality has become a major area of attention during the past few decades for managers, researchers, practitioners because of its huge impact on business performance of firms. Customers judge service quality relative to what they want by comparing their perceptions of service experiences with their expectations of what the service performance should be. Marketers

described and measured only quality with tangible goods, where as quality in services was largely undefined and not researched (Parasuraman, 1985).

Service quality has become a key strategic factor for companies to differentiate their products and services from other competitors by using service quality as a process that customers evaluate. Many researchers suggest that customers' assess service quality by comparing what they feel a seller should offer and compare it against the seller's actual service performance (Gronroos, 1984). The importance of quality to firms and customers is unequivocal because of its benefits contributing to market share and return on investment (Parasuraman, 1985).

Service quality has been defined in literature as an overall assessment of service by the customer. Perceived service quality is believed to be resulting from comparison between customers' prior expectations about the service and their perceptions after actual experience of service performance (Parasuraman, 1985). Service quality has been increasingly recognized as a critical factor in the success of any business (Parasuraman, Zeitham & Berry, 1998). Also, Ladhari (2008) supported the role of service quality and stated that it is considered as an important tool for a firm's struggle to differentiate itself from its competitors.

Service quality has been defined by many researchers through time. Parasuraman, (1985) defined service quality as a function of the differences between expectations and performance along the quality dimensions. Roest and Pieters' (1997) also share a similar definition that service quality is a relativistic and cognitive discrepancy between experience-based norms and performance concerning service benefits. Another definition of service quality is by Bitner, (1994) stated that service quality as the consumer's overall impression of the relative inferiority/superiority of the organization and its services. Parasuraman, (1985) stated that service quality is more difficult for the consumer to evaluate than goods quality, service quality perceptions result from a comparison of consumer expectations with actual service performance and that quality evaluations are not made solely on the outcome of a service, they also involve evaluations of the process of service delivery.

According to Gronroos (1994) there are three types of service quality outcome, the technical quality, the function quality and the corporate image: the technical quality, which involves what the core service received by customer from the service delivery; functional quality, which involves the manner in which the service is delivered; and corporate image dimension of quality is the result

how consumers perceive the firm, and it is expected to be built up mainly by the technical and functional quality of its services, and will eventually affect service perceptions.

Similarly, Lehtinen & Lehtinen J.R (1991) offered another model with three dimensions of service quality: physical, interactive and corporate. Physical quality is about the quality of physical products involved in service delivery and consumption. Interactive dimension refers to the interaction between the customers and the service organization employees. Corporate quality refers to the corporate image as perceived by the customer. Parasuraman (1985) suggested the —Gap Model in order to serve as a framework for further research.

2.1.3. Service Quality Measurement Models

Many later studies have tried to apply the concept of service quality to many specific industry contexts by building on existing models of service quality, notably the SERVQUAL model by Parasuraman (1988) and the Functional and Technical quality model of Gronroos (1984). Ahmad & Sungip (2008) in a study of service quality in Malaysian insurance industry found reliability and responsiveness were the main driving forces of service quality problems since their study showed that the gap between customers' expectation and perception was widest for reliability, followed by responsiveness. Their study shed some light on the service quality dimensions that are critical to the insurance industry in Malaysian insurance industry and provided managerial implications for managing service quality with country-specific strategies.

Graham (2004) also researched into service quality in insurance service context in Greek and Kenya using the SERVQUAL instrument and found that the SERVQUAL metric requires substantial modification (customization) prior to its application. They reported that only 55% of items within the two scales used had universal application within the two industries is reason enough to be wary when applying SERVQUAL. They further found that, in the insurance industry context of Kenya and Greece, quality gaps that obtained were largely similar, that reliability and empathy were the most deficient. They noted that though tangibles dimension had the least impact on service quality, insurers tend to associate it with quality as a result of that insurers tend to have massive investment in magnificent structures at the expense of other needy dimensions of service quality. They suggested that future research is necessary to investigate the consistency and universality of the constituent attributes of the SERVQUAL diagnostic (whether applied with or without any modifications) as applied in insurance service contexts.

Cronin and Taylor (1992) believe that assessing customer perception is enough for evaluating service quality and it is unnecessary to measure customer expectations in service quality research. They oppose evaluating service quality by calculating the difference between customer perceptions and customer expectations (P-E). Indeed, they define Service Quality as a customer Perception (of Performance only) without expectations. They proposed that the performance-based measurement approach (SERVPERF) is more in conformance with the existing attitude and customer satisfaction literature and is superior to the perception-expectation gap approach.

The term "performance-only measures" refers to service quality measures that are based only on customers' perceptions of the performance of a service provider, as opposed to the difference (or gap) between the customers' performance perceptions and their performance expectations. Performance-only measures have been developed as a consequence of SERVQUAL assessment. These measures represent the idea that measuring perceptions of performance is enough to assess service quality. SERVPERF (Cronin and Taylor, 1992), consisting of the perceptions only part of the SERVQUAL scale, is the most renowned of these measures.

Methodologically, the SERVPERF scale represents marked improvement over the SERVQUAL scale. Not only is the scale more efficient in reducing the number of items to be measured by 50 per cent, it has also been empirically found superior to the SERVQUAL scale for being able to explain greater variance in the overall service quality measured through the use of single item scale. This explains the considerable support that has emerged over time in favor of the SERVPERF scale (Babakus and Boller, 1992). Though still lagging behind the SERVQUAL scale in application, researchers have increasingly started making use of the performance only measure of service quality (Cronin and Taylor, 1992). Also, when applied in conjunction with the SERVQUAL scale; the SERVPERF measure has outperformed the SERVQUAL scale (Babakus and Boller, 1992: Cronin and Taylor, 1992)

Teas (1993) questioned the validity of perception-expectation gap with conceptual and operational problem in the definition of the expectation. While perception (P) is definable and measurable in a straightforward manner as the customer belief about service is experienced, expectation (E) conceptualized owing to there are plenty definition for the term expectation in service quality literature where it is defined as 'normative expectation with concern to organization constraints such as human resource or facilities and equipment limitation or 'ideal expectation' without any

concern to limitation and constraint, it means what the customer would expect from excellent service. Initially, Parasuraman (1985, 1988) defined expectation as "desire or wants of customer; what they feel a service provider should offer rather than would offer."

2.1.4. Concept of Customer Satisfaction

Customer Satisfaction is "as an attitude-like judgment following a purchase act or a series of consumer product interactions" (Youjiae Yi 1990). "Satisfaction is merely the result of things not going wrong; satisfying the needs and desires of consumers." (Besterfield 1994); Customer satisfaction is "an experience-based assessment made by the customer of how far his own expectations about the individual characteristics or the overall functionality of the services obtained from the provider have been fulfilled" (Bruhn, 2003). Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used (East, 1997). According to Gyasi (2009) satisfaction is the process of customer overall subjective evaluation of the product/service quality against his/her expectation or desires over a time period.

Customer satisfaction involves customer expectation of the service delivery, actual delivery of the customer experience, and expectations that are either exceeded or unmet. If expectations are exceeded, positive disconfirmation results, while a negative disconfirmation results when customer experience is poorer than expected. Intense competition, the key to sustainable competitive advantage lies in delivering high quality service that will in turn result in satisfied customers (Shemwell, 1998).

Kolter and Armstrong (1999) defended the customer satisfaction as the customer's perception that compares their pre-purchase expectations with post purchase perception. Oliver (1997) defines satisfaction as "the consumer's fulfillment response", a post consumption judgment by the consumer that a service provides a pleasing level of consumption-related fulfillment, including under or over-fulfillment. Oliver (1981) point of view Customer satisfaction is the evaluation a customer makes to a certain exchange, which reflects the relation of the customer's expectation and their real perception to products and services they receive.

What is evident in most discussions of satisfaction (or even delight) is that consumer judgments are made by comparing the service that is experienced against some pre-existing standard. One of the commonest bases for comparison is that of perceptions against expectations. This is commonly referred to as the Disconfirmation Model of Satisfaction. In simple terms, when perceptions are

less than expectations the result is a negative disconfirmation, resulting in a negative evaluation and a lack of satisfaction.

Confirmation of expectations or a situation of positive disconfirmation (where performance exceeds expectations) will result in a positive evaluation, usually satisfaction but perhaps also delight. There are clear similarities between this perspective on customer satisfaction and the idea that service quality is derived from the gap between expectations of what should be received and perceptions of what is actually received. The key difference arises in the way in which expectations are specified. In the case of service quality, the starting point for a comparison is some notion of ideal expectations (what I should get); in the case of customer satisfaction, the starting point is predicted expectations (what I will get). Expectations provide only one comparison standard, although probably the most commonly used. Other comparison standards that may be relevant in satisfaction judgments include customer needs and a sense of what is fair/reasonable (equity theory).

Customer satisfaction is an outcome or a process, many early definitions conceptualized satisfaction as a process which is currently the dominant view held by most scholars (Oliver, 1980; Parasuraman et al., 1988). The process perspective presupposes that customer satisfaction is a feeling of satisfaction that results from the process of comparing perceived performance and one or more predictive standards, such as expectations or desires (Khalifa and Liu, 2002). This perspective is grounded in the expectancy disconfirmation theory proposed by Richard Oliver (Oliver, 1980). The customer is satisfied if the performance of product/service is equal to his/her expectations (positive disconfirmation) and he/she is dissatisfied if the product/service performance is perceived to be below his/her expectation (negative disconfirmation).

By taking satisfaction as a process these definitions do not focus on satisfaction itself but things that cause satisfaction, the antecedents to satisfaction, which occur primarily during the service delivery process. More recent studies view satisfaction as an outcome or end result during the process of the consumption of a service; it is viewed as a post-purchase experience (Vavra, 1997). A significant amount of marketing research is dedicated to measuring customer satisfaction and customer loyalty but especially customer satisfaction. Satisfaction ratings are major indicators of organizations competitiveness. Today, every extremely successful company makes a concerted effort to satisfy customers. The race to beat competitors in customers' satisfaction is a powerful

business objective because satisfaction is an overall indicator of how well customers rate a company's performance. (Gilbert and Gary 1999).

2.1.4.1. Determinants of Customer Satisfaction

Many factors drive customer satisfaction that need to be examined in order to reliably measure it. Customer satisfaction could be influenced by perceived service quality (functional, technical and image quality) and premium price (insurance-charge).

