



St-Mary's University

School of Graduate Studies

Department of Marketing Management

The Effect of Loan Service Quality on Customer Satisfaction at Zemen Bank Share Company in Addis Ababa

A Thesis submitted to St. Mary's University, School of Graduate studies, and Department of marketing management in Partial fulfilment of the requirement for the degree of master of art in marketing Management.

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July, 2024

Addis Ababa

DECLARATION

I, Mesfin kifle, do hereby declare that the thesis entitled “The Effect of Loan Service Quality on Customer Satisfaction at Zemen Bank S.c in Addis Ababa” is my original work prepared under the guidance and support of my advisor Dr.Mulatu Takele It has been carried out and submitted in partial fulfillment of the requirements for the Degree of Master of Art in Marketing Management to the Institute/ Department of Marketing; College of St. Mary’s University. I also would like to confirm that it has not been previously submitted to any diploma or degree to any college or university as well as all the sources of materials used in the study is duly acknowledged.

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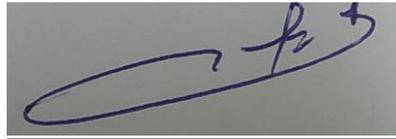
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ADVISOR'S APPROVAL

The thesis entitled “The Effect of Loan Service Quality on Customer Satisfaction at Zemen Bank S.c in Addis Ababa” submitted by student Mesfin Kifle in partial fulfillment of the requirements for the award of a Master Degree in Marketing management to the Institute/ Department of Marketing; College of St. Mary's University has been carried out under my supervision. Therefore, I hereby approve and recommend that it has fulfilled the thesis requirements and can be submitted to the department for examination as the university advisor.

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THESIS TITLE

**The EFFECT OF LOAN SERVICE QUALITY ON CUSTOMER
SATISFACTION AT ZEMEN BANK SHARE COMPANY IN
ADDIS ABABA**

BY

MESFIN KIFLE

APPROVED BY BOARD OF EXAMINERS

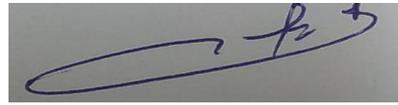
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ACKNOWLEDGEMENTS

The Almighty God is to be praised for providing me with resources, fortitude, and provision throughout the entire study session.

I would like to express my profound gratitude to my adviser Dr. Mulatu Takele, for all of his support, advice, and invaluable research experiences.

In addition, I would like to express my gratitude to the staff members of the chosen branch and the credit department for their support during the data-gathering phase.

Finally, my appreciation goes to the borrower customers of Zemen Bank for their invaluable time spent answering the research questionnaires.

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Acronyms/ Abbreviations

ZB	Zemen bank
SC	Share Company
NBE	National bank of Ethiopia
NPL	Non-Performing Loan
SERVQUAL	Service Quality
SERVPER	Service Performance
CAF	Credit Application Form
LAF	Loan Approval Form
SPSS	Statistical Package for Social Science
VIF	Variance Inflation Factor

Abstract

The main purpose of this study is to assess the effect of loan service quality on customer satisfaction, specifically at Zemen Bank. To achieve the objective of the study an explanatory, descriptive, quantitative survey method was used based on SERVQUAL model measurements such as reliability, tangibility, responsiveness, assurance, and empathy. The population of the study mainly focuses on Zemen Bank customers who have an experience with the bank loan service. The sample size was drawn using non-probability sampling techniques, and 287 loan customers were taken as a sample size from ten selected branches located in Addis Ababa city. The study used both primary and secondary data. The primary data were collected by structured questionnaires filled out by borrower customers, and a 96% response rate is obtained. The data were tabulated, coded, captured, and presented by using SPSS statistical software. The study was used both descriptive and inferential statistical analysis methods to interpret the data. The descriptive assessment analysis revealed that the bank got the highest score for empathy followed by reliability and assurance dimensions. On the other hand, responsiveness and tangibility have gotten relatively lower scores. The Pearson correlation analysis result showed that the dimension of loan service quality has a positive relationship with customer satisfaction at the 0.00 significance level, assurance and empathy have the highest positive relationship with customer satisfaction, whereas tangibility and reliability shows a weak relationship with the borrower's satisfaction. The regression analysis result shows that reliability, responsiveness, assurance, and empathy are statistically significant for customer satisfaction. Assurance has the strongest positive effect and is statistically significant on customer satisfaction, followed by empathy and responsiveness. However, tangibility has no positive impact on borrower satisfaction and is statistically insignificant. Finally, the study suggested some recommendations based on the findings; the bank should set up regular staff training focused on loan service and intelligence-building courses and create standard operating procedures for lending service. The bank should offer a contemporary internet and mobile application that allows borrowers to access full information about their loan-related service.

Key words: *SERVQUAL, customer satisfaction, loan service quality, reliability, tangibility, responsiveness, assurance, and empathy*

CHAPTER ONE

1. INTRODUCTION

This chapter deals with background of the research, statement of the problem, research questions of the study, objectives of the study, significance of the study, scope of the study, limitation of the study, operational definition of key terms, and organization of the study.

1.1 Background of the Study

Banks play a crucial role in enhancing economic efficiency by directing resources from resource-surplus units to those offering more lucrative investment opportunities. Because they greatly lower transaction costs and increase convenience, banks play a vital role in trade and the payment system. The financial sectors are being force to provide more advanced and creative service in the banking and finance business by new technology and information systems. The financial environment of intense competition also encouraged banks and other financial organizations to adopt new technologies and provide higher-quality service (Tehulu, T. A., and Wondmagegn, G. A. 2014).

According to the NBE report (2021/22), the Ethiopian financial sector remained robust and played a significant role in facilitating socio-economic growth through its financial intermediation function. They also accelerated their deposit mobilization (25.7 percent), loan collection (48.6 percent), and loan disbursement (29.9 percent), which is birr 427.9 billion in fresh loans. Their non-performing loan ratio was within the required ceiling of 5 percent, and currently, the banks are trying to give quality service to their customers by using technology, expanding their branch accessibility and providing credit service. The total branches and capital of the banking industry showed 8,944 (eight thousand nine hundred forty-four) and reached Birr 199,000,000,000.00 (birr one hundred ninety-nine billion). And their total outstanding loan was Birr 86.1 billion. Bank industries should focus on service quality as a core competitive strategy (Chaoprasert & Elsey, 2004). The banking sector provides financial services that accept deposits

and channel those deposits into lending activities, either directly or through capital markets (Shelton et al., 1995).

Service quality “has become one of the main driving forces for business sustainability and is vital for firms’ accomplishments” (Rust and Oliver, 1994). “Customer service quality is a crucial source of distinctive competence and is often considered a key success factor in sustaining competitive advantage in service industries” (Palmer, 2001). Regarding the relationship between customer satisfaction and service quality, Oliver (1994) first suggested that service quality would be an antecedent to customer satisfaction, regardless of whether these concepts were cumulative or transaction-specific. It implies that the concept of service quality plays a central role in understanding customer satisfaction and retention (Parasuraman, 1985).

Customer satisfaction is considered to be one of the most important outcomes of all marketing activities in a market-oriented firm. The obvious need for satisfying the firm’s customers is to expand the business, gain a higher market share, and acquire repeat and referral business, all of which lead to improved profitability (Barsky, 1992). Most researchers and practitioners accept the notion that customer satisfaction is positively associated with desirable business outcomes (Keininninghan, Perkin, Akosoy and Estrin, 2005). Therefore, companies should strive to improve their customer satisfaction levels consistently in order to achieve customer satisfaction, provide good service quality with fitting specifications that are met, fair exchange of value at a fair price, and have the potential for utilization of service (Collier et al, 1994).

A credit service is referred to as a loan given for business requirements or personal needs to its customers, with or without a guarantee or collateral, with the expectation of earning periodic interest on the loan amount. The total process of lending starts with prospecting potential borrowers and ends with granting the amount settled. The process includes activities such as the relevant document of loan request, loan assessment, loan approval, monitoring, collateral estimation, repayment collection, credit administration (NBE annual report 2019/20).

Zemen Bank S.C is one of the private banks in Ethiopia; it was established in 2008 by around 3000 visionary shareholders with a registered paid-up capital of Birr 87,237,000.00 (Birr Eighty-seven Million Two Hundred Thirty-Seven Thousand) with the vision of becoming Ethiopia Five

Star Bank through local knowledge and international standards. The bank has increased its registered capital raised to Birr 5,000,000,000.00 (Birr Five Billion) by floating additional shares to the public and its existing shareholder as of 2023GC. Recently, the bank implemented its five-year strategic plan, effective January 2023, with the new vision of becoming a home of distinctive financial solutions and service excellence for customers and the community. This vision intends to focus on providing superior customer service at all operations units, including credit service, and create a mental picture of truly exceptional service standards and systems. According to its 2009 annual report, Zemen Bank S.C. currently offers four main service: domestic account operation, international banking, credit or loan facilities, and payroll service for commercial clients.

According to the Zemen Bank annual report (2022/23), Zemen Bank has provided the loans service to its customers towards meeting the growing demand for credit to different sectors of the economy. Of these, domestic trade and service, industry, exports, hotel and tourism, import, building and construction, agriculture, transportation, consumer personal loan, personal loans-staff. The bank extended loans and advances to those sectors. Domestic trade and service took the lion's share of 25.19%, followed by industry (16.34%), exports (16.33%), consumers (11.22%), hotel and tourism (9.26%), imports (7.30%), and building and construction (7.26%). While the rest of the sectors, in aggregate, accounted for 7.11 percent of the total outstanding loan book balance, which rose to Birr 31.3 Billion. The non-performing loans (NPLs) ratio as of June 30, 2023, stood at 1.09%, which is significantly below the NBE's 5 percent limit.

According to the Zemen Bank annual report (2022/23), Zemen Bank has earned a gross profit of Birr 2.75 Billion. From this, the loan and advance service income contribution to the registered profit was around 79.5%, which is birr 2,186,250,000. This shows that the loan service is mandatory and the backbone of the existence of the bank, and it is the major source of income. In this regard, these studies were designed to assess the effect of loan service quality on customer satisfaction in Zemen Bank credit service, especially in Addis Ababa.

1.2 Statement of the problem

A bank loan is any amount of money given by a bank to a qualified customer who has established a business, made investments, or used the money for personal purposes and has agreed to repay the loan, along with interest, within the period stated in the loan contract. However, deposits from depositors account for more than 90% of their obligations (Saunders, Cornett, 2005). To turn a profit relative to deposit expenses, the bank leverages these deposits to help its borrowers obtain loans. Thus, in order to satisfy its customers, the bank should offer them high-quality lending service (Zeller, 2001). If a consumer is pleased with the loan service they received, they will be eager to work with different service units; if they are unhappy with the loan service they received, they may tell other potential customers about their bad experience (Chau & Kao, 2009). As a result, the bank would lose out to rivals for its important potential clientele. Because satisfied customers are a source of free marketing for the company, the bank should place a specific emphasis on providing good loan quality service (Mohsan et al., 2011). Financial service quality is also regarded as a necessary component of lending, and as such, poor quality lending service might result in an inability to control consumer satisfaction, particularly in the area of credit management, which will result in financial hardship and perhaps economic collapse. Appropriate staff and the implementation of strict adherence to solid credit policies and procedures are necessary for good loan service and credit management in order to satisfy the borrowers. According to Koch & MacDonald, (2003) if a loan service is well organized, it will increase the bank's profitability and sustainability in the future. However, if they fail to do so, it will be a major threat to their survival.

Zemen Bank S.C is the leading bank among all private banks in Ethiopia in terms of being a pioneer in customer service, employee efficiency, technology, and others. Therefore, it is believed that for such a big business organization, a better understanding of the appropriate relationship between loan service quality and customer satisfaction is necessarily important to improve its service quality. In addition, to win the stiffer competition among domestic banks, it is important for Zemen Bank to improve its loan service to its customers. However, there hasn't been constant research on how loan service quality affects client happiness. And this could cause you to overlook the key attributes that buyers are seeking in loan service. Zemen Bank provides

lending service to its clients through its branches, credit department, and engineering department, each with a corresponding functional unit. The Zemen Bank loan customer satisfaction rating should be used to determine how to improve the quality of the loan service provided.

The researcher did an introductory study at 10 branches of Zemen Bank with 20 customers. Of those, 15 are active borrowers, and the other customers are those who were not qualified for bank loan service because of bank loan procedures. Find out if there is some discontent with the bank's loan service in regards to the quality of the loan service. Customer dissatisfaction may result from subpar customer service in some parts of the loan service delivery process and the bank loan service procedure regarding the acceptance of the loan service applicant who is not involved in the business sector.

According to Biju K, D. Devandhiran & Sreehari R. (2012) there is a very strong relationship between service quality and customer satisfaction, which shows that as bank employees provide quality service, customers are highly satisfied. In addition, another researcher named Vijay M. Kumbhar, (2011) also shows the relation between service quality and customer satisfaction in public banks and private banks in India. And the finding indicates that customers are highly satisfied with service quality.

Previously, different studies were conducted in the Ethiopian banking industry. Those studies were assessing factors of overall service quality on customer satisfaction, but most of the researchers were not concerned with service quality on loan acquisition and customer satisfaction. Therefore, the researcher was motivated to conduct research in this area to fill the research gap of the study on the effect of Zemen Bank loan service quality on customer satisfaction.

Thus, research was designed to study the effect of loan service quality as an independent variable on customer satisfaction dependent variable i.e. customer satisfaction using the five factors of service quality (Parasuraman et al, 1988) by focusing on the credit service provided by Zemen Bank SC.

1.3 Research Questions of the Study

The research questions of this study included:

1. What is the existing level of loan service quality at Zemen Bank S.C?
2. What level of satisfaction does the customers with Zemen Bank S.C on loan acquisition service?
3. What is the relationship between loan service quality and customer satisfaction at Zemen bank S.C in loan offer service?
4. What are the effects of reliability, tangibility, responsiveness, assurance, and empathy on customer satisfaction at Zemen bank S.C loan delivery service?

1.4 Objective of the study

1.4.1 General Objective

The general objective of this study was to analyze the effect of loan service quality on customer satisfaction at Zemen Bank Share Company.

1.4.2 Specific Objectives of the study

1. To assess the existing level of loan service quality at Zemen Bank S.C.
2. To describe the level of customer's satisfaction with loan service quality in Zemen Bank S.C.
3. To identify the relationship between loan service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) and customer satisfaction at Zemen Bank S.C.
4. To examine the effects of loan service quality (tangibility, reliability, responsiveness, assurance, and empathy) on customer satisfaction at Zemen Bank S.C.

1.5 Significance of the study

On the practical side, the researcher expects that the study should help with two dimensions: Theoretical contribution and practical implementations.

Theoretically, this study will give an additional literature regarding about Zemen Bank lending service quality. Therefor the finding of this study will add to the existing body of the literature and serve as guide for the future study on this subject and piques the curiosity of other researchers to create more in-depth and complete studies on the caliber of loan service and client satisfaction. On the practical side, this study will help to bank decision maker to make better decision that would enable them to improve and satisfies their customer to ward their loan service quality by offering suggestions and recommendations. This can act as a guide for banks as they formulate their next strategies to support potential customers in a highly competitive market.

1.6 Scope of the study

The focus of this study was Zemen Bank Share Company in the Addis Ababa branches; Head office, Kassanchis, Bole, Adrada, Lideta, Meskel flower, Gotera, Mixco, Genet, and Bisrate Gebirel are the names of the chosen branches. This research was targeted only the loan customers/borrowers who have an experience regarding the loan service acquisition. The study was looked at how customer satisfaction in the example of Zemen Bank at particular Addis Ababa branches is impacted by the quality of loan service, in Addis Ababa.

1.7 Limitation of the study

The paper was examined the effects of loan service quality on customer satisfaction at Zemen Bank. In doing so, the researcher was faced some limitations or forces that reduce the efficiency of the paper, such as:

- Difficulties of obtaining studies, which were conducted earlier about the issue.
- May the respondents were not responded accurate response.
- The assessment's scope of the research has limited to Zemen Bank alone, and its conclusions may not applicable to other areas of the bank service. The assessment has evaluated the borrower's satisfaction and the quality of the loan service.

1.8 Operational definitions of key terms

Customer: a general term for any individual or group of individuals who obtains a service or item from them. Customers in this study are people who make use of banking service. (Parasuraman et al, 1988).

Service: service is an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production (Wirtz & Lovelock, 2016).

Loan: a type of financial instrument that gives a customer access to a predetermined amount of money at the beginning of a transaction. In exchange, the customer must return the money plus any agreed-upon interest within a predetermined period with a contractual basis. (Internet at banco santander S.A).

Service quality: can be defined as the difference between customers' expectations for the service encounter and their perceptions of the service received (Parasuraman et al, 1988).

Customer satisfaction: Satisfaction in the banking industry means that the product or service that is offered to customers meets his or her expectations (Wang et al, 2004.)

Service expectations: desired service, adequate service, predicted service, and a zone of tolerance that falls between the desired and adequate service levels (Wirtz&Lovelock, 2016).

Perceptions: refer to what bank customers experienced with the service quality of the bank (Wirtz&Lovelock, 2016).

1.9 Organization of the Study

The research study was organized into five chapters. Chapter one presented the introduction part, which consists of the background of the study, the problem of the statement, the research questions, the study objectives, significance of the study, scope of the study, operational definitions of key terms, and organization of the study. Chapter two presented the review of related literature, which consists of the theoretical concept, empirical literature and conceptual frame work of the study. Chapter three showed the research design, sampling design, data type and source, method of data collection, methods of data analysis, and ethical considerations. Chapter four presented the data discussion, interpretation, and result of the major findings of the study. Chapter five describes the summary of the findings, conclusions, and recommendations of the research.

Chapter Two

Literature Review

This chapter focused about review related literature on theoretical concept of the study, empirical review finding which related to research question and conceptual framework of the study.

2.1 Theoretical concept of the study

2.1.1 Definition of service

According to Phillip Kotler et al (1997), any action or advantage that one party provides to another that is largely immaterial and might not lead to property ownership is referred to as a service. Conversely, services are those distinct, fundamentally intangible activities that fulfil needs and aren't always connected to the sale of goods or other service (Cannon, 1998). Service are commercial endeavors that, by bringing about a desired change in or on behalf of the service recipient, produce value and benefit clients at particular times and locations (Lovelock et al., 2004). Service are any intangible act or performance that one party offers to another that does not result in the ownership of anything (Kotler& Keller, 2009).

Gronroos (2000) Defined service as a process consisting of a series of more or less intangible activities that normally take place in interactions between the customer and service employees, physical resources or goods, and/or systems of service providers, which are provided as solutions to customer problems.

2.1.2 Characteristics service

According to Nguyen et al (2006), service have the following four key distinguishing characteristics. These are intangibility, inseparability (heterogeneity), variability and perishability.

- **Intangibility:** service is intangible in nature. It means that service cannot be seen, tasted, felt, heard, or smelled before they are bought (used).

- **Inseparability:** The major characteristics of service are generated and consumed simultaneously and cannot be separated from their providers, whether they are people or machines.
- **Variability (heterogeneity):** is another important characteristic of service, which means that their service quality may vary greatly, depending on who provides them and when, where, and how they are provided.
- **Perishability:** means service cannot be stored for later sale or use.

2.1.3 Service Quality

Historically, service quality has been imagined as the difference between customer expectations about the service to be received and their perception of the service being used (Zeithaml and Berry, 1988). But currently it is conceptualizing as customer overall sense of superior or inferior service (Zeithaml and Berry, 1990). Service quality is not objectively measured according to some technical standards but is subjectively felt by customers and measured relative to customer-determined standards (Kwortnik, 2005).

“Quality is defined as the summation of the affective evaluations by each customer of each attitude object that creates customer satisfaction” (Wicks & Roethlein, 2009, p.90).

Service quality is an important area for practitioners because, according to (Douglas & Connor, 2003, p.167), (Saravanan & Rao, 2007, p.435) the need for survival and growth in ever increasingly competitive markets are the main critical factors in the search for providing superior service quality and achieving customer satisfaction.

Service quality can be described as the discrepancy between the customers' perception of the service they received and their expectations for the service' performance before they are delivered. The basis for assessing the quality of a service is the customer's expectations, as high quality is achieved when performance surpasses the customer's expectations, and bad quality occurs when performance falls short of their expectations (Asubonteng et al., (1996, p.64).

Customer expectations are viewed in service quality literature as the desires or wants of consumers, i.e., what they feel a service provider should offer rather than would offer (Parasuraman et al., 1988, p.17).

Perceived service is the outcome of the consumer's view of the service dimensions, which are both technical and functional in nature (Gronroos, 1984, p.39).

Consumer perception is the evaluation of a service or product by the consumer regarding how well it meets their needs, wants, and desires (Cadotte et al., 1987). Perceived quality is the customers' assessment of an entity's overall excellence or superiority (Zeithaml, 1988).

Gronroos, (1982); Parasuraman et al., (1985) have proposed that customers' perceptions of service quality are based on the comparison of their expectations (what they feel service providers should offer) with their perceptions of the performance of the service provider.

2.1.4 Service quality dimension

The notion of service quality is not a stand-alone term; rather, it is shaped by a number of variables pertaining to service and service providers. A five-dimensional model variable of service quality, including tangibility, reliability, responsiveness, empathy, and assurance, was developed by Parasuraman in 1988.

Tangibility: the appearance of physical facilities, equipment, communication materials and technology and the devices employed to communicate to the customers.

Reliability: the ability of the company to perform the promised service dependably and accurately, which is a service firm's promises about delivery, service provisions, problem resolutions, and pricing.

Responsiveness: the company's willingness to help customers and to provide prompt service. This dimension focuses on the attitude and promptness in dealing with customer requests, questions, complaints, problems, punctuality, presence, and professional commitment of the employees or staff.

Empathy: It is defined as the caring, individualized, and personalized attention provided to customers by their banks or service firms. Individual attention and convenient operating hours were the two primary elements included by Parasuraman, et al, (1991).

Assurance: it focuses on employee's knowledge, courtesy, and the ability of the firm and its employees to inspire trust and confidence in their customers. In banking studies by Anderson, et

al (1976), it was found that a substantial level of trust in the bank and its ability was necessary to make the customer comfortable enough to establish a banking relationship.

2.1.5 Measurement of service quality

2.1.5.1 Gap Model Service Quality

The gap model was first proposed by A.Parasuraman and Leonard L.Berry 1985. According to this model, service quality helps the service provider to understand the customer satisfaction.

According to Parasuraman et al (1985), the gap model widely used understands the various deviations that are occurring in the process of service delivery to the customer, for this the gap model service quality help to identify the different gap between perceived service and expected service by mentioned five specific gaps in service stage process. These are knowledge gap, standard gap, delivery gap, communication gap, and gap between expected and perceived service.

A. Gap 1 (Knowledge gap of customer expectation)

This discrepancy demonstrates how management's perception of customer expectations and what customers actually anticipate from a service diverge. This disparity arises when the service provider misinterprets the needs and desires of the client, communicates poorly with managers and other staff members, and uses market research ineffectively.

B. Gap 2 (standard policy gap)

This gap shows the difference between what management perceptions (understanding) of customer need and how they translate that understanding in to service procedure and standard (specification) for employees. This gap rises when service provider might correctly comprehend (know) what customer required, but not set performance standard, inadequate management commitment to service quality, absence of formal process for setting service goals, and unsystematic new service development process.

C. Gap 3 (Performance gap)

The discrepancy between the standards for service quality and the actual performance of service delivery is demonstrated by this gap. Contact employees may have role conflict and ambiguity because of inadequate evaluation and compensation systems, a lack of teamwork, subpar employees, subpar technology, and ineffective recruitment practices. These factors are the main causes of this gap.

D. Gap 4 (Communication gap)

This gap shows the difference between the actual quality of service delivered and the description quality service by service provider at external communication like advertising and other promotional tools. This gap may arise when the assumed expectation is not performed as promised at the time of service delivery because of a lack of horizontal communication, communication among sales people, differences in policy and procedure across branches, and inadequate communication in advertising and operations.

E. Gap 5 (Customer gap)

This gap shows the gap between customers experienced (perception) service and expected service. Expected service is what the customer expects to receive from the service organization. Whereas perceived service is what the customer believes or perceives that, he or she has actually received service (after the service experience). According to this model, customer gap is a function of gap1, gap2, gap3, gap4, and thus the service provider should focus on improving these four gaps to enhance the quality of its service in order to satisfy its customers.

2.1.5.2 SERPPER Model

This model was created by Cronin and Taylor in 1992. It uses the performance approach method to measure the customer's perception of the quality of the service based on their overall sentiment toward the service. However, in order for service providers to improve, this model does not take into account what customers want from their service.

This model assumed that service quality a direct reflection of service performance and that high perception indicates higher quality. This more complex, limited and subjective as it does not account for the influence of customer expectation on service quality.

2.1.5.3 SERQUAL Model

This model has been developed by Parasuraman et al, (1985), it measures the quality of service by calculating the difference between what customers believe they received and what they expected from the service they were offered. This model attempts to measure the customer perception of service quality, which depends on the size of the gap between expected service and perceived service which in turn, the gaps under the control of the service provider such as delivery service, marketing (Parasuraman et al., 1985).

This measurement of service quality is more comprehensive as it reveals gaps between what the customer's wants and what they received based on both on how the consumer evaluates the service delivery process and the outcome of the service, (Parasuraman et al., 1985, p.42). A good service quality is considered as one that meets or exceeds consumer's expectation of the service, which is higher gap, indicates lower quality (Parasuraman et al., 1985, p.46).

The SERVQUAL model uses five dimensions of service quality in order to measure service quality by considering 22 items that cover these dimensions' characteristics. These items fall under the category of tangibility, reliability, responsiveness, assurance and empathy (Parasuraman et al., 1988, p.23).

These dimensions mainly focus on the human aspects of service delivery (responsiveness, reliability, assurance, and empathy) and the tangibles of service.

According to Ladhari (2009), SERVQUAL model is a good measure of service quality in various specific industries, but it is appropriate to choose the most important dimensions of this model that fit the particular service being measured in order to assure reliable and valid results.

According to Gilmore, (2003), SERVQUAL is based on measuring customer satisfaction in terms of the relationship between expectations (E) and outcomes (O). If the outcome (O) matches expectations (E), then the customer is satisfied. If expectations (E) exceed the outcome

(O), then customer dissatisfaction is indicated. If the outcome (O) exceeds expectations (E), then customer delight may be the result.

In this regard, the researcher was used this model because it takes into account customer's expectation of a service as well as perceptions of the service which is best way to measure service quality in service sector (Shahin, 2005, p.3).

2.1.2 Customer Satisfaction

According to Oliver (1980), "customer satisfaction is a psychological state resulting when the emotion surrounding disconfirmed expectation is coupled with the consumer's prior feelings about the consumption experience".

Customer satisfaction is a distinct transaction that is based on the client's experience with a specific service encounter, (Cronin&Taylor, 1992). According to Jones and Suh (2000), customer satisfaction is cumulative and is based on the evaluation of all service received. This suggests that client happiness is determined by both the outcome of the service and the customer's interaction with the service provider.

Customer satisfaction is an overall customer attitude toward a service provider, which means an emotional reaction to the gap in customer outlook and what they receive regarding the accomplishment of their needs and desires (Hansemark and Albmsson, 2004).