Perceived Service Quality - A service experience is defined as the service encounter and or service process that creates the customer's cognitive, emotional and behavioral responses which result in a mental mark, a memory" (Gronroos, 2005 in Edvardsson, 2005). It is generally accepted by most scholars that service quality basically relates to what the customer perceives of the product/service performance. Recent empirical studies have shown that customer satisfaction is not only driven by cognitive dimensions of customer perceptions of service quality but also by affective dimensions which have positive impact on post-purchase behavior like repeated purchase, customers loyalty, switching intention, and likelihood to recommend (Erevelles, 1998; Oliver, 1980; Oliver, 1993a). This is consistent with the work of two perceived service quality gurus, Gronroos and Edvardsson (Gronroos, 2001; Edvardsson, 2005), who postulate that perceived service quality is an important determinant of customer satisfaction that have both cognitive and affective dimensions beyond just cognitive assessment of customers of the offering of service providers. These service quality (SERVQUAL) gurus further maintain that perceived quality is formed by customers during their ongoing interactions with product/service providers. This is realized when customers are factored in as co-producers and involved in the process of production, delivery and consumption of service.

Service quality has been variously defined by different authors from different context. It has been referred to as customer perceived quality (CPQ), which is defined as the confirmation (or disconfirmation) of a consumer's expectations of service compared with the customer's perception of the service actually received (Gronroos, 1982). Asubonteng, McCleary, Swan (1996) defined service quality as the extent to which a service meets customers' needs or expectations. This view of service quality has been supported by Parasuraman, Zeithaml and Berry by defining the concept of service quality as "a form of attitude, related, but not equivalent to satisfaction, that results from a comparison of expectations with perceptions of performance. Expectations are viewed as desires or wants of customers, i.e., what they feel a service provider *should* offer rather than *would* offer.

" (Parasuraman, 1988). Generally, Christian Gronroos developed a service quality model that has three components of service quality, namely: technical quality; functional quality; and image. He maintains that the customer evaluations of perceived performance of service against his/her perceived service quality result in a measure of service quality.

The early conceptualization of service quality model is formed by Gronroos (1982, 1984). He believed that if a firm wants to be successful, it is vital for the business operator to understand the customers' perception on the service provided. Service quality management means matching the perceived quality with expected quality and keeping this distance as small as possible in order to reach customers' satisfaction. He suggested three dimensions of service quality. The first dimension, Technical (outcome) means what customers received as a result of interaction with a service firm. The other component is Functional (process) which means how a technical service received by customer. The way of service process is very important in customers' evaluation on the service quality. However, the service outcome received by the customers is upon their desire and the process of receiving service has influence onto the customers' evaluation and view of the service. By comparing these two factors of service the quality expected and received by the customers, we can get the perceived service quality. The third dimension of service quality in this model is Corporate Image which is the customers' view of corporate or brand. The customers' expectation is influenced by their view of the firm and it is the result of how customers perceived firm services. Therefore, the image is built up by the technical quality and functional quality.

There are other less important factors that can affect image such as: traditional marketing activities (i.e., advertising, pricing, and public relations), ideology, tradition, and word-of-mouth. It was the first attempt to introduce a real model for measuring perceived service quality. The main problem of this model was the lack of explanation for measuring technical quality and functional quality. In the years after, Rust and Oliver (1994) developed this model by adding one more dimension to Gronroos' (1984) model that is Service Environment. The other two dimensions suggested by them were called service product (i.e., technical quality) and service delivery (i.e., functional quality) but they did not test their model and a few supports were found using and testing this model.

Functional Quality - Many different models have been developed to explain and measure service quality in different settings of business operations (Nitin et al., 2005). Different service quality dimensions have been found in many different studies in different industry and service or product

context. One of the service quality categories that have been found to influence customer satisfaction is functional quality. Functional quality has been initially conceptualized in the GAP model which was proposed by Parasuraman, Zeithaml and Berry (1985). The model conceptualizes service quality to be the differences between expectation and performance relating to quality dimensions. These differences are referred to as gaps.

Again, many other generalize models of service quality have been developed, each postulating different quality dimensions. For example, according to Gummesson (1992) quality may be categorized into humanistic quality and technical quality approaches to service quality. According to the author, in service there is a humanistic quality approach at the one extreme stressing customers, personnel, leadership and culture, whereas at the other end lies a technical approach concerning operations management, statistics and methods of measurement. Gummerson divided quality into services, tangibles and software, but he stresses the importance of a total service offering. According to Lehtinen (1991) found service quality to be made up of physical quality, interactive quality and corporate quality, as well as process and output quality. They divided quality into input and output, where the output consists of total service offering in terms of quality, and the input includes both tangibles and intangibles elements.

Technical Quality - 'Technical quality' represents what the customer actually receives from the total service as a result of the process and is further known as the outcome dimension. Services are designed to produce a somehow 'tangible' outcome and therefore customers can think of the quality of services varying according to the outcome received (Grönroos, 1988).

Corporate Image - Aaker (1996) perceived image as the net result of all the experiences, impressions, beliefs, feelings and knowledge that people have about a company. Minkiewicz (2011) carried their study in leisure services context and defined it as "stakeholders' beliefs, perceptions, feelings and attitudes towards an organization". They further agreed with Bosch (2006) and expressed the possibility that these perceptions and feelings take shape through customer response to the strategic intent of the organization. Shlesinger (1993) stipulated that corporate image and service quality affect customers' choice of insurers as well as accepted level of price. Sirgy (1989) concluded that image has a direct relationship with store loyalty. Bloemer (1998) carried their study in banking industry and reported an indirect relationship between the above-mentioned constructs which is mediated by service quality.

Kandampully and Suhartanto (2000) stated that in tourism industry, image is a major determining factor behind customers' decision to repurchase and recommend. Ball (2004) concluded that though, there is a considerable association between image and loyalty, it is indirect in nature as satisfaction and trust mediate the relationship. Chun (2006) in their study concluded that in retail, positive image positively correlates with customer satisfaction which is a significant predictor of loyalty.

2.1.4.2. System Transaction Service Quality (SYSTRA-SQ) Model

Some of the empirical studies attempt to measure bank service quality by replicating or adapting the SERVQUAL scale, whereas some other researchers incorporate Gronroos' two-dimensional model (functional and technical aspects) to measure perceived service quality (Brady and Cronin, 2001). Hoecroft (1993) adopted Gronroos' two-dimensional conceptualization of service quality and used focus groups consisting of bank employees to identify their understanding of bank "quality customer service." A total of 29 measurement items 18 were identified and categorized in terms of functional and technical performance aspects. The result of Hoecroft's (1993) study support Gronroos' (1984) view that functional and technical qualities are important dimensions of perceived service quality.

Ennew and Binks (1999) studied the relationship between bank customers' (small business segment) and employees' participation in bank service provision. The authors conceptualized bank service quality from a functional and technical perspective as suggested by Gronroos (1984). The service quality dimensions: perceived price, core product, staff knowledge, advice offered, efficiency in operation and accessibility were found to affect consumer service quality perceptions (Ennew, 1999).

Aldaigan and Buttle (2002), based on the Grönroos's (1984) model, developed a scale to measure service quality perceptions of bank customers, which resulted in SYSTRA-SQ. SYSTRA-SQ consists of service system quality, behavioral service quality, service transactional quality, and machine service quality. They developed a 21-item scale SYSTRA-SQ to measure perceptions of service quality among bank customers. The scale consists of the four dimensions of service system quality ' (refers to the service organization as a system and includes such attributes as listening to customers, ease of availability and accessibility, speed of response, and organizational appearance) ; ' behavioural SQ ' (refers to how the service was performed by employees; ' machine SQ ' (the

reliability and performance of machines) and ‘ service transactional accuracy ’ (assessed perceptions of the accuracy of transactions in terms of both system output and employee output.

the scale has two conceptual features. First it distinguishes between the organizational level of service performance and the operational or transactional level. For instance, system service quality attributes that are strategic in nature suggests that they are not a product of the performance of any single employee or a group of employees, but rather are a product of bank procedures, system-wide service standards for the bank’s service positioning strategy. Second, the scale merges both functional and technical service qualities attributes within factors. For instance, system service quality combines accessibility (functional) with technical solutions (technical) in one factor. However, the other three factors do represent a transactional perspective on service quality both in terms of employees and the bank system. They clearly support Gronroos’ functional and technical quality dimensions. This new service quality scale is clearly conceptually rooted in the functional and technical service quality classification. Dimensions of SYSTRA-SQ in terms of Factors are briefly described as follows:

Factor – 1. System Service Quality – This factor is the strongest among the four. It represents the evaluation of service quality that can be clearly attributed to the service organization as a system rather than individuals within the system. It consists of a combination of items that are related to both functional and technical performance at an organizational level. The functional quality attribute includes listening to the customer, ease of availability and accessibility, speed of response and organizational appearance. The technical organizational attributes include quality of advice, flexibility and customized service solutions, promise fulfillment, employee empowerment and customer updating on services.

Factor – 2. Behavioral Service Quality - this factor represents the evaluation of how the service is performed by employees. It is composed of functional service quality/ behavioral attributes such as politeness, courtesy, friendliness and helpfulness of the employees. It also contains the employees service attitude.

Factor – 3. Machine Quality – this factor focuses on machine and equipment quality. It is related to the reliability of machines as well as their performances in terms of satisfactory output, when used by customers.

Factor – 4. Service Transactional Accuracy – this technical service quality factor focuses on employee and system accuracy. It is derived from the customer's experience of the frequency of errors in transactions and employee's mistakes when performing service for customers. This dimension is the measure of how accurate the transaction is as experience by customers in relation to both employee's and system outputs.

2.1.5. The Relationship between Satisfaction and Service Quality

Sureshchandar, (2003) identified that strong relationships exist between service quality and customer satisfaction while emphasizing that these two are conceptually distinct constructs from the customers' point of view. Spreng and Mackoy (1996) also showed that service quality leads to customer satisfaction. Customer satisfaction and service quality are inter-related. The higher the service quality, the higher is the customer satisfaction. Many agree that in the banking sector, there are no recognized standard scales to measure the perceived quality of a bank service. Thus, competitive advantage through high quality service is an increasingly important weapon to survive. Bitner and Hubbert (1994) determined that service encounter satisfaction was quite distinct from overall satisfaction and perceived quality. They concluded that the constructs exhibited independence.

Customer satisfaction has also been operationalized as a multidimensional construct along the same dimensions that constitute service quality (Sureshchandar, Rajendran, and Anantharaman, 2002). Despite strong correlations between service quality and customer satisfaction in their study, the authors determined that the two constructs exhibited independence and concluded that they were in fact different constructs, at least from the customer's point of view. Brady and Cronin (1992) had endeavored to clarify the specification and nature of the service quality and satisfaction constructs and found empirical support for the conceptualization that service quality was an antecedent of the super ordinate satisfaction construct. In addition, the authors found that explained a greater portion of the variance in consumers' purchase intentions than service quality. A reverse casual relationship has also been hypothesized between the two constructs. Rust and Oliver (1994) maintained that while quality was only one of many dimensions on which satisfaction was based, satisfaction was also one potential influence on future quality perceptions.