Fornell, (1992, p.11) clearly defines customer satisfaction as an overall post-purchase evaluation by the consumer, and this is similar to that of Tse & Wilton, (1988, p.204) who defined customer satisfaction as the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or service as perceived after its consumption.

Service providers should consistently satisfy their customers to enjoy higher retention levels and greater profitability due to increased customers' loyalty, Wicks & Roethlein, (2009, p.83). This is why it is vital to keep consumers satisfied, and one way is by trying to know their expectations and perceptions of service offered by service providers. In this way, service quality could be assessed, and there by evaluating customer satisfaction.

Customer satisfaction is one of the most essential objectives which any bank seeking for long-term relationship with customer considers as the top priority and it is becoming the key for successful banking industry (Belas & Gabcova, 2014; Belas, Cipovova & Demjan, 2014; Chavan & Ahmad, 2013).

In this regard, the bank has different kinds of customers, which consist of individuals, organizations, companies, communities, and embassies. As a result, they may have their own interests. So the bank provides banking service to intensify its effort to satisfy those customers by supplying quality service (Amoah-Mensah, 2010).

2.1.2.1 The importance of customer satisfaction

Customer Satisfaction should be a priority for any business regardless to which the service provider belongs with various benefits. These are greater customer loyalty, competitive advantage, increase brand popularity, support during corporate crisis, and increase transaction revenue.

- **Greater customer loyalty:** Fornell (1992), found that high customer satisfaction will result in increased loyalty for the firm and that customers will be less susceptible to offers from competitors. In the long run, it is more profitable to keep good customers than to constantly attract and develop new ones to replace the ones who leave.
- **Competitive advantage:** A higher level of customer satisfaction sustains customers's confidence, which is essential for competitive advantage (Kotler& Armstrong, 2001). Rust&Zahorik (1993), stated that greater customer satisfaction leads to greater intent to repurchase.
- **Increase brand popularity:** The probability is high that satisfied customers are more likely to share your content across numerous social media channels. Lovelock and Wright, (1999), accentuate that, highly satisfied customers spread positive word of mouth and in effect become a walking, talking advertisement for the service provider, which lowers the cost of attracting new customers. Satisfied consumers will not look at your

competitor's offers – they will interact with your brand, make a purchase, and recommend the products and service to friends and family.

- **Support during corporate crisis:** Increased customer satisfaction leads to behavioral outcomes such as, commitment, customer retention, the creation of mutually rewarding relationships between the customers and the service provider, increased tolerance for service failures, and positive word-of-mouth advertising about the service provider (Reich held 1996; Newman 2001).
- **Increase transaction revenue:** Companies that make customer satisfaction a priority will see increased sales revenue. There is a direct connection between customer satisfaction and increased revenue. According to Anderson & Sullivan (1993), a high level of customer satisfaction will decrease the perceived need to switch service providers, thereby increasing customer repurchases and ultimately enhancing the profitability of the service provider (Bowen, & Chen, 2001).

In this regard, due to the high competition in the banking industry, banks may lose existing customers to their competitors as a result of successful attempts to attract customers away. Therefore, enhancing customer satisfaction should be a key driver for banks to maintain a long term relationship with their customers.

2.1.2.2 The factor that affect customer satisfaction

Customer satisfaction is determined by service quality, service features, and customer-complaint handling (Hansemark and Albinsson, 2004). Stockbacka et al., (1994) state that keeping customers depends on a number of factors, including a wide range of product choices, greater convenience, better prices, and enhanced income.

Going one step further, Matzler et al. (2002) divided the variables influencing customer satisfaction into three factor structures. These are basic factors, performance factors, and excitement factors.

- ❖ **Basic factors:** these are the minimum requirements that are required in service to prevent the customer from being dissatisfied. They do not necessarily cause satisfaction but lead to dissatisfaction if the service has already been absent.
- ❖ **Performance factors:** these are the factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled. These include reliability and friendliness.
- ❖ **Excitement factors:** these are factors that increase customers' satisfaction if fulfilled but do not cause dissatisfaction if not fulfilled, which include project management.

Grönroos (1998) emphasized that the degree to which customers perceive the quality of service should be determined by measuring attitudes that determine customer satisfaction, particularly with regard to service perceptions and expectations. Dissatisfied customers can have varying effects on service providers. Such as:

- A customer who experiences an unsatisfactory service encounter may never revisit that particular service provider again.
- In addition to seeking an apology for the occurrence, the client can also ask for the provider to mend the harm done to their relationship, which could cost the company money (Krapfel, 1985).
- The organization must worry about losing prospective customers as well as present ones. Due to may be most destructive to the organization which is the tendency for an unsatisfied customer to be engaged in negative word-of-mouth communication (Richens, 1983).

In this regard, in the banking sector, the quality of the relationship between the consumer and the service provider of goods and service is a crucial factor in determining customer satisfaction. The quality of both the product and the service is therefore frequently mentioned as a crucial prerequisite for keeping and delighting customers.

2.1.3 The R/S between service quality and customer satisfaction

Since customer satisfaction has been considered to be based on the customer's experience with a particular service encounter, (Cronin & Taylor, 1992). It is the line with the fact that service quality is a determinant of customer satisfaction. Customer satisfaction described as the result of a comparison of the customer expectation, and the subsequent perceived performance of the

service quality (Hernton & Weaven, 2009). This implies that, perceived service quality is one of the prior to overall customer satisfaction.

Both customer satisfaction and service quality share certain characteristics, but customer satisfaction is more inclusive and is influenced by perceptions of service quality, whereas service quality focuses specifically on dimensions of service and a focused evaluation that shows the customer's perception of tangibility, reliability, assurance, responsiveness, and empathy (Wilson, 2008 p.78).

Customer satisfaction is higher when the perceived service quality is good (Parasuraman et al, 1985). Customer satisfaction is determined by the quality of service rendered by the provider (Saravana&Rao, 2007 p.436).

Service quality is a key factor for customer satisfaction. It is an important tool for banks to augment their income and market share (Muyeed, 2012). Service provider will be able to deliver service with a higher quality levels presumably resulting in increased customer satisfaction (Duff et al, (2008).

The quality of service and customer happiness are so dependent on one another that a rise in one is likely to result in an increase in the other. Additionally, customer satisfaction reflects the customer's feelings about numerous interactions and experiences with the service provider, whereas service quality may be influenced by perceptions of value (benefit relative to cost) (SU et al., 2002, p. 372). As a result, service quality is more abstract than customer satisfaction.

2.1.3 Zemen Bank Loan Service

Loans are the core service that Zemen Bank renders to its customers, with contractual agreement between the borrower and the bank with having various terms and conditions of the bank policy and procedures. The bank avails of a wide range of loan product supposed to fit with the existing or future demands of the economy and its customers so as to maximize its profit.

Based on collateral offer, the bank classified loan as secured loan and/ unsecured loans. According to Clemens and Dyer (1977) cited in Kokeb (2010) Secured loan is guaranteed by collateral offer which is an asset or cash of equal or greater value than the amount of the loan, it considers a secondary source of payment and is recommended for more than 75% of the bank's loan. No loan should be granted based on the value of the collateral without a clear indication of

a stable primary source of repayment. Whereas unsecured loan may be granted to customers with established characteristics of their ability to repay. The purpose of the loan and the source of repayment must be clearly understood. Generally, unsecured should not exceed 25% of the net worth. These may be available from financial institutions under many different guides or marketing packages; they may also be granted to customers with established characteristics and the ability to repay (Westerfield, 1993).

Zemen Bank shall classify its borrower customers as corporate institutional banking (CIB) and retail banking (PBB) clients based on customer annual sales volume, loan exposure with the bank, volume of foreign currency in flow, volume of cash deposit, which consists domestic corporate, foreign investors, institutions, and diaspora, middle and high income individual, small & medium enterprise respectively.

Based on customer segment, Zemen Bank loan products are broadly classified as business loans and consumer loans. And based on maturity, the loan product is classified as long-term, medium-term, and short-term loans.

2.1.3.1 Zemen bank Business loan

Business loan a type of loan that the bank extends borrowers who are engaged in business activities. Business loan also classified as revolving credit facilities, term loan and other loan product based on the type, nature and eligible requirement the loan.

Revolving credit facilities loan further classified as line of credit/overdraft facility loan, merchandise loan, import letter of credit facility, pre-shipment export credit facility, revolving export credit facility, letter of guarantee facility.

- 1. Line of credit/Overdraft facility** is a form of credit facility by which customer may be allowed to draw beyond the deposit of the current account for the day to day operational needs ongoing business like seasonal purchase, operating expense and working capital for six months up to one year.

2. **Merchandise loan** is a short term credit facility provided by the bank against merchandise held as pledge or collateral for the loan or documentary evidence due to relieve the customer from cash flow problem arising by money being tied up in the merchandise.
3. **Import credit facility** is a loan product that Zemen Bank extends to the applicants engaged in import business on deposit of a certain percentage of the value of L/C, while opening letter of credit, for the availed to an importer whose fund are temporary tied up in stock or other current asset that easily convert in the cash.
4. **Pre-shipment export credit facility** is a type of loan which granted to allow the exporter for the purchase of raw material, processing and converting in to finished good, warehousing, packaging and transporting the good until the time of shipment, after the bank verifying the existence of the customer export order from the buyer. The export proceed has to be channeled to the exporter account only through Zemen Bank.
5. **Revolving export credit facility** is a type of export loan which an advance extends to only exporter to bridge their temporary working capital requirement while the good are in transit for shipment up on presentation of all relevant export documents for six-month period.
6. **Letter of guarantee facility** is a type of written loan which issued by the bank to pay the sum of money to the beneficiary (local or foreign) in the event that the obligor fails to honor its obligation accordance with the term and the condition of the guarantee agreement/contract. Its consists performance, advance, customs bond, supplier credit and bid bond.

Term loan is a type loan granted for working capital, asset and project financing to be repaid with interest with in a specific period like monthly, quarterly semi-annually, lamp sum. Depending on nature of the business and its cash flow the business term loan classified as short term loan, medium term loan and long term loan.

Short-Term loan is a type of loan which granted up to maximum of one year.

Medium-Term loan has maturity period longer than one year but not exceed period of five years.

Longer-Term loan has maturity period longer than five years but not exceed period of fifteen years excluding the grace period for business loan.

Based on purpose of the loan the bank classified term loan as motor vehicle loan, machinery/equipment loan, construction of commercial building, project financing.

2.1.3.2 Zemen Bank Consumer Loan

Consumer's loan means that the bank extends borrowers who are not engaged in business activities which they placed under retail customer classification.

The bank provides consumer loan for acquiring automobile, residential house, personal use, home improvement, consumer goods such as furniture, medical and educational expense and other similar purpose as per bank loan policy and procedure.

1. **Mortgage loan** is a loan extends to individual customers that borrow money for build, purchase, renovate or expand the existing residential building to construct fence.
2. **Automobile/vehicles loan** is a loan granted for financing acquisition of brand new or used automobile with the maximum age of ten years from date of manufacture. However, depending of the customer relationship, the age of the vehicles may be extending to fifteen years.
3. **Personal loan** is collateral –based loan granted for covering applicant urgent financial requirement like expense of domestic and foreign travel, medical treatment of self or family member, meeting any financial liability and face the challenges of meeting any kind of personal expense.
4. **Home equity loan** is a loan allows one to borrow money, using one's home equity as collateral with home worth and applicant owes on the mortgage.

2.1.3.3 Zemen Bank other loan product

Zemen bank also provides a loan which under categorized as other loan type such as loan buy out, syndicate financing loan, bridge loan, inter bank loan, micro finance institution loan.

Loan buyout: it involves transfer of the whole outstanding loan balance of customers from other bank by offering better service, loan package and volume with the objective of re-gain ex-customers of the bank and attracts new customer from other bank.

Syndicate financing loan: is a form of term loan involving ZB and other bank in providing usually large volume of loan to borrowers.

Bridge loan: is an interim financing for an individual, business until permanent or the next stage of financing can be obtained (customers sell its stock) with high interest rate with compared to other loan.

Inter bank loan: is a short term loan extends to alleviate liquidity shortage of other commercial bank.

Micro finance institution bank loan: the bank provides a loan to micro finance for alleviate of their financial constraints in providing credit to micro entrepreneur, by enhancing their lending capacity.

2.1.3.4 General lending process of Zemen Bank loan service

Loan origination is a process by which a borrower applies for new loan service; it involves several stages, starting with the loan application by the borrower, the submission of appropriate documentation, the bank assessment of the application, and the final approval of the loan. Customers will visit the bank office to inquire about loan service, or the branch manager and other team will initiate the customer to take out a loan service for his business or personal loan, because most customers may not always know how to obtain loan service from a bank. If the request does not comply with the requirements of the bank lending policy and procedure, the customer loan service request might not be processed. In contrast, as the customer's loan request

fits with the bank lending policy and procedure, the bank has approved it, subject to further loan-related investigation.

In the event that the bank approves the customer's request for loan service, the lending officers and manager will adhere to the following protocols in handling loan requests:

Interview: As soon as a loan request is submitted, the bank team will hold a thorough face-to-face interview with the applicant to get all the information needed for the loan request, including the applicant's business experience, sales pattern, sustainability, primary customer, purpose of the loan request, relationship with the bank, source of loan repayment, collateral offer, legal capacity to apply for the loan, and basic documentation requirements like trade and investment licensees and proper reporting of financial performance to the relevant authority. The requests will be decided by the bank based on the information obtained during the interview. The bank staff will move the request to the next phase if the customer is qualified; if not, the request will be denied.

Vital Document for Loan Application: If the interview discussion results were satisfactory, the concerned bank team will determine which supporting documents need to be presented. For example, they will advise the customer to sign and submit an application letter to the bank. The customer will fill out the bank loan application form (CAF) by providing details about the loan they are requesting, including the address of the business or individual, the type of business activities, the amount of the loan, the purpose of the loan, the type of loan that is required, the duration of the loan request, and the specifics of the collateral offered. According to the bank checklist, the loan officer or bank manager must gather all loans processing documentation and compare it to the original.

Business Visit: When a more thorough evaluation is required, the bank manager will set up a site visit to the company. The visit's goals are to objectively analyze the workplace's operations and confirm the material in the CAF, interview, and supporting documents through direct observation. Observations during business visits shall be reported in bank loan format, and the expenses related to business visits shall be incurred by the bank.

Credit Information: The bank credit information unit should gather customer's loan information from the bank and other financial institutions through NBE and provide the information to the credit analyst in charge through online access within a specific standard time. Such information may usually be related to his loan history as bad or good about honesty, ability, stability, managerial capacity, operational efficiency, financial history, etc. Credit information from the bank must be required at the earliest possible time, while other lending formalities continue to overcome unnecessary delays in processing the loan application.

Credit Appraisal/Analysis: The bank loan analysts perform the loan appraisal based on the information obtained from the customer loan request document, visit report, financial statement, supporting document, and credit-related data base of the bank or market data about profitability, liquidity, macro and micro economic data and etc. At the loan appraisal and analysis stage, the bank loan analysts should carry out a comprehensive analysis in order to determine the strength of the business and take a critical assessment of a borrower's credit worthiness, involving examining the ability of the business entity to repay debt and screening out both negative and positive aspects of the loan request. Once all the necessary data is gathered, analysis is made by the concerned credit analyst using LAF (loan approval format), which should be presented in a summarized and structured manner to the approving committee of the bank.

Credit decision and approval: In accordance with bank loan policy and practice, the credit committee will make the ultimate decision at this stage on whether to approve or reject the loan service request based on the analysis's findings and will provide a clear, sufficient, and pertinent justification for their decision. Credit committees must sign in LAF format in order to approve or reject requested loan service. They then submit the decision to the requested branch along with the loan terms and conditions.

Communicating the decision to the customer: The customer's will receive a letter as soon as a credit decision is made. If the requested loan is approved, the bank will notify the customer by sending a confirmation letter along with any conditions that must be met before the loan is disbursed. Once all requirements have been met -preparing an agreement or contract between the

bank and the borrower, obtaining a secure insurance policy for insurable security collateral, registering the collateral asset at the legal authority office, and collecting loan-related charges from the borrower the loan will be disbursed. The approved loan will then be credited to the customer's new loan account. Whereas the decision to decline the requested loan service is made, the letter should clearly state the reason for rejection of the loan request.

Loan and security document administration: Following disbursement, loan and safe custody files must be kept at the appropriate branches in a secure, safe manner that makes it simple to retrieve the document in case of necessity. This is done to safeguard both the bank's and the customer's legal interests. All safe custody files shall be held under the control of the branch manager.

2.2 Review of Empirical Studies

There are a lot of studies undertaken in different countries on the area of service quality on customer satisfaction. However, the conclusion developed in the context of one country may not be applicable in other countries as the institutional, cultural, social, personal, psychological, economic, and technological factors may differ from one sector to another within the same region and the input data are also updated through a times (Rao & Sherma, 2010). But the researcher noted that extensive work has been done on service quality and customer satisfaction in overall banking industry service.

Saghier and Nathan (2013) investigated the quality perception of bank customers in Egypt and the differences in relative importance they attach to the various quality dimensions using the SERVQUAL model. The research finds that customer satisfaction in Egyptian banking service is significantly affected by reliability, empathy, assurance and responsiveness, while the effect of the dimension of tangibility does not have any significant impact on customer satisfaction.

According to Piasoneteal, (2013) based on a descriptive survey study on ten selected Zimbabwean banks find the majority of the customers were delighted with transactions and institutions that provide loans for long term capital investment in form of housing construction

and identified a phenomenal rate of customer defection and attrition from commercial banks that are not providing loan service.

Abiyot and Gemechu (2016), financial industry of a country depends on the success and competitiveness of financial institutions. Further, this study investigated the relationship among service quality, customer satisfaction, and customer loyalty in the Ethiopian banking industry. The study discloses that customers are not satisfied with all dimensions of service quality at commercial banks in Ethiopia, and customers are not loyal to the banks. And also find out that service quality, customer satisfaction, and loyalty were found to be significantly correlated. Moreover, the study disclosed the existence of a significant difference between private banks and public banks for the variables mentioned. The study recommends that, banks in general and commercial bank of Ethiopia in particular have to improve the tangibility, reliability, responsiveness, assurance, and empathy dimensions of service quality in order to satisfy customers and, hence, make customers loyal to banks.

Shank (2012) using SERVPERF model, identified that, quality service has positive impact on overall customer satisfaction. The research study proved that empathy and responsiveness play most important role in customer satisfaction level followed by tangibility, assurance and reliability. The finding indicates offering of high quality service increase customer satisfaction, which in leads to high level of customer commitment and loyalty.

Vidisha and Kumar (2012) assessed the impact of service quality on customer satisfaction in the Mauritian banking sector using the SERVQUAL model with the five service quality dimensions. They identified that, customers were disappointed with the overall service quality level, with reliability and empathy having the highest gap factor and tangibility having the lowest gap, showing that customer are mostly satisfied with the way the staff is addressed, the appearance, and the facilities of the bank.

According to Okoe, Adjeei, and Osarenkhe (2013) using SERVQUAL model dimension of service quality, they found that, there is a gap between customer expectation and customer perception of service in all banks in Ghana, but banks perform better on the tangibility dimension of the service. Hence, this study concludes that, where the gap exists between customer

expectation and perception of service delivery, service quality is perceived as low, which results in customers being dissatisfied. In every way dissatisfied customers did not necessarily defect. This study confirms the theory that service quality is necessary but not sufficient condition for maintaining strong relationships with customers.

Khan & Fasih (2014), in their study of service quality on customer satisfaction and customer loyalty in Pakistan, using evidence from the banking sector, found that service quality is an excellent technique for enhancing customer satisfaction and loyalty. Findings indicate that all service quality dimensions have a significant and positive association with customer satisfaction and loyalty toward their respective financial service sectors.

Customer 's perception of the service quality of the State Bank of India: A factor analysis and empirical study, September 2011 by Dr. Santhiya valli, it is necessary to identify the key success factors in terms of customer satisfaction so as to survive in intense competition and increase market share. The SERVQUAL technique, based on the model developed by Parasuraman et al (1988) was adopted. The factor analysis clearly indicates that the five dimensions, which are reliability, responsiveness, assurance; empathy and tangibility are the major factors responsible for customer satisfaction.

Jayaraman, Shankar and Hor WaiMun (2010) in their study examined the relationship between customer happiness and service quality delivery in Malaysia's banking industry. They stated that the ultimate goal and objective in any business-to-customer setting is to satisfy the consumer. The relationship between customer happiness and service quality aspects investigated with quantitative research. The results of the study show that, the quality assurance service has a positive relationship but no significant impact on customer satisfaction, reliability has a negative relationship but no significant impact on customer satisfaction; tangibles have a positive relationship and a significant impact on customer satisfaction; empathy has a positive relationship but no significant impact on customer satisfaction; and responsiveness has a positive relationship but no significant impact on customer satisfaction.

This study was used customers to evaluate loan service quality by considering several important qualities attributes in bank loan service for the improvement actions on the attributes that have a

lower satisfaction level. This means customer satisfaction was considered on specific dimensions of service quality in order to identify which aspects customers are satisfied with, as proposed by Parasuraman et al., (1988, p.18).

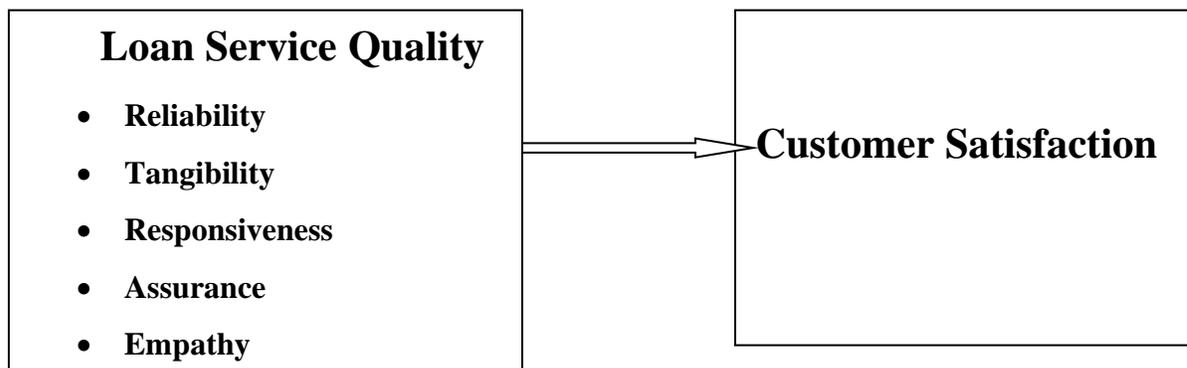
2.3 Conceptual framework of the study

The conceptual framework discloses the process, direction, and interrelationship among variables that independent variables (loan service quality) can bring to dependent variable (customer satisfaction) to ward loan service armed by Zemen Bank.

Figure 1: conceptual framework

Independent Variables

Dependent Variable



Parasuraman et al., 1988, p.23).

2.4 Hypotheses of the Study

In this study, the following alternative hypotheses were developed based on literature.

H1: Reliability has significant effect on customer satisfaction in Zemen loan service offer.

H2: Tangibility has significant effect on customer satisfaction in Zemen loan service offer.

H3: Responsiveness has significant effect on customer satisfaction in Zemen loan service operation.

H4: Assurance has significant effect on customer satisfaction in Zemen loan service offer.

H5: Empathy has significant effect on customer satisfaction in Zemen loan service operation.

Chapter Three

Methodology of the Study

This unit deals with the research design and approach, sampling design, data type, method of data collection, populations of the study, reliability and validity of the study, method of data analysis, and ethical considerations.

3.1 Research design and approach

3.1.1 Research design

This study applied both explanatory and descriptive research. Because the purpose of this study is to give an explanation to the research questions posed and help to test the causal relationship among loan service performance in terms of five independent variables and one dependent variable namely customer satisfaction. A descriptive type of research was used because it involves investigation, which provides a detailed picture of the situation and detail description of the findings displayed in tables. The research adopted cross-sectional research, which involves the measurement of all variables for all cases within a narrow time span so that the measurements may be viewed as of that period.

3.1.2 Research Approaches

Research approaches are plans and procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation (Creswell, 2014).

As Creswell (2003) stated, data collection involves gathering numeric or quantitative information by structured questionnaires, so that the final data was presented through quantitative information. The main reasons for selecting a quantitative approach were the nature of the data gathered from the respondents, which were quantitative in nature and used to analyze the data.

3.2 Sampling design and Population of the study

3.2.1 Target Population of the Study

According to Davis, (2000) population is defined as “the complete set of units of analysis that are under investigation, while element is the unit from which the necessary data is collected.” All the items under consideration in any field of inquiry constitute a population.

The target population for this study was Zemen Bank borrower customers, which comprised 1,005 customers as per the loan contract. Which are available at ten selected Addis Ababaa branches named as head office, Kassanchis, Bole, Hayahulet, Gotera, Mixco, Genet, Bisrate Gebirel, wello sefer, lideta. This study focused on loan customers, because the borrowers are essential and sensitive to any bank, which means borrowers bring big business and a major source of income to the bank. The service provided during any stage of loan delivery should be studied carefully so that any dissatisfaction regarding loan service can be avoided.

3.2.2 Sampling Techniques

The study was used non-probability sampling method, which is Purposive sampling method at ten banking centers of Zemen Bank. Purposive sampling selected since, the aim of this study is to assess loan service quality, which only involves customers who utilized and experienced loan. According to Roberts Lombard (2002) convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and accessibility to the researcher. The selection of the sample under this sampling technique depends on the researcher`s personal judgment.

3.2.3 Sample and Sample size

In conducting research, we always need take the sample with reasonable evidence. An appropriate sample size gives high precision (less variance), accuracy and confidence with the minimum cost, in order to have the optimum sample size; there are a number of points or an

issue has to take into account. Some of the issues are objective of the study, design of the research, and cost constraint and plan for statistical analysis.

According to Amin 's (2005) sample size determination formula, at 95% confidence level and 0.05 sampling errors or margin of errors are assumed for the following equation:

$$n = \frac{N}{1 + N(e^2)} \quad \text{where } n = \text{sample size}$$

N= Number of population

e = level of precision (0.05)

This study was used Amin 's (2005) sample size determination formula for which 287 respondents were selected from the population and confidence level at 95%.

$$n = \frac{1005}{1 + 1005(0.05^2)} = 286.1 \approx 287 \text{ (round up because the fraction must be included in to sample).}$$

There for the total sample size approximately were **287**.

As shown in the table below, the bank currently maintains around 1005 clients who have utilized various loan service.

Table 1: Classification of population and sample size

Description	Total population of the bank	Sample size
Number of borrowers who experienced loan service	1,005	287

Source: Zemen Bank, Internal audit 2023/2024.

The overall borrowers including personal, business and corporate are 1,005 as per contract. However, 287 sets of questionnaires were distributed to the selected branch borrower's in their respective offices and at branches conveniently.

Table 2: List of selected branch, target Population, sample size

S/N	Name of selected branch	Number of borrower at selected branch	Sample size	Questionnaire Distributed	Questionnaire collected
1	Head office	61	29	29	29
2	Kassanchis	115	55	55	49
3	Bole	96	46	46	45
4	Hayahulet	49	23	23	23
5	Gotera	65	31	31	31
6	Mixco	53	25	25	25
7	Genet	29	14	14	14
8	Bisrategebirel	41	20	20	20
9	Wellosefer	59	28	28	27
10	Lideta	35	16	16	16
Total		603	287	287	279

Source: Zemen Bank, Internal audit 2023/2024.