2.2. Empirical Studies' Review

A cross-sectional study conducted in Ethiopia entitled “The Effect of Service Quality On Customer Satisfaction in Selected Insurance Companies in Addis Ababa” which was conducted in three insurance companies which are found in the city and the data was collected from one hundred forty one customers and it showed that the five service quality dimensions have positive relationship with customer satisfaction. The findings of the study also indicated that assurance is the most important factor to have a positive and significant effect on customer satisfaction followed by reliability, responsiveness, empathy, and tangibles (Akalu, 2015)

A cross-sectional study conducted in Vietnam entitled “Assessing Customer Satisfaction and Service Quality” in a single insurance company which is found in six cities and the data was collected from four hundred customers of on the effect of service quality on customer satisfaction on selected insurance companies and it showed that the five service quality dimensions have positive relationship with customer satisfaction. The findings of the study also indicated that responsiveness is the most important factor to have a positive and significant effect on customer satisfaction followed by reliability, assurance, empathy, and tangibles. (Pham and Nguyễn, 2014)

A cross-sectional study conducted in Saudi Arabia entitled “Consequences Of Service Quality in The Insurance Industry”: and it showed that reliability and responsiveness are functional quality dimensions that were found to have significant impact on customer satisfaction whereas another study done in the Ghanaian insurance Industry with a title “An Analysis and Assessment of Customer Satisfaction with Service Quality in Insurance Industry” the data was collected from one thousand and fifty-one questionnaires of all insurance companies in the country which shows the same results with the Saudi Arabian insurance industry research results (Alawni, 2016: Frank and Theresa 2011).

A sample survey done in Indian insurance company entitled “Service Quality and Its Impact on Customer Satisfaction Towards Life Insurance in Dharmapuri” and it showed that the three service quality dimensions which are reliability, responsiveness and tangibles have positive relation with customer satisfaction, but the company should focus on assurance and empathy to further strengthen the level of satisfaction (Murugesan 2012).

Another cross-sectional study done in Indian insurance company entitled “A Study on Impact of Service Quality on Customer Satisfaction “and the data was collected using a structured.

questionnaire. It was found that, among all the tangible parameters, the most important factor for customers is that brochures, pamphlets, and other communication materials are visually appealing. Also, among all the reliability parameters, the two most important factors for customers are that time related promises are kept and that services are provided at promised time. Among all the responsiveness parameters, the most important factor for customers is employees say exactly when the service will be performed. Among all the assurance parameters, the most important factor for customers is transactions with the employees elicit feelings of security. Finally, among all the empathy parameters, the most important factor for customers is employees give individual attention to the customers (Swati and Mihir 2012).

Cronin and Taylor (1992) examined the relationship between service quality, customer satisfaction, and purchase intentions. They established three propositions for their study that stated: 1. Customer satisfaction is an antecedent of perceived service quality. 2. Customer satisfaction has a significant impact on purchase intentions. 3. Perceived service quality has a significant impact on purchase intentions. The results of their study found that propositions one and two have a significant effect on customer satisfaction and purchase intentions, respectively. However, in regard to proposition three, they found that service quality does not have a significant impact on purchase intentions. It is important to note that Cronin and Taylor used their SERVPREF model to test the above propositions and not SERVQUAL.

2.3. Conceptual Framework

The aim of this study is to investigate the effect of service quality on customer satisfaction in the case of Ethiopian private banks industry. Based on the theoretical and empirical reviews, the attributes of banking service quality such as system, behavioral, machine and transactional service quality have relationship with customer satisfaction. In this regard, the banking service quality model developed by Abdullah and Francis (2002) is adapted to measure satisfaction level of private banks' customers on the basis of their service quality perception.

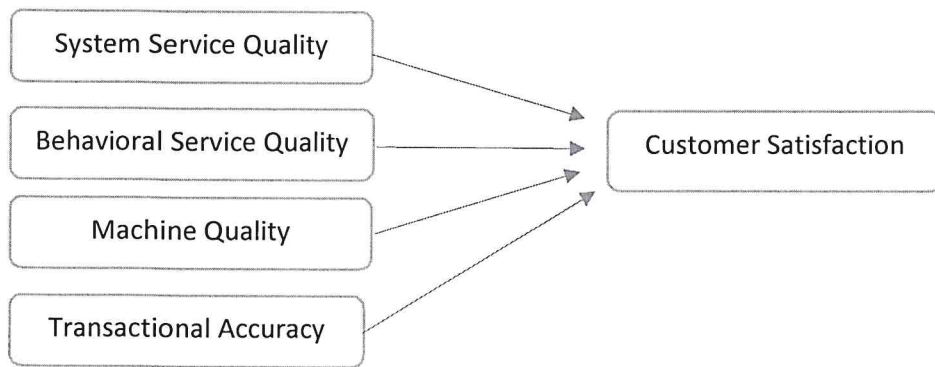


Figure 2.1 Conceptual framework of the study (Source: Abdullah & Francis, 2002)

CHAPTER THREE

METHODOLOGY

The following explains the research design and methodology employed for the study. This part elaborates the research design, data type and source target population, sample size, data collection and data analysis. The methods selected below are found to be suitable because of their appropriateness for situations in the selected study area, analyzing major issues and forwarding sound recommendations.

3.1. Research Approach

This study primarily adopts a quantitative approach. There are basically two research approaches. The first one is qualitative research which involves studies that do not attempt to quantify their results through statistical summary or analysis. In a way it seeks to describe various aspects about behavior and other factors studied in the social sciences and humanities. In qualitative research data are often in the form of descriptions, not numbers. The other one is quantitative research which engages in systematic and scientific investigation of quantitative properties and phenomena and other relationships. The objective of quantitative research is to develop and employ mathematical models, theories and hypothesis pertain the natural phenomena. Quantitative research approach is used in this study for the fact that it involves generation of data in quantitative form for analysis. Data are quantified and statistical methods are used in the data analysis to seek evidence about characteristics or a relationship between the stated variables.

3.2. Research Design

The research design that was applied for this study is an explanatory research design. It seeks to evaluate in detail the relationship between service quality and customer satisfaction of private banking service quality thus giving an in depth understanding of the reality of customer perception on service quality and to better understand the relation between banking service and customer satisfaction.

3.3. Target Population

The target population of the study is customers who have Awash bank accounts in Addis Ababa. The study focuses on Addis Ababa because of the high density of bank users located in the city.

According to NBE report on 2019, there are a total of 152 active Awash bank branches throughout the country of which 87 are in Addis Ababa. The total number of customers enrolled in this private bank is estimated around 159 thousand despite there are a number of individual walking customers without bank accounts. Therefore, this study focuses on these account holders that are situated in Addis Ababa.

3.4. Sampling Techniques

The sampling technique that was employed for this study is mixed (both probability and non - probability sampling). A total of 8 branches are selected with simple random sampling for the fact that the branches in Addis Ababa are homogeneous in their services. Whereas, since the list of respondents and impracticality of contacting them through registered address, it was difficult to conduct probability sampling, the individual respondent is selected by adapting convenience non-probability sampling. In non-probability sampling, since elements are chosen arbitrarily, there is no way to estimate the probability of any one element being included in the sample. Also, no assurance is given that each item has a chance of being included; it is quick, inexpensive and convenient. There are also other circumstances, such as in applied social research, when it is unfeasible or impractical to conduct probability sampling. This was done through convenience sampling in which members of the population are chosen based on their relative ease of access.

3.5. Sample Size

Sampling is the process of selecting a number of study units from a defined study population (Carvalho, 1984). Sample size for unknown population is selected based on Cochran (1963) who developed the formula to yield a representative sample for large population size at 5% margin of error and within 95% confidence level. It is demonstrated as:

$$n = \frac{z^2(p)(q)}{e^2}$$

Where: n- Sample size; z- Standard deviation given a corresponding confidence level of 95%; p- Estimated proportion of incidence (success rate = 0.5); q-(1 -p) or assumed failure rate (0.5); e- Proportion of sampling error or error margin in a given situation (5%).

Thus, the sample size of the intended study with 95% confidence level, probability of 50% occurrence, probability of 50% failure and 5% marginal error, is obtained as:

$$n = \frac{z^2(p)(q)}{e^2} = \frac{(1.96)(0.5)(0.5)}{(0.5)^2} = 384.16 = 385$$

A representative sample size of 385 respondents was taken from selected branches of Awash bank in Addis Ababa.

3.6. Source of Data

According to Catherine (2017), data may be collected as primary, secondary or both. Primary data are originated by the researcher for the specific purpose of addressing the problem at hand. On the other hand, secondary data contains relevant data that has been collected for a different purpose, but from which the conclusion is valuable for the purpose. In this study basically the primary source, i.e., data were collected from customers at the selected branches were used for analysis.

3.7. Data Collection Instrument

Questionnaire to be used must be prepared very carefully so that it may prove to be effective in collecting the relevant information. Structured questionnaires are those questionnaires in which there are definite, concrete and pre-determined questions (Kothari, 2004). The questions are presented with exactly the same wording and in the same order to all respondents. Resort is taken to this sort of standardization to ensure that all respondents reply to the same set of questions.

A structured questionnaire, based a 5- point Likert –scale, is used as a major instrument of data collection tool. The questionnaire is adapted from Abdullah and Francis’s (2002) new model of retail banking service quality. The questionnaire comprises three parts. The first part refers to the demographic characteristics of the targeted respondents; the second part is all about the four factors of the banking service quality model such as system service quality, behavioral service quality, machine service quality and transactional accuracy; while the third part includes the attributes of the customer satisfaction. The attributes are measured using 5-point Likert scale ranging from 1- for "Strongly disagreed" to 5- for "strongly agreed".

3.8. Scale Validity and Responsibility

Validity, on the other hand, is concerned with whether the findings are really about what they appear to be about. Validity is defined as the extent to which data collection methods accurately measure what they were intended to measure (Saunders and Thornhill, 2003). Reliability can be defined as the degree to which measurements are free from errors and, therefore, yield consistent

results. Operationally, reliability is defined as the internal consistency of a scale, which assesses the degree to which the items are homogeneous.

To ensure the validity and reality of this research, the researcher utilizes the criterion argued by Bryman and Bell (2007) to test the process of the research. First of all, the internal validity was fulfilled by the consistency between the research data collection and the theoretical framework. On the other hand, the external validity, which was also met by this formal theory generated, represents that the findings would be used in more general area. Secondly, the researcher makes an adequate agreement in the process of the study, and the extent of the agreement determines the internal reality.

Reliability is computed using Cronbach's alpha coefficient for the entire set of service quality factors affecting the overall customer satisfaction. The use of Cronbach Coefficient to measure reliability of instrument enabled to identify the strength of items included in the questionnaire such that measure between 0.7 and 1.0 signifies a strong consistency of item used in questionnaire (Mugenda, 2003). However, the acceptable Alpha value that meets the statistical prerequisite for the instrument to be characterized as reliable should be between 0.70 and 0.9 as the value more than 0.9 could be an implication of redundant variables measuring same subject (Travakol, 2011).

3.9. Data Collection Procedure

A pilot survey was conducted on 30 respondents at randomly selected branch of Awash bank in Addis Ababa, of which the contacted respondents are excluded from the sample frame, prior to administrating the questionnaire of the main study to the targeted sample respondents. The pilot test helps check whether the questioner is clear, easy to understand and straightforward to ensure that the respondents able to answer the questions with no difficulty. In addition to these, the pilot study was administered to test the appropriateness, validity and reliability of the questioner, and then based on their feedbacks; some changes were made on the questionnaire before distributing to the selected sample size. Then after, based on the computed sample size, around 50 self-administered questionnaires were distributed to willing participants at 8 randomly selected branches to collect a total of 385 responses. Respondents, capable to understand the questionnaire contents and willing to participate were contacted to gather unbiased responses as much as possible.

3.10. Data Analysis & Presentation

Data in this study are analyzed using both descriptive and inferential statistics. Descriptive statistics is used to interpret data in general and for testing hypothesis and investigating research objectives inferential method is used using statistical package for social science (SPSS) version 20. Descriptive statistics is applied to interpret demographic variables of the respondents and to discover the frequencies of each dimension whereas inferential statistics is used for hypothesis testing such as correlation and multi-regression. Tables and graphs are used to present analysis results pictorially.

3.11. Ethical Considerations

In order to keep the confidentiality of the data given by respondents, the respondents are not required to write their name and assured that their responses were treated in strict confidentiality. The purpose of the study is disclosed in the introductory part of the questionnaire. Furthermore, the researcher tried to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires were distributed only to voluntary participants after having their full consents in verbal or written form.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

This section deals with the presentations, analysis, and interpretations of data in relation to examining the effect of service quality on customer satisfaction in Ethiopian private banking industry: the case of Awash Bank S.C. in Addis Ababa City by formulating hypothesis. In order to meet the objectives of the study, the data that were gathered from the primary source using questionnaire was analyzed, presented, and interpreted in this section.

4.1. Data Editing and Coding

Once the primary data was collected, prior to the analysis, the questionnaire was reviewed and it was to certify that if questionnaires were filled appropriately. Any incomplete or missing responses were rejected from the subsequent analysis. The steps which stated in the data analysis section such as coding, eliminating coding and data entry error, known as “clearing the data”, Rubin & Babbie (2010) was performed in this research.

4.2. The Questionnaire Response Rate

The questionnaires were physically distributed to the customers of Awash Bank S.C customers found in Addis Ababa City. 385 questionnaires were distributed to the target populations. After eliminating missing values and extreme cases, 296 responses were remaining for the data analysis with response rate of 76.9% which can be considered as a very good rate as per Hair (2010). Besides, according to Rubin & Babbie (2010), a response rate of 70% is “very good” for further assessment. Therefore, in this case, the response rate was significant.

4.3. Demographic Characteristics of the Respondents

Table 1: Socio-Demographic Characteristics of Respondents

Demographic and General Information Related			
Demographic Variable	Categories	Outcomes	
		Frequency	Percentage (%)
Gender	Male	216	73
	Female	80	27
	Total	296	100.0
Age in years	21-30 years	39	13.2
	31-40 years	121	40.9
	41-50 years	92	31.1
	51-60 Years	44	14.9
	Above 60 years	-	-
	Total	296	100.0
Educational Level	High school	24	8.1
	Degree	94	31.8
	Diploma	108	36.5
	MA/MSc and Above	70	23.6
	Total	296	100.0
Monthly Income in Birr	< 5,000	62	20.9
	5,000-10,000	93	31.4
	10,001-15,000	90	30.4
	>15,000	51	17.2
	Total	296	100.0
Duration Since Opened A/C	<1 Year	29	9.8
	1-5 Years	133	44.9
	6-10 Years	94	31.8
	>10 years	40	13.5
	Total	296	100.0

Source: Own Survey Result of SPSS, 2021

The above table represents the demographic profile of the sampled respondents and aimed to demonstrate the respondents' demographic result. Accordingly, the descriptive analysis indicates that, out of the total respondents, 73% of them were male while the remaining 27% were female.

Regarding to age of the respondents, 40.9% were aged between the age brackets of 31 to 40 years followed by the age group found between of 41-50 years which accounted for about 31.1%. On the other hand, the customers whose age lies between the age group of 51-60 years accounted 14.9% and the remaining 13.2% were the customers whose age range between 21 to 30 years. This implies that about three fourth of the customers were adults who belonged to the active productive labor of the society. Having such customers are believed to have more knowhow and practices of banking transaction. Thus, the possibility of getting credible responses is relatively higher.

On the educational status of the respondents, the majority (39.6%) had certificate Diploma, 26.8% of them were First Degree holders, 23.8% of them were TVET certificate holder, 7.7% were second/Masters' Degree and above holder, while the rest 2.1% were less than secondary school. Thus, the result implies that the majority of the respondents were possessed a high level of education and they have knowledge to evaluate the service rendered as well as to fill the questionnaire.

Furthermore, with regards to monthly income, the majority (31.4%) were earned the monthly income of Birr 5,000 to 10,000 followed by Birr 10,001 to 15,000 which accounted for 30.4%. The rest 20.9% and 17.2% of them were earned Birr 5,000 and >Birr 15,000, respectively. This indicates that customers with higher income are probably lesser in number compared to low-income citizens in Ethiopian context. It has an implication of sample repetitiveness in this regard.

Finally, about 44.9% had dealt with Awash Bank S.C. for 1-5 years followed by 6-10 years which accounted for 31.8%. The remaining 13.5 percent and 9.8 percent were customers who have dealt with the Bank for greater than 10 years and below 1 year, respectively. This also indicates that the bank had more of new customers which could be taken as implication that the company had gaps in retaining its customers for longer period. Having responses from customers with relatively lower experience of Awash bank services might affect the possibility of getting more detailed information on the subject under study.

4.4. Descriptive Analysis of the Variables

Even if the descriptive analysis is not important in this study and at this level, the research has tried to show it as depicted in the below table. This study required developing a multidimensional service quality measurement scale and customer satisfaction scale.

The below Table -2 presents the descriptive statistics of SYSTRA-SQ Dimensions results by using mean and SD. The researcher was used the SYSTRA-SQ model which developed by Abdullah and Francis (2002) that was adapted to measure satisfaction level of private banks' customers on the basis of their service quality perception. Accordingly, the attributes of banking service quality such as system, behavioural, machine and transactional service quality have relationship with customer satisfaction. The model has 26 items to measure banking service quality.

The mean scores have been computed for all the five marketing offers and brand identity variables by equally weighting the mean scores of all the items under each dimension. Respondents were asked to rate their perception on a five-point Likert type scale ranging from 1- being strongly disagree to 5- strongly agree for both marketing and brand identity dimensions. To compare the respondents' perception towards the variables, the scale is set in such a way that respondents strongly disagreed if the mean scored value is in the range of 1.00 – 1.80; disagreed within 1.81 – 2.60; neither agreed nor disagreed within 2.81 - 3.40; agreed if it is in the range of 3.41 – 4.20; while strongly agreed when it falls within 4.21 – 5.00. In addition, standard deviation shows the variability of an observed response. The result is presented below. The summarized results of the descriptive statistics regarding the individual study variables namely system, machine, transactional and behavioral service quality of Awash bank in Addis Ababa are presented as below.

Table 2: Descriptive Analysis of the variables

Descriptive Statistics					
	N	Minimum	Maximum	Mean	SD
System Service Quality	296	2	5	3.78	.825
Behavioral Service Quality	296	1	5	3.77	.891
Machine Service Quality	296	1	5	3.75	1.079
Service Transaction Accuracy	296	1	5	3.96	.769
Customer Satisfaction	296	1	5	3.84	.818
Valid N (listwise)	296				

Source: Own Survey Result of SPSS data output, 2021

The average mean value of the overall system service quality (mean 3.78) showed that majority of the believed the system quality of the bank in terms of providing flexible solutions, listening individual customer's demand, consulting and customizing their services were up to the standard. This implies that the banking system quality is perceived positively though there are considerable rooms for improvement to excel the service further.

Similarly, regarding the behavioral service quality, the respondents were impressed (mean 3.77) by the politeness, courteousness, friendliness, and helpfulness of the staffs with having positive attitude. This also has an implication that majority of the respondents believed that the employees at Awash bank are professionals as acted behaviorally to the required banking service standard. But it still requires substantial improvement on the staff's competency in exceling their customers expectation.

The machine service quality was also rated in similar fashion with system and behavioral service quality as the mean scored value was found to be 3.75. The machine (ATM, POS, etc.) quality in

terms of reliability and performance was perceived positively but the findings implied that there is still a gap in exceeding customer expectation. The quality-of-service devices, as one of the aspects that influence satisfaction, the quality of banking services among clients of Awash bank.

The transactional accuracy (high service accuracy, negligible staff and machine errors) was also perceived positively as the mean score value equates 3.94. It can be taken as the implication of error-free service provision by the bank though still the respondents had some doubts on transactional accuracy of the bank.

Finally, the results also revealed that majority of the respondents satisfied with the overall banking service quality of the bank. The average mean score value of 3.84 implies that system, behavioral, machine and transactional quality of the banking service at Awash bank in Addis Ababa exceeded the customers' expectation.

4.5. Testing of the Research Instruments

Before undertaking the analysis to examine the effect of the independent variables on the dependent variable, the researcher undertook the validity and reliability test to assure the research instruments was valid besides reliable.

4.5.1. Validity Test

Content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. If the instrument contains a representative sample of the universe, the content validity is good. Its determination is primarily judgmental and intuitive. It can also be determined by using a panel of persons who shall judge how well the measuring instrument meets the standards, but there is no numerical way to express it (Kothari, 2004).