Zemen Bank currently operates about 100 branch locations across the nation. Of them, sixty branches are situated in Addis Ababa and provide loan service to their clientele. Ten large branches were chosen from among the sixty city branches. Branches are classified as large based on the size of their loan portfolio, client base, and current grade level. Accordingly, 287 sets of questionnaires were distributed, from these 8 questionnaires were not collected because of the borrowers has not volunteers to response the questioners for their own reason. As the result 279 questionnaires were returned and contacted to take part in the study.

3.3 Data Type, Source and method of data collection

3.3.1 Data Source and Type

This study was used both primary and secondary data. Primary data are the data originated by the researcher for the specific purpose of addressing the research problem. In this study the primary data was originated from loan customers of the bank. Secondary data was gathered from books, journal articles, websites and ZB report for the literature review purpose.

3.3.2 Method and Tools of data collection

In this study, the structured questioners with hard copies were used for primary data collection. The questionnaire has three parts; the first part of the questionnaire consists different demographic or background related information in relation to the respondent. The second part of the questioner focused on the questions which used for the addressed the quality of loan service at Zemen Bank based on the SERVQUAL model with five dimensions of service quality, such as reliability, tangibility, responsiveness, assurance, and empathy, by considering 22 performances and 3 additional related items to loan adequately define the domain of loan service quality and adjusted to fit with loan service. The third parts of the questions were addressed customer satisfaction and the overall quality of loan service. The respondent answers were indicated their degree of agreement with each of the questions on five level Likert scale ranging from 1 to 5 at anchored on “1 = strongly disagree “2 = disagree “3 = neutral “4 = agree “5 = strongly agree.

3.3.3 Procedure of data collection

This study was followed the procedure, which started Zemen Bank willingness to conduct and collect data for this study from their customers by submitted a support letter from st mary university. After received the permission from the bank side, stated the purpose of the study, a pilot test on the questionnaire were conducted on five volunteer loan customers to checked if the researcher may have missed points that have to be included in the questionnaires. But the prepared questioner is comfortable with the respondents and the researcher was informed the customer about his or her response will be kept confidential. The researcher was distributed the

questionnaires to the concerned respondent with respective branches for them to rate their experience of the bank loan service per questions. In addition, side-by-side, secondary data were collected from different journals, articles, directives, bank reports, loan files, and websites.

3.3.4 Reliability and Validity of the data

3.3.4.1 Reliability of the data

Reliability of the primary data is very important because the study mainly depend upon the respondent’s opinion. Research instruments was designed by using a simple and clear language to ensure respondents have a clear understanding of what each questions means and the sequence of questions are request to increase the probability of a consistent response. In this study, since the questionnaire items were adopted from previous studies in the SERVQUAL literature and the instrument subject to verification of validity, but modified to the bank service context, it was practical to discuss with experts in the industry to refine the instrument. As a result, the questionnaire items were adjusted by removing confusing words and to improving the clarity of the items to strengthen their reliability. And the study was used reliable sources such as published books and to ensure that the results are free from material errors from the design of the questionnaire to interpretation of the results.

Table 3. Reliability Test Result of Cronbach’s alpha

Variables	Reliability Statistics of each variable items	
	Cronbach's Alpha	Each Number of items
Reliability	.833	6
Tangibility	.787	5
Responsiveness	.747	6
Assurance	.729	4
Empathy	.738	4
Customer satisfaction	.753	5

Source: own survey, SPSS Output 2024

Cronbach's Alpha	All number of Items
.803	30

From the above table, reliability test result, the Cronbach's Alpha value was 0.80, which is above 0.7. Accordingly, all variables of the Cronbach's Alpha value were more than 0.7, this implies that there is internal consistence and reliable among the question that specified.

3.3.4.2 Validity of the data

Validity of the study is the extent to which data collection method or methods accurately measure what they are intended to measure (Saunders et al., 2003). According to literature, no single source is completely superior to all others. Instead, multiple sources are highly complementary, and a well-done case study should draw from as many of these as is feasible. The validity of a scientific study increases with the use of various sources of evidence (Yin, 2003). The actions listed below were the done for validity of the study:

Data was collected by using the SERVQUAL instrument with closed-ended questions. Data were collected from current customers who have an active loan account and regularly work with the bank loan service.

3.4 Method of data analysis

The collected data was quantitatively tabulated, coded, edited, captured and presented for the analysis into the computer for analysis purpose by using Statistical Package for Social Sciences (SPSS) version 20. All the data obtained from the respondents was summarizes and analyzed by using descriptive statistics and inferential statistical method to interpret the data, testing hypotheses and investigating research objectives. A descriptive statistic analysis was used frequency, percentage, mean, and standard deviation to recap the scores of loan service quality on the study. On the other hand, regarding loan service quality on customer satisfaction analysis, inferential statistical techniques like correlation and regression analysis was used for the study and Cronbach's alpha test put into the consideration of the description.

Regression analysis was used to determine the prediction power of independent variables (tangibility, empathy, reliability, assurance, and responsiveness) on the dependent variable, which is customer satisfaction.

3.5 Ethical Consideration of the study

The researcher was notified the respondent of their rights to privacy and dignity of treatment, as well as who is eligible to participate in the study. Because it is thought that these questionnaires were allowed respondents to express their ideas and opinions in an unconstrained way, they were not being required to provide their name, phone number, or identity (ID) in the questionnaire. Additionally, the information that gained from the respondent was handled with confidence. Participants in the study must be willing to participate, safe, discreet, and willing to give information during the data collection process. The information collected from the participants won't be utilized for any other reason. All sources of data used in this study were properly cited.

CHAPTER FOUR

Data Discussion, Analysis and Interpretation

This chapter presented the findings of the research in accordance to the research objectives. The analyses and interpretation of the data collected from the respondents is presented. Furthermore, descriptive analysis, Pearson correlation, and linear regression analysis were undertaken. The results of Cronbach's coefficient alpha for reliability were examined. Then, the results of correlation analysis for the research variables were discussed. Finally, the findings of the study and implications are discussed and hypothesis testing is conducted.

4.1. Response Rate of Respondents

Table 4. Respondents response rate

Questionnaires Distributed	Questionnaires Returned	Percentage
287	279	96

Source: Own field survey, 2024

As shown in table 4 above, about response rate, 287 questionnaires were distributed to respondents and 96 were appropriately filled and returned with the rate of 96%. Since according to Ruta, (2017), response rate of 50% is satisfactory, 60% is good and 70% and above is excellent for a study. This implies that, the information gained were sufficient to conduct the analysis. Hence, based on this sample size, i.e., 279 (96%) the next analysis was carried out.

4.2. Demographic Characteristics of Respondents

The demographic characteristics of the respondents analyzed include gender, academic qualification, occupation, position, type of business, business entity, year of experience, types of loan, and loan service category.

Table 5: Respondents Profile

No	Factors (Variables) of the respondents	Categories/ Characteristics	Frequency	Percentage
1	Gender	Male	167	59.8
		Female	112	40.2
2	Educational level	Less high school	0	0
		High school	31	11.11
		Diploma	58	20.79
		Frist degree	164	58.79
		Master and above	26	9.31
3	Current occupation	Self employed	175	63
		Private Sector employee	64	23
		Public Sector employee	12	4
		NGO employee	28	10
4	Position	Owner	169	60.57
		Manager	53	19
		Finance manager	57	20.43
5	Business type	Manufacturing	42	24
		Agriculture	28	16.13
		Domestic &Trade service	67	38.37
		Others	38	21.5
6	Business Entity	PLC/ private limited company	35	12.55
		Sole proprietors	122	43.72
		Share Company	18	6.45
		Other	104	37.28
7	Bank relation experience	Under a year	26	9.3
		1-3 years	134	48
		3-5 years	105	37.7
		More than 5 years	14	5
8	Loan service type	Business Loan	175	62.72
		Consumer Loan	104	37.28
9	Loan service category	Term Loan/working Capital	98	35.12
		Pre-Shipment loan	39	14
		Revolving credit facilities	26	9.32
		Merchandise Loan	5	1.79
		Mortgage Loan	48	17.2
		Automobile Loan	44	15.77
		Other	19	6.8

Source: own survey, 2024

As shown in table 4 above, concerning gender distribution of respondents, 167 (59.8%) were males whereas 112 (40.2%) females. This shows that the numbers of male debtors are more than the female debtors. Hence, the study indicates that male customers are more accessible to bank loan service than female customers.

The above table 4 portrays with regard educational background of the respondents of Zemen Bank credit customers found in different 10 branches in Addis Ababa area. The highest number of the respondents replied they have first degree which comprising 164 (58.79%), followed by 58 (20.79%) of the respondents who have diploma, 11.11% of respondents who have finished high school and 9.31% of the respondent have master and above. Accordingly, no respondents are left school before joining high school. From the above discussion one can learn that almost all borrower of the Bank at least has enrolled in or completed high school level of education. Hence, the understanding of respondents to the research question is high which enables the researcher to have relevant data for the study.

Concerning the current occupation of the respondents, as shown in table 4 above, 175(63%) of the respondents were self-employed which means they running their own business, and the remaining respondent are salary employed with in private, public and NGO sectors which comprises 23%,4%,10% respectively. From this result, the majorities of Zemen Bank borrowers have operated their own business and they have a high likelihood to repeat loan services for fulfilled the requirement finance to their business. However, the public sectors respondents are the least participant which constitute only 4%, this implies that Zemen Bank loan services has not fully outsource to public sector salary employed population.

Regarding position of the respondents, as shown in table 4 above, 169 (60.57%) were owner they owned the loan for their own business and acquiring of the asset, 20.43% and 19% of the respondents were finance manager and managers they appointed by the company and they are owner in order to administer overall business activities of the organization.

As shown in table 4 above, concerning business sector of respondents, 107 (38.37%) of the respondents are participated Domestic &Trade service, followed by 67(24%) which are engage in manufacturing or industry, 21.5% other business sectors and 16.13% of the respondents were

participating agriculture sector of Ethiopian economy. This demographic result shows that, Zemen bank provided more loan service to the area of domestic trade service and Manufacturing business. Accordingly, this result implies that the bank cash resources are not distributed fairly among the line of Ethiopian economy sectors.

Concerning the business entity of the respondents, as shown in table 4 above, the highest percentage of the respondent were from sole proprietor's business entity which share 122 (43.72%), followed by other entity 104 (37.28) % of the respondents which consists personal loan service like car and housing, and also private limited company and share company comprises 12.55% and 6.45% respectively.

According to the bank relation experience of respondents, as shown in the table 4 above, the majority borrower's respondents were stay and experiencing the bank service between 1-3 years which is 134 (48%) of the total respondents, the second highest percentage of the respondents experience the bank service is between 3-5 years represented are 105 (37.7%) of the respondents. In addition, 9.3% and 5% of the respondents were started the bank relation between under a year and more than 5 years respectively. This result indicates that Zemen Bank has provided loan service to their customer without requiring the client relationship period to the bank.

Regarding loan type of the respondents, described in the above table 4; out of the total client respondents 175 (62.72%) were representing experienced business loan service and the remaining 104 (37.28%) customers were experienced consumer loan service. This shows the number business loan borrowers are more than the number of consumer loan debtors. Hence, the study indicates that the bank provided more loan service to business sector with compared to consumer loan service.

As shown in table 4 above, concerning loan service category of respondents, most of the respondents 98 (35.12%), were utilized term loan/working capital loan, followed by 48 (17.2%) of the respondents were acquired Mortgage loan for purchase of house. And also 44 (15.77%) of the respondents were gotten Automobile loan for the purchased of vehicles, 14% of the borrowers were utilized Pre-Shipment loan for export business, 9.32% respondents are taken

revolving credit facilities loan for daily cash requirements to their daily business activities, and the remaining 6.8% clients experienced with other loan service category.

4.3 The existing level of loan service quality at Zemen Bank S.C.

4.3.1 Level of Reliability in Zemen Bank

Table 5: Analysis of reliability attributes related to loan service quality

No	Items	Rating Scales response					Mean	St.d
		1	2	3	4	5		
1	In order to obtain loan service, loan documentation process is quick and easy	0 0%	55 19.5%	28 10%	120 43%	76 27%	3.78	1.056
2	Loan approval is completed accurately and on schedule.	8 2.9%	14 5%	29 10.4%	120 43%	108 38.7%	3.79	.993
3	The bank's specified repayment term works to your advantage.	0 0%	40 14.3%	26 9.3%	133 47.7%	80 28.7%	4.05	.844
4	Your loan request has been completed at the location where you applied.	0 0%	45 16.1%	37 13.3%	128 45.9%	69 24.7%	4.10	.972
5	The length of time after approval for the loan is disbursed meets your requirement.	4 1.4%	13 4.7%	29 10.4%	151 54.1%	82 29.4%	3.91	.974
6	Zemen Bank has handled your loan request in a satisfactory manner to address your issue.	0 0%	17 6.1%	21 7.5%	133 47.7%	108 38.7%	4.19	.820
Overall (aggregate) mean						3.97		

Key: 1 = strongly disagree; 2 = disagree, 3 = neutral; 4 = agree and 5 = strongly agree

Source: own Survey Result, (2024)

The above table 5 data analysis show that 43 % (120) respondents appeared to agreed regarding to (Item 1) the loan documentation process of getting the bank loan service simple, 27.2% strongly agree, 19.7% disagree and 10% neutral. This implies that the majority of customers are satisfied with the requirements different documents and process of verifying of these documents.