As it is stated in the methodology part, for the sake of assuring the validity of the research instrument, all the variables were adopted from previous research works. In order to look over the overall content validity of the instrument such as clarity, length & wording of all variables (items) were inspected by expertise in the area. To increase the degree of clarity & understand ability, the English version questionnaire has translated into Amharic language. Furthermore, the researcher also conducted a pilot test of the questionnaire among the customers of the Bank and distributed 30 questionnaires to gather feedbacks towards enhancing the validity of the instruments in line

with content validity. Besides, the researchers acquired and incorporated the opinions of the Bank's customers and advisors in order to enhance the research instrument validity.

4.5.2. Reliability Test

Reliability is the extent to which a measurement gives results that are consistent and fundamentally concerned with issues of consistency of measures (Bryman and Bell, 2003). Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of sample items are as a group. It is considered to be a measure of scale reliability. A "high" value for alpha does not imply that the measure is one-dimensional. Technically speaking, Cronbach's alpha is a coefficient of reliability (or consistency). According to Hair, et al., (2006), if α is greater than 0.7, it means that it has high reliability, 0.5 is sufficient, and if α is smaller than 0.3, then it implies that there is low reliability.

Table 3: Cronbach's Alpha Test for Reliability

Reliability Statistics		
	Cronbach's Alpha	N of Items
System Service Quality	.868	11
Behavioral Service Quality	.786	5
Machine Service Quality	.815	2
Service Transaction Accuracy	.728	3
Customer Satisfaction	.714	5
Overall Reliability	.945	26

Source: Own Survey Result, 2021

Accordingly, the overall Cronbach's alpha result of the overall, 26 items in the study was 0.945 which is higher than the minimum alpha value set as acceptable (i.e., 0.70). The result indicates

that the items have relatively high internal consistency. The Cronbach's alpha result of each item used in the questionnaire is shown on Table -3 above.

4.5.2. Correlation Analysis

A correlation refers to a quantifiable relationship between two variables, and the statistic that provides an index of that relationship is called a correlation coefficient r , which is a measure of the relationship between two interval or ratio variables. It is a very useful means to summarize the relationship between two variables with a single number that falls between -1 and +1 (Field, 2005). As per the guideline suggested by Field (2005), the strength of relationship 0.1 to .29 shows weak relationship; 0.3 to 0.49 is moderate; ≥ 0.5 shows the strong relationship between the two variables. Hence, in this study correlation analysis was used to examine the relationships between dependent and independent variables. Accordingly, the relation between variables is depicted in the table below.

Table 4: Spearman Correlation Matrix

Correlations					
	System SQ	Behavioral SQ	Machine SQ	Transactional	Satisfaction
System SQ	1				
Behavioral SQ	.715**	1			
Machine SQ	.757**	.663**	1		
Transactional Accuracy	.596**	.759**	.418**	1	
Satisfaction	.817**	.772**	.792**	.674**	1
**. Correlation is significant at the 0.01 level (2-tailed).					
N=296					

Source: Own Survey Result of SPSS data output, 2021

Bivariate Correlation indicates that whether the relationship between two variables is linear (as one variable increases, the other also increases or as one variable increases, the other variable decreases). Accordingly, as indicated in the above table, the correlation matrix, all of the independent variables were positively and strongly correlated with the dependent variable (customer satisfaction). The first highest strong coefficient of correlation in this research is between system service quality and customer satisfaction ($r=0.817$, $p \leq 0.01$). It connotes that there is a strong, positive, and significant relationship between them. The second highest strong coefficient of correlation between machine service quality and customer satisfaction which indicates that there is strong positive and significant relation between the two ($r=0.792$, $p \leq 0.01$). On the other hand, service transactional accuracy has the lowest coefficient of correlation, $r=0.674$, as compared to other variables. Generally, the above correlation matrix shows that all independent variables were positively and strongly correlated with the dependent variable.

Sig (2-Tailed) value: This value tells that whether there is a statistically significant correlation between two variables or not. As per (Pedhazur, 1982), if the Sig (2-Tailed) value is less than or equal to .05, there are a statistically significant correlation between the two variables. That means, increases in independent variable do significantly relate to increase in the independent variable and vice versa.

Therefore, as indicated in the above correlation table, Sig. (2-tailed) results of (.000) for all the constructs show that all have significant correlations. The convention implies that, if this value is less than .05, then the correlation is considered to be significant (meaning that the researcher can be 95% confident that the relationship between variables is not due to chance). Therefore, the researcher can connote that there is a significant correlation between the independent and dependent variables.

4.6. Regression Analysis

Regression is a technique used to predict the value of a dependent variable using one or more independent variables (Albaum, 1997). Regression analysis is a statistical tool for the investigation of relationships between variables. The investigator also typically assesses the “statistical significance” of the estimated relationships, that is, the degree of confidence that the true

relationship is close to the estimated relationship (Malhotra, 2007). In this study, the researcher was tried to test the assumptions before running the regression analysis.

4.6.1. The Assumptions for Testing Regression Analysis

The test of assumptions should be done because the violations of the assumptions affect consequent use of multivariate statistical methods (Hair et al., 2006). Therefore, Hair et al., (2006) suggested that several assumptions regarding the utilization of multivariate statistical tools, namely multicollinearity, normality, homoscedasticity, and linearity should be applied before performing any multivariate analysis.

4.6.1.1. Multi-collinearity

Multicollinearity occurs when two or more of the independent variables are highly correlated that certain mathematical operations are impossible. The correlation between independent variables was such that multicollinearity is not a concern because multicollinearity will be created while results of the correlation coefficients are above 0.80 and to be considered-very high (Hair et al. 2006). Thus, as indicated in table 4 of correlation analysis, the results of the correlation coefficient between independent variables were below 0.8. Therefore, these results indicated that there was no collinearity problem in this study.

However, there are two general procedures for assessing collinearity, including tolerance and variance inflation factor (VIF) (Pallant, 2007). Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multi-collinearity (Pallant, 2010) furthermore, the other value given is the VIF, which is just the inverse of the tolerance value (1 divided by tolerance). According to Pallant (2010), VIF values above 10 would be a concern, indicating multicollinearity.

Table 5: Collinearity Diagnosis

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	System SQ	.323	3.094
	Behavioral SQ	.272	3.676
	Machine SQ	.365	2.742
	Transactional Accuracy	.384	2.601
a. Dependent Variable: Customers Satisfaction			

Source: Own Survey Result of SPSS data output, 2021

The result shows that the tolerance value for each independent variable is (0.323, 0.272, 0.365, and 0.384) respectively which are not less than 0.10; therefore, multicollinearity assumption is not violated. This is also supported by the VIF value, which is 3.094, 3.676, 2.742 and 2.601 which is well below the cut-off 10 as shown in the coefficient table.

4.6.1.2. Test of Normality

Hair. (2006) noted that normality relates to the shape of the data distribution for an individual metric variable and its relationship to the normal distribution.

Assessment of the variables' levels of skewness and kurtosis is one of the methods that determine normality. In fact, Skewness provides an indication of the symmetry of the distribution. Kurtosis turns to the peaky or flatness of the distribution relative to the normal distribution.

Accordingly, the normal distribution is detected based on skewness and kurtosis statistics. As proposed by George and Mallery (2010) the acceptable range for normality for both statistics is between -2 and +2. Therefore, as depicted in table 6 below, all variables' values of Kurtosis and Skewness are almost within the acceptable range for normality. So, this implies that all items show close to normal distribution considering the criteria of Skewness and kurtosis values between -2 and 2. Therefore, the data used in this study was normally distributed.

Table 6: Normality of Distribution Using Descriptive Statistics (Skewness and Kurtosis)

Descriptive Statistics

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
System SQ	296	-.119	.142	-.647	.282
Behavioral SQ	296	-.255	.142	-.563	.282
Machine SQ	296	-.548	.142	-.596	.282
Transactional Accuracy	296	-.476	.142	.249	.282
Customer Satisfaction	296	-.335	.142	-.185	.282
Valid N (listwise)	296				

Source: Own Survey Result of SPSS data output, 2021

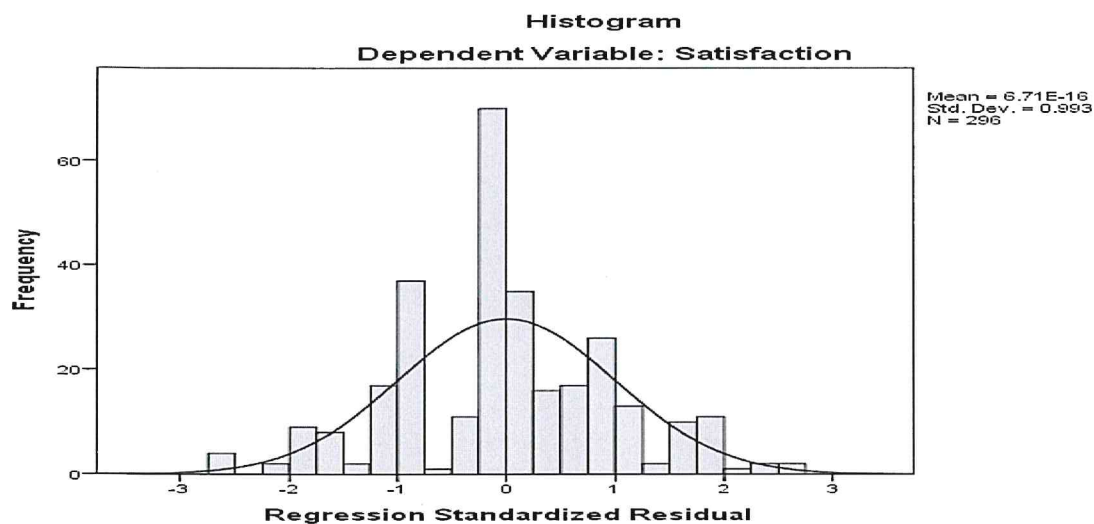


Figure 2: Frequency Distribution of Standardized Residuals

The histogram as depicted in the above figure 2 also shows that the scores are normally distributed. There is another useful graph that the researcher can inspect to see if a distribution is normally distributed is called a P-P plot (probability–probability plot). According to Hair et al. (1998), the plots are different from residuals plots in that the standardized residuals are compared with the normal distribution. In general, the normal distribution makes a straight diagonal line, and the plotted residuals are compared with the diagonal. If a distribution is normal, the residual line will

closely follow the diagonal (Hair et al., 1998). Therefore, as indicated in the figure below, the data were normally distributed.

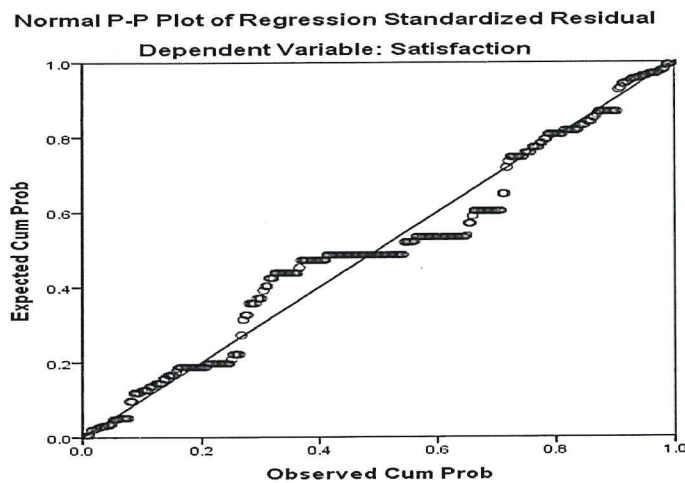


Figure 3: Normal Point Plot of Standardized Residuals

In the Normal Probability Plot it will be hoped that points will lie in a reasonably straight diagonal line from bottom left to top right. This would suggest no major deviations from normality. As indicated above, the study applied Normal P-P Plot of regression Standardized Residual to test linearity. Since the points were symmetrically distributed around a diagonal line, linearity pattern was observed. Hence, the straight-line relationship between the residuals and the predicted dependent variable scores depicted that linearity was achieved.

4.6.1.3. Homoscedasticity of the Error Terms

Homoscedasticity is the extent to which the data values for the dependent and independent variables have equal variances, as Saunders, et al. (2009) noted. Based on the explanation by Field (2009), at each level of the predictor variables, the variance of the residual terms should be constant which means the residuals at each level of the predictors should have the same variance; therefore, checking for this assumption is helpful for the goodness of the regression model. Field (2009) suggested that we should plot the standardized residuals, or errors (ZRESID) on the Y axis and the standardized predicted values of the dependent variable based on the model (ZPRED) on the X axis to get the homoscedasticity result.

Therefore, in this study the homoscedasticity was tested for metric variables using scatterplot. Scatter plots of standardized residual was conducted for all the variables and the outcomes from the data were shown in figure 4. In effect, the scatterplot showed that the pattern of data points does not contain any exact patterns and thus had not violated the assumptions (e.g., no discernible patterns of residuals were indicated).

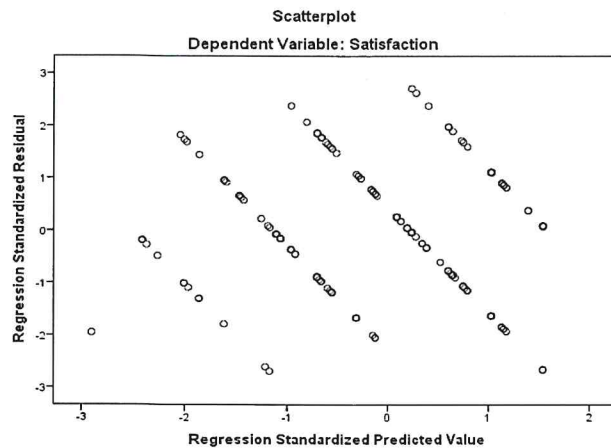


Figure 4: Scatterplot of Residuals

4.6.1.4. Independent errors (No Autocorrelation)

The independent errors eventuality is sometimes described as a lack of autocorrelation. This assumption can be tested with the Durbin–Watson test, which tests for serial correlations between errors. Specifically, it tests whether adjacent residuals are correlated. The test statistic can vary between 0 and 4 with a value of 2 meaning that the residuals are uncorrelated (Field, 2005). As indicated below in the table 7, the Durbin-Watson test result of the study is 2.068, which is closer to the acceptable standard of 2.0 shows that the assumption of independent errors is acceptable and no autocorrelation problem.

4.6.1.5. Linearity

The linearity of the relationship between the dependent and independent variable represented the degree to which the change in the dependent variable is associated with the independent variable (Hair et al., 1998). In a simple sense, linear models predict values falling in a straight line by having a constant unit change (slope) of the dependent variable for a constant unit change of the independent variable (Hair et al., 1998). This assumption can be checked using scatterplots or

residual plots: plots of the residuals vs. either the predicted values of the dependent variable or against (one of) the independent variable/s (Hoekstra et al., 2014). The scatter plots of standardized residuals versus the fitted values for the regression models were visually inspected from figure 3.

4.6.2. Multiple Linear Regression Analysis

Linear regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable (Field, 2005). Multiple linear regressions were conducted in order to determine the explanatory power of the independent variables (system service quality, behavioural service quality, machine service quality, and transactional accuracy) to identify the relationship and to determine the most dominant variables that influenced the Customer Satisfaction. The significance level of 0.05 with 95% confidence interval was used. The reason for using multiple regression analysis was to assess the direct effect of independent variables on the dependent variable (Customer Satisfaction). Table 7 shows the model summary of the regression analysis.

Table 7: Model Summary for Customer Satisfaction

Model Summary ^b										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.897 ^a	.805	.802	.364	.805	299.560	4	29	.000	2.068
a. Predictors: (Constant), system service quality, behavioral service quality, machine quality, transactional accuracy										
b. Dependent Variable: Customer Satisfaction										

Source: Own Survey Result of SPSS data output, 2021

The R value indicates the correlation between observed and predictor values. It indicates the value of the multiple correlation coefficients between the predictors and the outcome, with a range from 0 to 1, a larger value indicating a larger correlation and 1 representing an equation that perfectly predicts the observed value (Pedhazur, 1982). From the model summary ($R=.897^a$) indicated that, the linear combination of the four independent variables (system service quality, behavioural service quality, machine service quality, and service transactional accuracy) strongly predicted the dependent variable (Customer Satisfaction).

Value of R Square (R^2): Indicates the proportion of variance that can be explained in the dependent variable by the linear combination of the independent variables. In another word, R^2 is a measure of how much of the variability in the outcome is accounted for by the predictors. The values of R^2 also range from 0 to 1 (Pedhazur, 1982). The linear combination of independent variables or predictors' i.e., system service quality, behavioural service quality, machine service quality, and transactional accuracy explains 80.5% of the variance in customer satisfaction and the remaining 19.5% is explained by extraneous variables, which have not been included in this regression model. In another word, 80.5% of the variation in the Customer Satisfaction is explained by the changes in the system service quality, behavioural service quality, machine service quality, and transactional accuracy while the rest 19.5% is explained by other factors.

Adjusted R Square (R^2): The adjusted R^2 gives some idea of how well the model generalizes and its value to be the same, or very close to the value of R^2 . That means it adjusts the value of R^2 to more accurately represent the population under study (Pedhazur, 1982). The difference for the final model is small (in fact the difference between R^2 and Adjusted R^2 is $(0.805 - 0.802 = 0.003)$ which is about 0.3%. This shrinkage means that if the model were derived from the population rather than a sample it would account for approximately 0.3% less variance in the outcome.

Durbin-Watson: It expresses that whether the assumption of independent errors is acceptable or not. As the conservative rule suggested that values less than 1 or greater than 3 should definitely raise alarm bells (Field, 2005). So that the desired result is when the value is closer to 2, and for this data, the value is 2.068, which is so close to 2 that the assumption has almost certainly been met.

Table 8: ANOVA of Customer Satisfaction

ANOVA^a

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	158.938	4	39.735	299.560	.000 ^b
2	Residual	38.599	291	.133		
	Total	197.537	295			

a. Dependent Variable: Customer Satisfaction

b. Predictors: (Constant), System Service Quality, Behavioural Service Quality, Machine Quality, Service Transactional Accuracy

Source: Own Survey Result of SPSS data output, 2021

The ANOVA table shows the overall significance/acceptability of the model from a statistical perspective. As indicated in the above table, the p-value is less < 0.05 i.e. 0.000 which indicates the variation explained by the model is not due to chance. So, the above ANOVA table shows the acceptability of the model. As indicated in table 11, the researcher can connote that R, R², and Adjusted R² conducted for the multiple regression predict the dependent variable based on the linear combination of independent variables is statistically significant.

F-Ratio: F-ratio determines whether the model is a good fit for the data. The F-ratio is calculated by dividing the average improvement in prediction by the model (MSM) by the average difference between the model and the observed data (MSR). If the improvement due to fitting the regression model is much greater than the inaccuracy within the model then the value of F will be greater than 1 and SPSS calculates the exact probability of obtaining the value of F by chance (Pedhazur, 1982). The F-ratio for the above model is 299.560, which is very unlikely to have happened by chance.

The Regression Coefficient

This study intends to identify the most contributing independent variable in the prediction of the dependent variable. Thus, the strength of each predictor (independent variables) influencing the criterion (dependent variable) can be investigated via standardized Beta coefficient.

The regression coefficient explains the average amount of change in the dependent variable that is caused by a unit change in the independent variable. The larger value of Beta coefficient an independent variable has, brings the more support to the independent variable as the more important determinant in predicting the dependent variable.

Table 9: Summary of Coefficient on Customer Satisfaction

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.187	.119		1.573	.117
	System service Qlty.	.284	.045	.287	6.288	.000
	Behavioral service Qlty.	.108	.046	.117	2.357	.019
	Machine Service Qlty.	.298	.033	.392	9.146	.000
	Service Transaction Accuracy	.267	.044	.251	6.003	.000

a. Dependent Variable: Customer Satisfaction

Source: Own Survey Result of SPSS data output, 2021

The marked column B is the value for the intercept (a) in the regression equation on the first row, labeled (constant). The numbers below the column “beta” are the values for the regression coefficients for System Service Quality, Behavioural Service Quality, Machine Service Quality, and Service Transactional Accuracy. In the multiple regressions, the standardized regression coefficient Beta (β) is useful, because it allows us to compare the relative strength of each independent variable’s effect on the dependent variable (Pedhazur, 1982).

The above coefficient table shows the constant beta value (β) and the p-value of the variables to examine the significance of the hypothesis. The standardized coefficients of System Service Quality, Behavioural Service Quality, Machine Service Quality, and Service Transactional Accuracy are 0.287, 0.117, 0.392, and 0.251, respectively. The p-value (significance value) of all the independent variables was below 0.05. Therefore, the result reveals that that the independent variables have the significant effect on the dependent variable (Customer Satisfaction).