The majorities of the participants scored agree 43% and strongly agree 38.7% regarding to loan approval time schedules (Item2), neutral 10%, 2.9%disagree and 5% strongly disagree. This

implied that the bank's loan approval was done properly within time. And (Item5) the length of time after approval of the loan request was disbursed to their account with in their requirement scheduled, because 54.1% and 29.4% respondents were responded agree and strongly agree respectively, which means Zemen Bank loan disbursement since the completeness of the approval fit their requirements, while 10.4% neutral ,4.7%disagree 1.4%strongly disagree.

As showed the analysis table regarding bank's specified loan repayment term (Item3) the respondents are satisfied by bank repayment policy period, because they majority of the respondents responded 47.7% agree and 28.7% strongly agree, which means the bank procedure to determine repayment period satisfied majority of its borrowers.

The majority of the participant were satisfied due to their loan service request were taken where they have applied the request (Item4), the survey also indicated that 45.9% of the respondent replied their response as Agree, followed by 24.7% strongly agree, 13.3% Neutral. Accordingly, 16.1% the respondents dissatisfied, due to their loan request is not processed and finalized where they have already applied. In addition, the analysis regarding to (item 6), 47.7% and 38.7% the respondents rated agreed and strongly agreed respectively, and 7.5% neutral, 6.1%disagree. This this showed that the majority respondents are satisfied with the bank handled their loan request while 7.5% clients preferred to be neutral in this regard. Whereas, about agreed and strongly agreed (86%) respondents claimed that the way Zemen Bank understands their needs and entertain them fairly and satisfactory.

Generally, the analysis of the reliability measurement overall mean score is 3.97. In addition, the mean score of each item similar with the average mean, Hence, the bank should extend its relationship with these customers by making continuous improvement and consistency on service delivery. Besides, Zemen bank should review its credit service procedure to make simple and time saving.

4.3.2 Level of Tangibility in Zemen Bank

Table 6: Analysis of Tangibility attributes related to loan service quality

No	Items	Rating Scales response					Mean	St.d
		1	2	3	4	5		
1	The bank's location and office setup is convenient in you.	8 2.9%	62 22.2%	50 17.9%	84 30.1%	75 26.9%	3.56	1.18
2	Modern loan-related technology, such as online and mobile banking, is available at the bank.	11 3.9%	67 24%	65 23.3%	78 28%	58 20.8%	3.38	1.17
3	When providing lending services, employees are well groomed and dressed in formal attire.	0 0%	19 6.8%	26 9.3%	120 43%	114 40.9%	4.18	.863
4	Loan service materials, including contracts, statements, and booklets, have a pleasing appearance.	0 0%	11 3.9%	24 8.6%	124 44.4%	120 43%	4.27	.778
5	The bank is out fitted with equipment that seems modern.	0 0%	10 3.6%	29 10.4%	133 47.7%	107 38.4%	3.92	.768
Overall (aggregate) mean							3.92	

Key: 1 = strongly disagree, 2= disagree, 3= neutral 4= agree and 5 = strongly agree

Source: own survey, 2024,

The analysis of tangibility on bank's location and office set up (Item1), 84 (30.1%) and 75 (26.9%) of the respondents reported agree and strongly agreed rating scale respectively, which means 60% of the borrowers are claimed satisfied with the Bank location and office convenience. Accordingly, 70 (25%) of the participants responded dissatisfied with the bank's location convenience. While 17.9% respondents preferred to remain silent. This seems the accessibility of the bank branch has limited certain place.

As shown in table 6 above, concerning the analysis about Modern loan-related online and mobile banking (Item2), showed that 78 (28%) and (58) 20.8% respondents were reported agree and strongly agree respectively, whereas 78 (27.9%) of the respondents were dissatisfied with the bank modern loan related application. This indicated that Zemen Bank should have been

expected to provide a lot on modern technology related mobile and internet loan banking service in order make customer need and wants, where as 23.3% of participants respond neutral in this regard.

Analysis in regards to employees well-groomed and dressed in formal attire (Item3), 120 (43%) and 114 (40.9%) of the respondents are satisfied and strongly satisfied respectively with employees' neatness and physical appearance. In addition, the remaining 6.8% of the respondents are dissatisfied, 6.8% respondents were neutral,

The loan service materials, contracts, statements, and booklets (Item4), the majority of the respondents (87.4%) were satisfied with visually clean loan service related documents, and 3.9% respondents were dissatisfied, 8.6% respondents remained neutral. This implies that the bank loan related document have a pleasing appearance and clear to its borrowers.

The subject of the bank modern equipment analysis (Item 5), 86% the participants are satisfied with the bank modern equipment and facilities are available at the loan service delivery, this implies that the majority of customers are satisfied with Zemen Bank equipment. The remaining 3.6% of the respondent are dissatisfied with the bank current modern equipment and 10.4% participants responded as neutral.

Generally, the analysis of the tangibility measurement overall mean score is 3.92. And the (item1) and (item2) items mean score is 3.56 and 3.38 respectively, which is less than average mean. Hence, the bank should expand its branch location accessibility and provide online loan service systems.

4.3.3 Level of Responsiveness in Zemen Bank

Table 7: Analysis of responsiveness attributes related to loan service quality

<i>No</i>	<i>Items</i>	<i>Rating Scales response</i>					<i>Mean</i>	<i>St.d</i>
		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>		
1	The bank has accurately and promptly responded to your loan requests in accordance with the criteria.	0 0%	30 10.8%	24 8.6%	136 48.7%	89 31.9%	4.02	.915

2	You have been advised by the bank employee of the precise moment the loan will be disbursed.	0 0%	40 14.3%	40 14.3%	128 46%	70 25%	3.82	.971
3	The bank determined that your collateral offer was worth the going rate.	0 0%	60 21.5%	43 15.4%	112 40.1%	64 22.9%	3.65	1.059
4	The bank is always happy to support and guide its loan clients.	2 0.7%	27 9.67%	27 9.67%	155 55.6%	71 25.4%	3.95	.890
5	Employees at Zemen Bank provide you with fast loan service.	1 0.4%	39 14%	33 11.8%	157 56.3%	49 17.5%	3.77	.913
6	Employees at Zemen Bank are always happy to help you, especially in areas linked to loans.	0 0%	17 6.1%	29 10.4%	122 43.7%	111 39.8%	4.17	.849
Overall (aggregate) mean							3.897	

Key: 1= strongly disagree; 2= disagree, 3= neutral 4= agree and 5 = strongly agree

Source: own survey, 2024,

The majority respondents were satisfied in relation with the bank accurately and promptly loan service (item1), they reported 136 (48.7%) and 89 (31.9%) agree and strongly agree respectively, on other hand 30 (10.8%) of the respondents reported that they are dissatisfied with the bank accurate and promptly loan service and 8.6% of the participants are rated neutral. Hence, the customer's loan request correctly and quickly answered by the bank in compliance with their need and requirements. The analysis of the (item2), 71% of the respondents were satisfied with the precise time of the bank loan would be disbursed, 14.3% respondents claimed to dissatisfied with the disbursed time of the loan services, this indicates the bank employees has not communicated to them for the precise moment of the loan would be finalized.

Concerning the collateral estimation analysis (Item3), 64 (22.9%) and 112 (40.1%) of the respondents were rated strongly agree and agree scale, 21.5% of the respondents reported disagree scale which they are dissatisfied with the bank estimation service, 15.4% of the participants reported neutral. This implies 63% of the respondents are satisfied with the bank collateral estimation, which their collateral offer was estimated by acceptable at market value.

Analysis regarding to the (Itme4), the majority of respondents (81%) state that they are satisfied; citing that they received support, guidance, and follow-up from bank staffs after the loan was disbursed. On other hand, 9.7% of the respondents allege they are unhappy because they did not receive helped, guidance, or follow-up from a bank staffs once the loan was disbursed.

The data analysis relation to the bank employees quick lending service (Item 5), the majority of the respondent rated agree and strongly agree which is 157 (56.3%) and 49 (17.6%) respectively. This implies 74% of the respondents are satisfied with the quick lending offer service from Zemen Bank staff members. (14%) of the respondents were reported dissatisfied with the bank employees fast loan service.

Consequently, 29 (10.4%) respondents were reported that they are dissatisfied with the bank employee's readiness to help borrowers (item 6), The 83.5% respondents were claim they are satisfied with the bank's employee on their willingness to help them areas linked to loans service. whereas, 6.1% respondents said they are neutral in this regard.

Generally, the average mean of the responsiveness measurements is 3.89, and also the lowest average mean is collateral estimation (item3) with mean value 3.65 and employees fast loan service (item5) with mean value is 3.77. The smallest mean value indicates that the Zemen Bank collateral evaluation process is not commensurate with the current market value and Zemen Bank employees does not always respond quickly to criticism and resolve to their customers the areas related to loan service issues. As a result, the bank should develop a standard procedure for handling and responding to borrower complaints and perform loan staff duties and for the customer's collateral asset estimation, the bank should establish a market assessment system that results in a price for the collateral that is comparable to the market.

4.3.4 Level of Assurance in Zemen Bank

Table 8: Analysis of assurance attributes related to loan service quality

<i>No</i>	<i>Items</i>	<i>Rating Scales response</i>					<i>Mean</i>	<i>St.d</i>
		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>		

1	The bank employees are knowledgeable and competent to provide explanations for loan services.	0 0%	30 10.8%	30 10.8%	115 41.2%	104 37.3%	4.05	.955
2	The behavior of the bank employees instills confidence in you.	0 0%	14 5%	44 15.8%	139 49.8%	82 29.4%	4.04	.808
3	Employees are very friendly and cooperative.	0 0%	50 21.5%	43 15.4%	112 40.1%	64 22.9%	3.65	1.05
4	When dealing with bank employees regarding your loan transaction, you feel secure.	2 0.7%	27 9.7%	24 8.6%	155 55.6%	71 25.4%	3.95	.890
Overall (aggregate) mean							3.922	

Key: SD = strongly disagree; D= disagree, N= neutral A= agree and SA = strongly agree

Source: own survey, 2024,

The data analysis references to the bank employee's knowledge and competent on loan service (item1), 104 (37.3%) and 115 (41.2%) of the respondents were rated strongly agree and agree, the remaining 10.8% of the respondent are reported dissatisfied with the bank employee's explanation and knowledge of the loan related service and the remaining 10.8% of the participants are rated neutral. This indicates the majority of the respondents were satisfied with the bank employee's competence and knowledge in loan service.

The data analysis references to the bank employee's behavior (item2), 221(79%) of the respondents were satisfied with the bank employees behavior, the remaining 15.8% of the respondent are reported dissatisfied with the employee's behavior, this seems they not feel confident in staffs behaves. and the remaining 5% of the participants are rated neutral.

Analysis in regard to the bank employees friendly and cooperative (Item3), 176 (63%) of the respondents were satisfied with the bank employees cooperativeness and friendly, 21.5% of the respondents reported dissatisfied with employee's approach and the remaining 15.4% of the participants rated scale score as neutral.

Regarding to loan transaction security (Item4) analysis, 226 (81%) the majority of the respondents were satisfied due to they feel comfortable interacting with bank staff about their

loan transaction issue ,9.7% of the respondents are dissatisfied with the bank loan transaction security and the remaining 8.6% of the respondent are natural.

The average mean of the assurance measurement value is 3.922. In addition, all mean value is more than average mean except employees friendly and cooperative conduct (Item 3) 3.65. this indicate that the bank should enhance employees' cooperative and customer-facing skills, the bank ought to implement a staff training program focused on friendly and intelligence-building courses

4.3.5 Level of Empathy in Zemen Bank

Table 9: Analysis of empathy attributes related to loan service quality

No	Items	Rating Scales response					Mean	St.d
		1	2	3	4	5		
1	Employees of a bank should have to understand customer's specific needs.	1 0.4%	39 14%	33 11.8%	157 56.3%	49 17.6%	3.77	.913
2	The bank employees were given your personal attention when they provided the loan services.	0 0%	17 6.1%	29 10.4%	122 43.7%	111 39.8%	4.17	.848
3	The bank has considered customer interest in giving loans.	0 0%	30 10.8%	30 10.8%	115 41.2%	104 37.3%	4.05	.955
4	The bank's business hours are suitable for borrowers.	0 0%	14 5%	44 15.8%	139 49.8%	82 29.4%	4.04	.808
Overall (aggregate) mean							4	

Key: SD = strongly disagree; D= disagree, N= neutral A= agree and SA = strongly agree

Source: own survey, 2024,

Regarding the bank's employee understand the borrower's specific needs (Item 1), 14% of the respondents get dissatisfied, 11.8% respondents were indifference, and the remaining 206 (73.9%) of the respondents said they were satisfied and they believe that the bank employees understand their specific needs.

The data analysis references to the bank employee's customer attention (Item2), 233 (83.5%) of the respondents were satisfied in this issue, this implies that Zemen Bank credit management

teams gave strong attention to its borrowers. On other hand 14%, respondents were reported dissatisfied and 11.8% remain neutral.

As shown in table 9 above, concerning the analysis about (item3), ten percent (10%) of participants were dissatisfied; because the bank has not taken into account their loan request interest. The majority of respondents 219 (78.5%) were satisfied with the bank provision of loan service based on their interest and required amount. while the remaining 10.8% of respondents were neutral.

According to the respondents' response regarding Zemen Bank's convenient operating hours (Item.4), 221(79.2%) of the respondents were satisfied with the bank's operating hours, while only 5% of the respondents are dissatisfied and claim they did not take advantage of the bank's business hours. A neutral scale response was reported by the remaining 15.8% of subjects.

The average mean of the empathy measurement value is 4. In addition, the average mean value of the bank employee understands the borrower's specific needs (item1) is 3.77, average mean value of the remaining items of empathy is more than average mean value.