4.7. Discussion of the Results

This study aimed to examine the effect of service quality on customer satisfaction in Ethiopian private banks in the case of Awash Bank, Addis Ababa City. As the dependent variable 'Customer Satisfaction' and independent variables 'SYSTRA-SQ Model' i.e., System Service Quality, Behavioural Service Quality, Machine Service Quality, and Service Transactional Accuracy which are a new measure of bank service quality was used.

As indicated in the above table 9, all the regression coefficients (Beta values) of the independent variables were positive as well the significance values were less than 0.05. Thus, the results support the study's hypotheses and confirm that the dimensions of system service quality, behavioural service quality, machine service quality, and service transactional accuracy have a positive and significant effect on customer satisfaction.

Specific Objective-1; states that the System service quality has positive significant effect on the customer satisfaction is confirmed. As per the finding of this study, the system service quality has the positive and significant effect on customer satisfaction with ($\beta=0.287$; $P<.05$). The Beta Coefficient result of 0.287 signifies that for a 1-unit change in the system service quality, the Customer Satisfaction will be changed by 0.287 units. The results demonstrate that system service quality strongly influences customer satisfaction. This suggests that system service quality and plays a significant role in customer satisfaction. As stated by Gronroos (1984) the system service quality represents the evaluation of service quality that can be clearly attributed to the service organization as a system rather than individuals within the system. It consists of a combination of items that are related to both functional and technical performance at an organizational level.

Specific Objective-2, which states that behavioural service quality has positive significant effect on the customer satisfaction is confirmed. As per the finding of this study, the behavioural service quality has the positive and significant effect on customer satisfaction with ($\beta=0.117$; $P<.05$). The

Beta Coefficient result of 0.117 signifies that for a 1-unit change in the behavioural service quality, the customer satisfaction will be changed by 0.117 -units. This result shows that, attributes such as politeness, courtesy, friendliness and helpfulness of the employees, the employees' service attitude are among the factors that are important to customers of the Bank and leads to their satisfaction. The verification of these assumptions is in line with research by Seyedjavadin & Yazdani (2006) explained functional service quality attribute includes listening to the customer, ease of availability and accessibility, speed of response and firm's tangibles are factors that affect customer satisfaction.

Specific Objective-3; which states that machine service quality has positive significant effect on the customer satisfaction is confirmed. As per the finding of this study, the machine service quality has the positive and significant effect on customer satisfaction with ($\beta=0.392$; $P<.05$). The Beta Coefficient result of 0.392 signifies that for a 1 unit change in the machine service quality, the customer satisfaction will be changed by 0.392 units. This dimension has the highest effect on customer satisfaction than the rest of the variables. This result shows that, when the machines used by customers are reliable and their performances are good as expected by customers, it results in satisfactory output. The results are also in support of Krauter & Faullant (2008) who explained the acceptance of electronic banking, on behalf of clients in Australia. He found that trust to the Internet, the risk perception and attitudes toward using internet banking is effective.

Specific Objective-4; which states that service transactional accuracy has positive significant effect on the customer satisfaction is confirmed. As per the finding of this study, the service transactional accuracy has the positive and significant effect on customer satisfaction with ($\beta=0.251$; $P<.05$). The Beta Coefficient result of 0.251 signifies that for a 1-unit change in the service transactional accuracy, the customer satisfaction will be changed by 0.251 units. This dimension is the measure of how accurate the transaction is as experience by customers in relation to both employee's and system outputs. Accordingly, the result of the study shows that, in line with Click's (2008) study, when the customer's experience the frequency of errors free in transactions and employees don't do any mistakes when performing service, the customer is satisfied.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATION

This chapter comprises four sections. The first section describes the summary of the major findings of the study, the second section deals with the conclusions and the third section reveals the recommendations for the findings of the study. The end section highlights the directions for further studies.

5.1. Summary of Major Findings

- With regards to the demographic characteristics of the respondents, out of 296 total respondents,
 - 73% of them were male, 31.8% first degree holders, and 44.9% of them less than 5 years since have opened account accounted in the Bank.
- As far as descriptive statistics of the study variables concerned, all of the variables (both dependent and independent) were fall in the category of the range between 3.75 and 3.96 which means respondents have a good opinion (agreed) on that these independent variables affect Customer Satisfaction on Awash Bank.
- With regards to the reliability of the instrument, the Cronbach's Alpha value for all dimensions and constructs are more than 0.7 that is the threshold value which indicates that the scales used in the questionnaire satisfactorily measured the constructs or have an internal consistency.
- The result of Spearman correlation analysis revealed that, all of the independent variables (system, behavioral, machine and transaction accuracy) were positively and strongly correlated with the dependent variable (customer satisfaction).
 - The first highest strong coefficient of correlation in this research is between system service quality and customer satisfaction ($r=0.817$, $p \leq 0.01$).
 - On the other hand, service transactional accuracy has the lowest coefficient of correlation, $r=0.674$, as compared to other variables.
- Finally, the result of regression analysis revealed that all independent variables positive and statistically significant at $p < .05$.

- In the model summary, the score of the coefficient correlation determination (R^2) is 0.805 which indicate, 80.5% of the variability of overall Customer Satisfaction was explained by the four independent variables of banking service quality. The other variables that were not considered in this study contributed 19.5% of the variability of Customer Satisfaction.
- Among the independent variables:
 - o Machine service quality had relatively the highest positive significant effect ($B = .3$) on customer satisfaction. In this study, the Beta weight score indicated all of the independent variables have positive significant effect on dependent variable. Out of them, the effect of machine service quality is greater than other independent variables.
 - o As per the finding of this study, the system service quality has the positive and significant effect on customer satisfaction with ($\beta=0.287$; $P<.05$).
 - o As per the finding of this study, the service transactional accuracy has the positive and significant effect on customer satisfaction with ($\beta=0.251$; $P<.05$).
 - o The behavioural service quality has the positive and significant effect on customer satisfaction with ($\beta=0.117$; $P<.05$).

5.2. Conclusions

In the present competitive Ethiopian banking context, bank customers are presented with a wider choice of services and products. Therefore, in order to satisfy their customers, banks need to deliver superior services which exceed customer expectations. To achieve this objective, banks need to understand how customers evaluate the quality of the services they offer, how customers choose a bank in preference to another bank, and on what principal customers give their long-term patronage. Banks should not just only focus on improving customer satisfaction but also target on improving customer perceptions of overall service quality. Hence, the main objective of this study is to examine the effect of service quality on customer satisfaction in the case of Ethiopian private commercial banks in the case of Awash Bank S.C, Addis Ababa City.

In order to conduct the study, SYSTRA-SQ, a new measure of bank service quality model, having 21-item scale comprising four dimensions was used to measure customer satisfaction in Awash Bank S.C. It was found that the customers evaluate the service quality at two levels: at organizational level and transactional level. First it distinguishes between the organizational level

of service performance and the operational or transactional level. For instance, system service quality attributes that are strategic in nature suggests that they are not a product of the performance of any single employee or a group of employees, but rather are a product of bank procedures, system-wide service standards for the bank's service positioning strategy. Second, the scale merges both functional and technical service qualities attributes within factors. For instance, system service quality combines accessibility (functional) with technical solutions (technical) in one factor. However, the other three factors do represent a transactional perspective on service quality both in terms of staffs and the bank system.

The result of the study indicates that the four dimensions system service quality, behavioural service quality, machine service quality and service transactional accuracy are statistically significant and affect customer satisfaction in the case of Awash Bank S.C, Addis Ababa City. The system service quality attributes such as listens to customers, provides flexible solution for customer complaints, provides good advices when demanded, provides customized services as per the demand of the customer, easy tell bank service needs, delivers the service at the promised time, staffs respond immediately, employees empowered by the bank, the secured or safe of bank facility, the release new updates on services on time by the bank, and the bank's service is available or easily accessible leads to a higher customer satisfaction. Likewise, the behavioural service quality facets like the staff's politeness, courteousness, friendliness, helpfulness, and staffs have positive attitude in general also leads to higher customer satisfaction. Besides, with regards to the machine service quality, if the Bank has reliable cash machines and ATM do what the customers want the customers are satisfied.

Another important finding of this study with regards to service transactional accuracy is that ensuring the safety of the customer's transactions, keeping promises, making the customer feels confident in the bank's offering, and accurately verifying all transaction requests can contribute to customer satisfaction.

5.3. Recommendations

Based on the findings of the study the subsequent recommendations are forwarded.

- The machine service quality had significant and positive effect on customer satisfaction. Improving the machine quality enhances the customer's satisfaction more compared to the

other dimensions. The machines service quality especially the ATM service-related problems like breakdown in the weekend shall be avoided to exceed their expectation. The Bank shall work hard on the reliability of machines as well as their performance in terms of satisfactory output when they used by customers.

- System service quality had also relatively higher effect on customer satisfaction of Awash bank in Addis Ababa. The system service quality attributes such as listens to customers, provides flexible solution for complaints, customized services at the promised time, and staffs immediate response should be improved to enhance as it leads to a higher customer satisfaction.
- Likewise, the behavioural service quality had positive and significant effect on customer satisfaction in the case of Awash bank in Addis Ababa. The facets like the staff's politeness, courteousness, friendliness, helpfulness, and staffs have positive attitude in general also leads to higher customer satisfaction. Thus, the managements should work on the attitudinal and behavioral competence of the staffs through different trainings and capacity building programs.
- Another important finding of this study with regards to service transactional accuracy is that ensuring the safety of the customer's transactions, keeping promises, making the customer feels confident in the bank's offering, and accurately verifying all transaction requests can contribute to customer satisfaction. Banking transactions (delivery of money, bills, etc.), the accuracy of Awash Bank is necessary to exceed customer's expectation.
- The private bank i.e., Awash Bank S.C was the major focus of the present study, however, the understanding and additional demands of customers of all types of banks could be explored in future studies. Therefore, the researcher suggested that similar study can be further extended to other private banks and public banks.
- As a research design the student researcher was employed is quantitative method. Therefore, the researcher suggested that a mixed research design i.e., both qualitative and quantitative shall be used since qualitative study might give more detailed information in the future.

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APPENDICES

APPENDICES

APPENDIX – I QUESTIONNAIRE



ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES DEPARTMENT OF BUSINESS ADMINISTRATION

Survey Questionnaire for Study Participants

Dear Respondents,

My name is Mastewal Tesfaye, a postgraduate student of St. Mary University School of Graduate studies. I am conducting a study to assess the effect of service quality on customer satisfaction in the case of Awash bank S.C in Addis Ababa. The purpose of this questioner is to gather information about how customers perceive the service quality practiced by the organization, its effect on their overall customer satisfaction. Your honest and sincere responses for this questionnaire will play a great role in making the research successful. I assure you that all the responses will be treated confidentially and only be used for academic purpose. Participation is purely voluntary and no need to write your name.