4.4 The level of customer's satisfaction in Zemen Bank S.C

Table 10: Analysis of customer's satisfaction

<i>No</i>	<i>Items</i>	<i>Rating Scales response</i>					<i>Mean</i>	<i>St.d</i>
		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>		
1	The present loan service offered by Zemen Bank S.C has really satisfied you.	0 0%	6 2.2%	28 10%	128 45.9%	117 41.9%	4.28	.729
2	You are happy with how well the bank's staff performed with their loan services and their level of competence.	0 0%	18 6.5%	80 28.7%	137 49.1%	44 15.8%	3.74	.799
3	Your assessment of Zemen Bank's overall loan service delivery procedure.	2 0.7%	22 7.9%	39 14%	132 47.3%	84 30.1%	3.98	.907
4	You plan to be a bank customer for an extended period.	0 0%	33 11.8%	27 9.7%	138 49.5%	81 29%	3.96	.928
5	You recommend that other customers acquire bank loans.	4 1.4%	57 20.4%	81 29%	108 38.7%	29 10.8%	3.36	.968

Overall (aggregate) mean	3.86	
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Key: 1 = strongly disagree; 2= disagree, 3= neutral 4= agree and 5 = strongly agree

Source: own survey, 2024,

Analysis Regarding the (item 1) satisfaction, 128 (45.9%) and 117 (41.9%) of the respondents were claimed agree and strongly agree respectively, this indicates they are satisfied with the current bank loan service, 10% and 2.2% of the participants responded neutral and dissatisfied respectively.

In a similar vein, about (item2), 137 (49.1%) and 44(15.8%) of respondents said they agree and strongly agree with the bank employee's performance and competence in providing loan service respectively. This implies that they were satisfied with the staff's performance and level of competence. While 28.7% of respondents were neutral, and 6.5% of respondents were dissatisfied with the performance and competency of the bank employee in relation to the loan service.

Data analysis in regarding to (item3) satisfaction of the respondent, 7.9% said they were unhappy with the bank's overall loan service, 14% said they were neutral, 0.7% they were strongly disagreeing, and 216 (77.4%) respondents were happy with the bank's overall loan delivery service.

In regarding to the analysis of customer retention (Item4), 138 (49.5%) and 81 (29%) of the respondents were claimed agree and strongly agree respectively, this implies that they are satisfied and they intend to use the bank service for a considerable period. On other hand 33(11.8%) of the participants were replied dissatisfied, this indicate they would consider moving to a competitor, and the bank must enhance the improvement of its loan service quality in order to keep its client.

In reference to customer recommendations and word-of-mouth (Item5) analysis, 57 (20.4%) of respondents expressed dissatisfaction, this indicates they would not be inclined to promote bank loan service to others. This suggests that Zemen Bank needs to be aware of what the client wants and needs from loan servicing. Conversely, 29 (10.8%) and 108 (38.7%) of respondents were

indicated strong agreement and agreement, this shows that they are willing to spread positive news about bank loan service, while 29% had no opinion.

Table 11: Summary of descriptive statistics loan service dimensions

Loan Service quality dimensions	Mean score	Standard deviation
Reliability	3.97	0.94
Tangibility	3.92	0.95
Responsiveness	3.88	0.93
Assurance	3.922	0.92
Empathy	4	0.88
Average mean	3.93	

Source: own survey, 2024,

The mean score value of all loan service dimensions are greater than three (3) and small mean value difference among the variable. The segment trend in the empathy dimension indicated the highest mean of 4, followed by reliability 3.97, Assurance and tangibility the same value 3.92, and responsiveness 3.88. The highest mean value of Empathy is shown that Zemen Bank is operating at a level where clients perceive or experience service that beyond their expectations, leading to their satisfaction in this dimension and there is no gap occurred.

The mean value of reliability indicates that, the loan service quality related to reliability dimension has a positive on customer satisfaction and lowest gap during the delivery of loan service. Parasuraman, et al., (1988) previously stated that reliability is the most important dimension in the area of quality service and towards satisfaction

Zemen Bank lending service exhibit a moderate gap with respect to the assurance and tangibility dimensions of this item. This suggests that some customers are somewhat dissatisfied. Consequently, the bank must take great care to ensure that customers have confidence in the bank loan service by reflecting credibility and being trustworthy. The bank also needs to improve

its accessibility to customers by expanding its branch network, providing well-groomed employees, and providing high-quality loan service materials. The least mean value of responsiveness dimension shows highest gap with compared to other variable, which indicate that Zemen Bank borrowers are dissatisfied with timely reaction towards their needs.

4.3 The Relationship between loan service quality and customer satisfaction in Zemen bank

The loan service quality as an independent variable and customer satisfaction as dependent variables correlated with a Pearson's correlation coefficient, the results are displayed in the following table.

Table 12: Analysis of R/S (Correlation) of loan service quality and customer satisfaction

Variables	Reliability	Tangibility	Responsiveness	Assurance	Empathy
Reliability	1				
Tangibility	.210**	1			
Responsiveness	.186**	.403**	1		
Assurance	.198**	.418**	.644**	1	
Empathy	.255**	.394**	.607**	.718**	1
Customer satisfaction	.250**	.301**	.499**	.601**	.567**
Correlation is significant at the 0.01 level (2-tailed) **					

Source: own survey, SPSS result 2024,

The correlation results showed that, to varying degrees, all of the independent variables of loan service quality have a positive relationship with customer satisfaction. As the level of the loan service dimensions' changes, it is more likely positively change customer satisfaction.

The Assurance dimension correlation result (Coefficient of $r= 0.601$) it has yielded the highest positive (moderate) relationship with customer satisfaction at 0.00significance level (100% level of confidence). The Empathy dimension correlation result (Coefficient of $r= 0.567$) it's yielded

the positive (moderate) relationship with customer satisfaction at 0.00significance level (100% level of confidence).

The reliability and tangibility correlation result $r= 0.25$ and $r =0.301$ respectively showed weak, but positive relation with customer satisfaction at the level of 0.00 significance.

4.4 The effects of loan services quality on customer satisfaction at Zemen Bank S.C

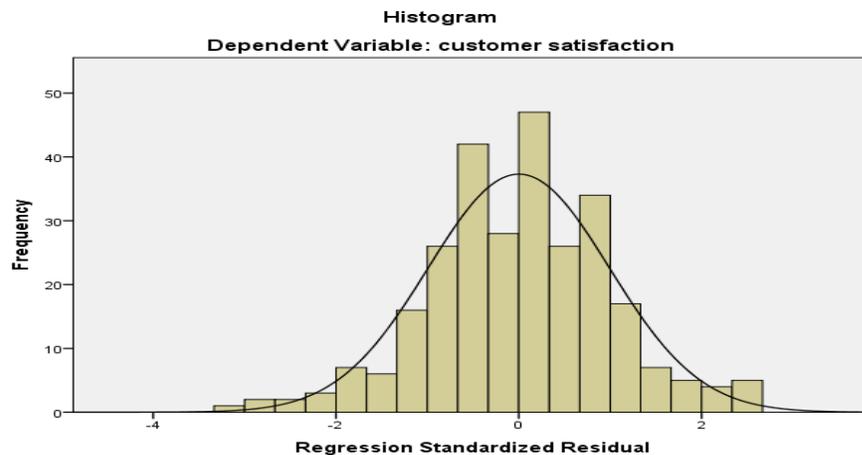
Multiple regression analysis was employed in this study to investigate the effect of loan service quality on customer satisfaction. Because regression analysis is the major analysis methods used to analyze cause and effect of the relationships between an outcome of dependent variable and explanatory variables (Wooldridge, 2016).

4.4.1 Assumptions Tastes for the analysis

In order to get reliable findings, it is necessary to verify if the basic assumptions of multiple regression analysis remain true before starting the regression analysis (Mooi & Sarstedt, 2014). These assumptions include normality, linearity, multicollinearity, and homoscedasticity and autocorrelation test.

4.4.1.1 Normality Test

Figure 2: Histogram for normality test



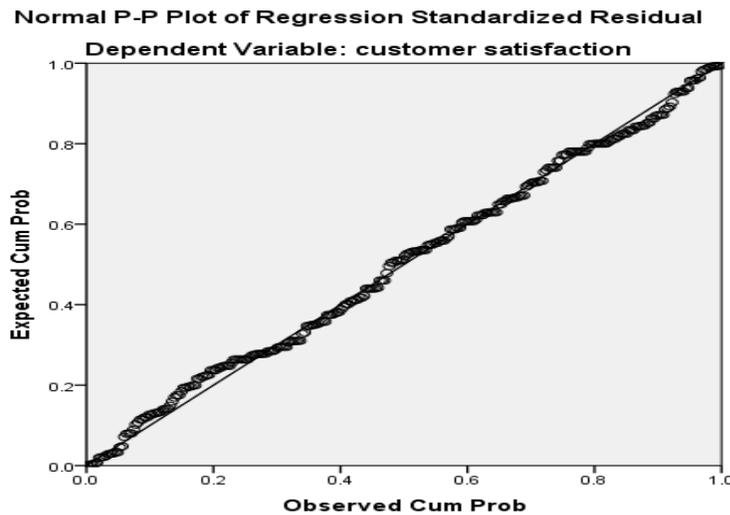
Source: own survey, SPSS result 2024,

The histogram figure indicates that there isn't much of a deviation from normalcy in the residuals. When the curve has move on upward similarly the bar also increase, the curve has move on downward the bars also decrease. Each of the bars is located at in side of the curve. This implies that more than 90% of the data has satisfied for the normality assumption.

4.4.1.2 Linearity Test

The customer satisfaction and loan service quality are assumed to have a linear relationship in multiple regression analysis.

Figure 3: Normal P-plot linearity tests



Source: own survey, SPSS result 2024,

This P-P Plots showing that the standard residual touched the straight line, which means the observed residuals, compare to those predicted under normalcy conditions are included in the plot. There is stronger evidence of linearity the closer the observed residuals lie around the regression line. Therefore, the linearity assumption is satisfied.

4.4.1.3 Collinearity Test

The premise of multiple regressions is that the independent variables are uncorrelated. This study tests for multicollinearity problems using the variance inflation factor (VIF) and Tolerance,

which measures the degree of the independent variable in multicollinearity in regression analysis. According to Field (2013) and Mooi & Sarstedt (2014), a multicollinearity problem is generally indicated when the tolerance value is less than 0.1 and the VIF is larger than 10. This could produce results that are misleading or erroneous.

Table 13: Collinearity statistics test

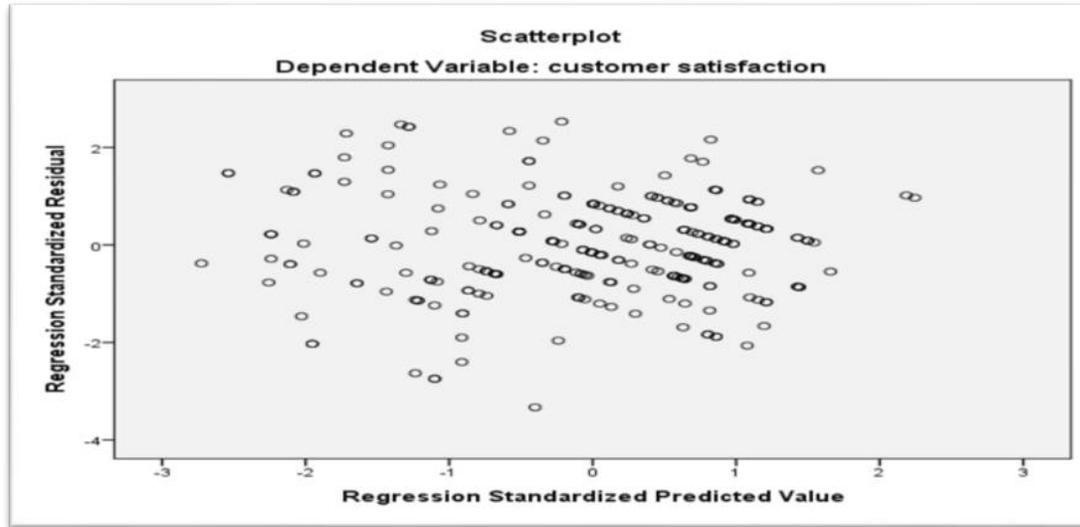
Loan Service Quality Variable	Collinearity Statistics Result	
	Tolerance	VIF (variance inflation factor)
Reliability	.921	1.086
Tangibility	.775	1.290
Responsiveness	.529	1.892
Assurance	.408	2.453
Empathy	.135	2.297

Source: own survey, SPSS result 2024,

The analysis of the multicollinearity test depicted that the tolerance level is well above 0.1 for all independent variables and VIF is less than 10. This implies that there is no multicollinearity issue in the predictor variables in the data set.

4.4.1.4 Homoscedasticity Test

Figure 4: Scatterplot of homoscedasticity Test



Own survey, SPSS out result 2024,

Every residual is extremely disrupted, indicating that they do not exhibit patterns when they come into contact with one another and are located inside the +3 and -3 intervals. The scatter plot does not exhibit a triangular or funnel-shaped variance as they move along the dependent variable axis, hence the assumption of homoscedasticity holds for this study.

4.4.2 Regression Test Result

Table 14: Regression Model Summary analysis

Model	R	R square	Adjusted R square	Std. Error of the Estimate
1	.647 ^a	.418	.408	1.992
a. Predictors: (Constant), Empathy, Reliability, Tangibility, Responsiveness, Assurance				
b. Dependent Variable: customer satisfaction				

Source: own survey, SPSS out result 2024,

The Model summary analysis showed a good model fit: $R^2 = 0.42$ and $Adj R^2 = 0.40$. The analysis showed that 41% of loan service quality dimensions explained or attributed to customer satisfaction, on the other hand 60% of the remaining components that affect borrower customer's satisfaction are determined by external factors, including disturbance

Table 15: Regression ANOVA analysis

Model		Sum of Squares	Df	Mean Square	F Change	Sig.
1	Regression	776.099	5	155.220	39.104	.000 ^b
	Residual	1079.675	272	3.969		
	Total	1855.773	277			

a. Dependent Variable: customer satisfaction

b. Predictors: (Constant), Empathy, Reliability, Tangibility, Responsiveness, Assurance

Source: own survey, SPSS out result 2024,

Based on the ANOVA analysis, the model is deemed statistically significant with a p-value of 0.00 and a value of $F(5,272) = 39.104$, which achieve significance at a $p < .001$. This means the model is a statistically significant. This demonstrated that all independent factors, with the exception of the tangibility variable, had a statistically significant association with the dependent variable being examined.

Table 16: Regression Coefficient Matrix analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	4.169	1.452		2.872	.004	1.311	7.027
Reliability	.097	.045	.103	2.135	.034	.008	.187
Responsiveness	.104	.051	.128	2.015	.045	.002	.205
Assurance	.383	.081	.343	4.729	.000	.224	.543
Empathy	.277	.089	.218	3.108	.002	.102	.453

a. Dependent Variable: customer satisfaction, own survey, SPSS out result 2024,

In briefly put, the analysis shows that reliability, responsiveness, assurance and empathy are statistically significant at a $p < 0.5$. This means these loan service quality dimensions are positive effect on customer satisfaction.

Among the four significant variables, assurance has the strongest positive effect on customer satisfaction with ($\beta = 0.34$, $t = 4.73$, $p < 0.001$). Empathy had the second-high positive influence on customer satisfaction with ($\beta = 0.29$, $t = 3.1$, $p < 0.001$). Responsiveness had positive impact on customer satisfaction with ($\beta = 0.13$, $t = 2$, $p < 0.05$). In addition, reliability had positive effect on customer satisfaction ($\beta = 0.1$, $t = 2.1$, $p < 0.05$).

Regarding the tangibility, the result show that do not have an effect ($\beta = -0.02$, $t = -0.03$, $p = 0.97$) on customer satisfaction. This means tangibility has highly insignificant effect on borrower's satisfaction. This could mean that borrower satisfaction is unaffected by the layout of the bank office, branch accessibility, or loan-related materials and documents. However, this tangibility result may not applicable for other service area of banking business.

As a result, considering the results of the investigation, the regression model can be written as:

$$\text{Customer satisfaction} = 4.1 + 0.103(\text{reliability}) + 0.128(\text{responsiveness}) + 0.343(\text{assurance}) + 0.218(\text{empathy}) + E(\text{error term})$$

The regression coefficients show, while maintaining the other model predictors fixed the mean value change in the customer satisfaction for a change in the associated loan service dimensions by the each β value.

4.5 Hypothesis Testing and Decision

The hypothesis can be tested using the results of the multiple regressions. According to the table below, on the dimensions of assurance, responsiveness, empathy, and reliability, the alternative hypothesis is accepted and the null hypothesis is rejected at the 1% and 5% significant levels. The alternative hypothesis is rejected for the tangibility dimension since there is insufficient evidence to support the null hypothesis.

Table 17: Summary of Hypothesis test

Hypothesis	Coefficient and significance level	Result
<p>H₁: Reliability has significant effect on customer satisfaction in ZB loan service offer.</p> <p>H₀: Reliability has no significant effect on customer satisfaction in ZB loan service offer.</p>	<p>$\beta=0.1, t= 2.1, p<0.05$</p>	<p><i>H₀</i> is rejected</p> <p><i>H₁</i> is accepted</p>
<p>H₁: Tangibility has significant effect on customer satisfaction in ZB loan service offer.</p> <p>H₀: Tangibility has no significant effect on customer satisfaction in ZB loan service offer.</p>	<p>$\beta= -0.02, t= -0.03$</p> <p>$p= 0.97$</p>	<p><i>H₀</i> is accepted</p> <p><i>H₁</i> is rejected</p>
<p>H₁: Responsiveness has significant effect on customer satisfaction in ZB loan service operation.</p> <p>H₀: Responsiveness has no significant effect on customer satisfaction in ZB loan service operation.</p>	<p>$\beta=0.13, t= 2, p<0.05$</p>	<p><i>H₀</i> is rejected</p> <p><i>H₁</i> is accepted</p>
<p>H₁: Assurance has significant effect on customer satisfaction in ZB loan service offer.</p> <p>H₀: Assurance has no significant effect on customer satisfaction in ZB loan service offer.</p>	<p>$\beta=0.34, t= 4.73, p<0.001$</p>	<p><i>H₀</i> is rejected</p> <p><i>H₁</i> is accepted</p>
<p>H₁: Empathy has significant effect on customer satisfaction in Zemen loan service operation.</p> <p>H₀: Empathy has no significant effect on customer satisfaction in Zemen loan service operation.</p>	<p>$\beta=0.29, t= 3.1, p<0.001$</p>	<p><i>H₀</i> is rejected</p> <p><i>H₁</i> is accepted</p>

Source: own survey, SPSS 2024,

CHAPTER FIVR

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter presented the summary of major findings, Conclusions and recommendations of the study and Suggestion for further study

5.1 Summary of Major Findings

The purpose of this study was to assess how customer satisfaction was affected by Zemen Bank's loan service quality.

As the first specific objective of this paper was to assess how the existing practice of loan service quality affects customer satisfaction in ZB, the findings of the descriptive statistics analysis show that the mean score value of all loan service dimensions is greater than three and there is a there is a small mean value difference among the variables. The segment trend in the empathy dimension indicated the highest mean of 4, followed by reliability (3.97), assurance and tangibility (3.92), and responsiveness (3.88). The highest mean value of empathy shows that Zemen Bank is operating at a level where clients perceive or experience service that is beyond their expectations, leading to their satisfaction in this dimension, and there is no gap.

The second objective was to describe the level of customer satisfaction with loan service quality in ZB, the findings of the descriptive statistics analysis show that the average mean of customer satisfaction items is 3.86. The majority result shows that ZB borrowers are satisfied with the overall loan service, however, regarding customer referrals and retention, 20.4% and 11.8% of borrowers, respectively, expressed dissatisfaction.

The third objective was to identify the relationship between loan service quality dimensions and customer satisfaction at ZB, the findings of Pearson correlation statistics analysis show that, at varying degrees, all of the loan service quality dimensions have a positive relationship with customer satisfaction. As the level of these dimensions' changes, it is more likely to change customer satisfaction. The coefficients of assurance, empathy, and responsiveness have the highest positive relationship with customer satisfaction ($r = 0.601$, $r = 0.567$, and $r = 0.5$),

respectively, whereas reliability and tangibility variables show a weak relationship with ZB borrowers satisfaction.

The fourth objective was to evaluate the effects of loan service quality on customer satisfaction at ZB, the findings of the regression statistics analysis showed that loan service quality, assurance, empathy, responsiveness, and reliability have a significant impact on client satisfaction. In addition, tangibility has no significant impact on borrower satisfaction.

5.2 Conclusions

Based on the study's findings, the following conclusions are drawn.

Based on the descriptive data, it is evident that most consumers found the bank loan service quality to be fascinating in terms of keeping its word and earning their trust and confidence. However, the employees do not seem to be very approachable, cooperative, kind, or sensitive to the demands of the clients. Additionally, it appeared that the bank is lacking in its ability to offer its clients responsive and dependable service.

Loan service quality and customer satisfaction have a positive relationship except for tangibility, as regression results revealed that assurance, empathy, responsiveness, and reliability have a positive impact on customer satisfaction and a statistically significant effect on the borrower's service, particularly assurance, empathy and responsiveness yield the highest impact, and reliability has a weak relationship but is significant. Although the tangibility dimensions, such as facilities, branch office design, equipment, and loan documentation material, do not significantly influence borrower satisfaction, this is because customers of the borrower are not sensitive to the quality of the tangibility dimensions rather; they are more attuned to other loan service quality items.

In the current dynamic banking industry, providing high-quality loan service is a crucial strategy and the bank's backbone for outperforming competitors and achieving corporate objectives. Therefore, Zemen Bank should work hard to impact the assurance, empathy, responsiveness, and reliability aspects in order to guarantee the satisfaction and loyalty of their borrower clients.

5.3 Recommendations

The quality of loan service provided by Zemen Bank S.C. and client satisfaction have been found to be correlated by this study. The four aspects of loan service quality were found to be favorably connected with customer satisfaction in the study, it is imperative that the bank places significant attention on these loan service quality elements in order to sustain customer satisfaction. Based on the study analysis, the following suggestions are given to Zemen Bank, taking into account the necessity of maintaining its current strength.

The bank should implement a staff training focused on loan service and intelligence-building courses in order to enhance employee's cooperative, knowledge, customer-facing skills and staff competence. Because human reactivity can occasionally be impacted by emotions and a lack of experience, this can lead to client abuse.

The bank should create standard operating procedures for lending service, following which the loan and any associated service will be approved because the client, who is the borrower, needs to know how much and when the money will be disbursed.

To enhance consumer trustworthiness and security, the bank should offer a contemporary internet and mobile application that allows borrowers to access information about their loan account status, repayment deduction, and remaining balance of the loan. In addition, it helps the customers and the bank by saving time in the exchange of loan-related documents.

The bank should design a collateral evaluation system that takes into account the individual demands and interests of each borrower in order to strike a balance between the collateral offered and the required loan amount.

5.4 Suggestion for further study

This study only looked at ZB borrower customers, but more research on other banks' credit service may be important in the future. Because all Ethiopian banks offer a variety of loan service, it is crucial to research the ways in which the banks deliver these varied loans to their clients.

A review of the literature revealed that various alternative models and techniques had been applied to assess the level of service provided by banks. Furthermore, other researchers may choose to include additional measures of the service dimensions found in various financial institutions, such as banks. This suggests that research-employing models other than SERVQUAL may be crucial for evaluating customer satisfaction.

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Appendix I: Questionnaire
ST. MARY’S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

Survey questionnaire to be filed by borrower customers

The purpose of this questionnaire is to collect data about “The effects of loan service quality on customer satisfaction” for the partial fulfillment of MA degree in in Marketing Management. The information you provide will be used only for academic purpose and kept confidential. Therefore, I kindly request you to provide reliable information for the quality of the research work.

Thank you in advance for your cooperation

Mesfin Kifle
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Do not hesitate to contact me at my phone number if you have any issues concerning this survey.

General Direction

- No need to write your name
- Read each question and put (√) on the given space/ box.

Part One: The profile/ background of respondents

1. Gender

Female	
Male	

2. Academic qualification

Less than high school	High school	Diploma	Frist degree	Masters and above

3. Current Occupation

Self employed	Private Sector employee	Public employee	Sector	NGO employee	Other (Specify)

4. Position

Owner	Manager	finance manager	Other (Specify)

5. Type of business

Manufacture	Agriculture	Domestic trade & service	Other (Specify)

6. Business Entity

PLC	Share company	Sole proprietorship	Other (Specify)

7. when the relationship with the bank first began

Under a year	1-3 years	3-5 years	More than 5 years

8. Type of loan service obtained

Business loan	Consumer loan	Other (specify)

9. Types of loan service category

Term loan/working capital	Pre-shipment loan	Revolving credit facilities	Merchandise loan	Mortgage loan	Automobile loan	Other (specify)

Part Two: Items related to Measuring level of loan service quality (Likert Scale)

Please put tick (✓) in the table provided for each of the given statement using the following scales

1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree

A	Reliability	Rating Scales				
		5	4	3	2	1

1	In order to obtain loan service, loan documentation process is quick and easy					
2	Loan approval is completed accurately and on schedule.					
3	The bank's specified repayment term works to your advantage.					
4	Your loan request has been completed at the location where you applied.					
5	The length of time after approval for the loan is disbursed meets your requirement.					
6	Zemen Bank has handled your loan request in a satisfactory manner to address your issue.					
B	Tangibility					
7	The bank's location and office setup is convenient in you.					
8	Modern loan-related technology, such as online and mobile banking, is available at the bank.					
9	When providing lending service, employees are well-groomed and dressed in formal attire.					
10	Loan service materials, including contracts, statements, and booklets, have a pleasing appearance.					
11	The bank is out fitted with equipment that seems modern.					
C	Responsiveness					
12	The bank has accurately and promptly responded to your loan requests in accordance with the criteria.					
13	You have been advised by the bank employee of the precise moment the loan will be disbursed.					
14	The bank determined that your collateral offer was worth the going rate.					
15	The bank is always happy to support and guide its loan clients.					
16	Employees at Zemen Bank provide you with fast loan service.					
17	Employees at Zemen Bank are always happy to help you, especially in areas linked to loans.					
D	Assurance					
18	The bank employees are knowledgeable and competent to provide explanations for loan service.					
19	The behavior of the bank employees instills confidence in you.					

20	Employees are very friendly and cooperative.					
21	When dealing with bank employees regarding your loan transaction, you feel secure.					
E	Empathy					
22	Employees of a bank should have to understand customer's specific needs.					
23	The bank employees were given your personal attention when they provided the loan service.					
24	The bank has considered customer interest in giving loans.					
25	The bank's business hours are suitable for borrowers.					

Part Three: Customer satisfaction and overall loan service quality

Please put tick (√) in the table provided for each of the given statement using the following scales

1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree

<i>No</i>	Statement to criteria evaluate /Items	<i>Rating Scales</i>				
		<i>5</i>	<i>4</i>	<i>3</i>	<i>2</i>	<i>1</i>
1	The present loan service offered by Zemen Bank S.C has really satisfied you.					
2	You are happy with how well the bank's staff performed with their loan service and their level of competence.					
3	Your assessment of Zemen Bank's overall loan service delivery procedure.					
4	You plan to be a bank customer for an extended period.					
5	You recommend that other customers acquire bank loans.					

What more upgrades would you advise the bank to implement?