I thank you in advance for offering your golden time and if you have any question, please feel free to contact me by the below contact:

Mastewal Tesfaye

Mobile: +251 930 803 024/+251 911 728 072

Email: masetu2015@gmail.com

Part I: Biographical Information

Please put “√” mark in the box to the point which highly reflect your idea;

1. Gender

Male Female

2. Age (years):

21 - 30 31 - 40

41 - 50 51 - 60

3. Education Level:

Highschool Degree

Diploma MA/SC and Above

4. Monthly Income in Birr

< 5,000 5,000 – 10,000

10,001 – 15,000 >15,000

5. Duration since account opened.

< 1 year 1 - 5 years 6 - 10 years > 10 years

Part II: Study Variables

The following questions are prepared on a 5 five-point Likert Scale. If the items indicated completely mismatch with the practices, choose Strongly Disagree (1) and if they strongly match with the practices choose Strongly Agree (5). This is to know how you feel about the quality of the banking service and its impact on your satisfaction level. Kindly be honest and give a true picture of your feelings. Please check (√) or (X) that applies and answer open ended question under each heading.

Instruction: Please rate the following banking service quality and customer satisfaction of the bank you are currently using. If you have more than one bank, please take the frequently used one.

Key – Service Quality - 1= Strongly Disagree; 2= Disagree; 3=Neutral; 4= Agree; 5= Strongly Agree – Customer Satisfaction - 1= Strongly Dissatisfied; 2= Dissatisfied; 3=Neutral; 4= Sat; 5= Strongly Satisfied

No	Statement	1	2	3	4	5
	System Service Quality					
1	The bank listens to its customers					
2	Provides flexible solution for customer complaints					
3	Provides good advices when demanded					
4	Provides customized services as per the demand of the customer					
5	Easy tell bank service needs					
6	Delivers the service at the promised time					
7	Staffs respond immediately					
8	The employees look empowered by the bank					
9	The bank facility looks secured or safe					
10	The bank release new updates on services on time					
11	The bank's service is available or easily accessible					
	Behavioral Service Quality					
12	The employees are polite					
13	The staffs are courteous					
14	The staffs are friendly					
15	The staffs are helpful					
16	The staffs have positive attitude in general					
	Machine Service Quality					
17	The bank has reliable cash mashine					
18	The ATM (automatic teller machines) do what I want					
	Transactional Accuracy					
19	The overall bank service is accurate					

20	There is almost negligible mistakes committed by the employees					
21	The cash machines shows as such noticeable errors					
	Customer Satisfaction					
22	I am satisfied with the bank's services.					
23	I am satisfied with the bank employees' professional competence.					
24	I am satisfied with the quick service of the bank.					
25	I am satisfied with respectful behavior of the bank staff.					
26	I am happy with the overall satisfaction towards bank's service quality.					

Thank you!



መጠይቅ

የቅድስተ ማርያም ዩኒቨርሲቲ የድህረ ምረቃ ፕሮግራም

የቢዝነስና ኢኮኖሚክስ ትምህርት ክፍል

ለጥናት ተሳታፊዎች የዳሰሳ ጥናት መጠይቅ

ውድ ተሳታፊዎች:-

ማስተዋል ተስፋዬ እባለላሁ የቅድስተ ማርያም ዩኒቨርሲቲ የድህረ ምረቃ ትምህርት ክፍል ተመራቂ ተማሪ ነኝ። የአገልግሎት ጥራት በደንበኞች እርካታ ላይ ያለውን ውጤት ለመገምገም አዲስ አበባ በሚገኙ የአዋጅ ባንክ አ.ማ ቅርንጫፎች ላይ ጥናት እያካሄድኩ ነው። የዚህ መጠይቅ ዓላማ ደንበኞች በድርጅቱ የሚሰራውን የአገልግሎት ጥራት እንዴት እንደሚገነዘቡ ፣ በአጠቃላይ የደንበኞቻቸው እርካታ ላይ ስለሚኖረው ውጤት መረጃ ለመሰብሰብ ነው ። ለዚህ መጠይቅ የሚሰጡት ቅን ምላሾች ጥናቱን ስኬታማ ለማድረግ ትልቅ ሚና ይጫወታሉ። ሁሉም ምላሾች በሚስጥር እንደሚያዙ እና ለአካዳሚክ ዓላማ ብቻ እንደሚውሉ አረጋግጥላችኋለሁ ። ተሳትፎው ሙሉ በሙሉ በፈቃደኝነት ላይ የተመሰረተ ነው። እናም ስምዎን መጻፍ አያስፈልግዎትም።

ወርቃማ ጊዜዎን ስለሰጡኝ አመሰግናለሁ እናም ጥያቄ ካለዎት እባክዎ ከዚህ በታች ባለው አድራሻ እኔን ማናገር ይችላሉ።

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ክፍል I: የሕይወት ታሪክ መረጃ

እባክዎን ሃሳብዎን በከፍተኛ ሁኔታ ወደሚያሳዩው ነጥብ በሰጥኑ ውስጥ “√” ምልክት ያድርጉበት ፤

1. ፆታ

ወንድ

ሴት

2. ዕድሜ

21 - 30

31 - 40

41 - 50

51 - 60

3. የትምህርት ደረጃ

ሁለተኛ ደረጃ ትምህርት ቤት

ዲግሪ

ዲፕሎማ

ኤም.ኤ. እና ከዚያ በላይ

4. ወርሃዊ ገቢ በብር

< 5,000

5,000 – 10,000

10,001 – 15,000

>15,000

5. የባንክ ሒሳብ የተከፈተበት ጊዜ

<1 አመት

6 - 10 አመት

1 - 5 አመት

> 10 አመት

ክፍል II: የጥናት ተለዋጮች

የሚከተሉት ጥያቄዎች በባለ አምስት (5) ነጥብ ሊከሩት ሚዛን ላይ ተዘጋጅተዋል ። የተጠቀሱት ክልምምዶቹ ጋር ሙሉ በሙሉ የማይጣጣሙ ከሆነ በጣም አልስማማም የሚለውን (1) ን ይምረጡ እና ክልምምዶቹ ጋር በጥብቅ የሚስማሙ ከሆነ በጣም እስማማለሁ (5) ን ይምረጡ። ይህ ስለ ባንክ አገልግሎት ጥራት እና በእርካታ ደረጃዎ ላይ ስላለው ተጽዕኖ ምን እንደሚሰማዎት ለማወቅ ነው።

ደግና ሐቀኛ ይሁኑ እና ስለ ስሜቶቻቸው እውነተኛ መረጃ ይስጡ። እባክዎ የሚመለከተውን (✓) ወይም (X) ምልክት ያድርጉ እና በእያንዳንዱ ርዕስ ስር ክፍት ቦታው ላይ ጥያቄውን ይመልሱ።

መመሪያ:- እባክዎን ለሚጠቀሙት ባንክ የሚከተሉትን የባንክ አገልግሎት ጥራት እና የደንበኞች እርካታ ደረጃ ይስጡ ። ከአንድ በላይ የባንክ ደብተር ቁጥር ካለዎት እባክዎን ብዙ ጊዜ ጥቅም ላይ የዋለውን ይውሰዱት ።

ቁልፍ -

የአገልግሎት ጥራት - 1 = በጣም አልስማማም; 2 = አልስማማም; 3 = ገለልተኛ; 4 = እስማማለሁ; 5 = በጣም እስማማለሁ

የደንበኞች እርካታ - 1 = በጣም አልረኩም; 2 = አልረኩም; 3 = ገለልተኛ; 4 = ረክቻለሁ; 5 = በጣም ረክቻለሁ።

ተ.ቁ	መግለጫዎች	1	2	3	4	5
	የስርዓት አገልግሎት ጥራት					
1	ባንኩ ደንበኞቹን ያዳምጣል					
2	ለደንበኛ ቅሬታዎች ተለዋዋጭ መፍትሔ ይሰጣል					
3	ሲጠየቁ ጥሩ ምክሮችን ይሰጣል					
4	በደንበኛው ፍላጎት መሠረት አገልግሎቶችን ይሰጣል					
5	ለባንክ አገልግሎት ፍላጎቶች ቀላል ይንገሩ					
6	በተጠቀሰው ጊዜ አገልግሎቱን ይሰጣል					
7	ሠራተኞች ወዲያውኑ ምላሽ ይሰጣሉ					
8	ሰራተኞቹ በባንኩ የተጠናከሩ ይመስላሉ					
	የግብይት ትክክለኛነት					
9	የባንኩ ተቋም ደህንነቱ የተጠበቀ ይመስላል					

10	ባንኩ በአገልግሎት ላይ አዳዲስ ዝመናዎችን በየወቅቱ ያወጣል					
11	የባንኩ አገልግሎት ይገኛል ወይም በቀላሉ ተደራሽ ነው					
	የባህርይ አገልግሎት ጥራት					
12	ሰራተኞቹ ትሁት ናቸው					
13	ሰራተኞቹ ጨዋዎች ናቸው					
14	ሰራተኞቹ ተግባራዊ ናቸው					
15	ሰራተኞቹ አጋዥ ናቸው					
16	ሠራተኞቹ በአጠቃላይ አዎንታዊ አመለካከት አላቸው					
	የማሽን አገልግሎት ጥራት					
17	ባንኩ አስተማማኝ የገንዘብ ማሺን አለው					
18	ኤቴኤም (አውቶማቲክ የገንዘብ ማሽኖች) እኔ የፈለግኩትን ያደርጋሉ					
	የግብይት ትክክለኛነት					
19	አጠቃላይ የባንክ አገልግሎት ትክክለኛ ነው					
20	በሠራተኞቹ የሚመጡ ቸልተኛ ስህተቶች አሉ ማለት ይቻላል					
21	የገንዘብ ማሽኖች እንደነዚህ ዓይነቶቹ ስህተቶች ይታያሉ					
	የደንበኛ እርካታ					
22	በባንኩ አገልግሎቶች ረክቻለሁ					
24	በባንኩ ፈጣን አገልግሎት ረክቻለሁ					
25	የባንኩ ሰራተኞች የአክብሮት ባህሪ ረክቻለሁ					

26	በባንኩ የአገልግሎት ጥራት አጠቃላይ እርካታ ደስተኛ ነኝ					
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አመሰግናለሁ!