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THE EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION OF DASHEN BANK S.C

BY:

MIHIRET EJIGSEMAHU

ID NO. SGS/0096/2015B

NOVEMBER 2024

ADDIS ABABA, ETHIOPIA

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DECLARATION

I have declared that this thesis entitled; "*The Effect of Service Quality on Customer Satisfactions: A Case Study of Dashen Bank S.C.*;" is my own creation, I therefore declare with the help and direction of my advisor, I completed the research for my thesis on my own. This research has not been submitted for any degree or diploma at this school or any other. It is my original work except for quotations and citations which have been duly acknowledged.

Name: Mihiret Ejigsemahu

Signature _____

Date _____

ENDORSMENT

This thesis has been presented to St. Mary's University, School of Graduate Studies for Examination, with my endorsement as a university advisor

Assistant Professor Zemenu Aynadis　　　　　_____

Advisor　　　　　　　　　　　　　　　　　　Signature/date

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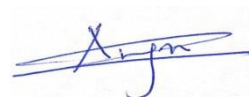
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Abstract

The main objective of the study was to analyze the effect of service quality on customer satisfaction at Dashen Bank S.C. To this purpose the researcher has studied the effect of service quality on customer satisfaction, the extent to which service quality dimension is aligned with the customer satisfaction. Additionally, the researcher used an explanatory research design and a quantitative approach. A convenience sample of the population was taken as part of the study. A total of 240 questionnaires were handled by the respondents, and 225 of them completed and returned their questionnaires. The questionnaires were analyzed by using statistical software program namely Statistical Package for Social Science (SPSS version 27). The study's findings were presented in inference and descriptive analysis, and the result of the descriptive statistics revealed that the impact of service quality on customer satisfaction is at a good level, with a overall mean value of 4.04 on a 5-point scale. The finding suggests that Empathy, Assurance, Tangibility, Reliability, Responsiveness of service quality have a positive effect on customer satisfaction. In addition, the result of the multiple linear regression output signals that the service quality dimensions factors have affected the customer satisfaction with different effect level such as every unite increase in Empathy, Assurance, Tangibility, Reliability, Responsiveness dimension lead to an increase in customer satisfaction by 13.2%, 25%, 26.6%, 20% and 24.4% respectively. This shows that career development opportunities were highly affected by employee's performance. The result of the present study proposes that Dashen bank of Ethiopia need to prioritize these dimensions to improve its employee performance, ultimately improve its overall performance. Service quality dimensions like Empathy, Assurance, Tangibility, Reliability, and Responsiveness have a considerable positive effect on the level of customer satisfaction. Due to this, Dashen Bank S.C needs to prioritize those dimensions to improve its customer satisfaction and retention, ultimately improve its overall achievement.

Key words: - *Empathy, Assurance, Tangibility, Reliability, Responsiveness, customer satisfaction*

CHAPTER ONE

INTRODUCTION

1.1Background of the Study

In today's fiercely competitive business landscape, the provision of high-quality service has emerged as a critical determinant of success for organizations across industries. This emphasis on service quality stems from its profound impact on customer satisfaction, which in turn influences customer loyalty, market share, and ultimately, profitability. Shemwell, Yavas, and Bilgin (2008) highlight the pivotal role of superior service in establishing a sustainable competitive advantage, while Harris (1996) underscores its importance for organizations, especially those operating in service-centric industries.

Scholars have long recognized the intrinsic link between service quality and customer satisfaction. According to Cronin and Taylor (1992), exceptional customer service is a fundamental prerequisite for achieving customer satisfaction. Organizations that uphold high service standards tend to experience heightened levels of customer satisfaction, retention rates, and profitability. Moreover, Zhilin, Minjoon, and Robin (2004) posit that satisfied customers are more likely to exhibit loyalty and resilience against competitor influence, further underlining the significance of service quality in driving positive customer outcomes.

Service quality revolves around the notion of "conformance to requirements," as articulated by Crosby (1979). This implies that organizations must establish and adhere to stringent standards to ensure consistent delivery of quality service. Building on this concept, Lewis and Booms (1983) suggest that providing quality service entails meeting client expectations consistently. Parasuraman (1985) further elaborate on service quality as the disparity between consumer perceptions and expectations across various dimensions, which significantly influence their future purchasing behavior.

Customer satisfaction, on the other hand, is a multifaceted construct with varying interpretations among scholars. Zhilin, Minjoon, and Robin (2004) frame it as an emotional state resulting from the comparison between perceived performance and expectations, while Oliver (1997) and

Zeithaml and Bitner (2000) view it as a response to the degree of fulfillment derived from a product or service.

Understanding the effect of service quality on customer satisfaction holds immense practical significance for businesses, particularly those in service-oriented sectors. By comprehending the drivers of customer satisfaction, organizations can tailor their service offerings to effectively meet customer expectations, thereby enhancing loyalty, market share, and profitability. Insights derived from this study can inform strategic decision-making, resource allocation, and customer relationship management initiatives, ultimately contributing to sustainable competitive advantage.

Against this backdrop, this study aims to investigate the effect of service quality on customer satisfaction within the context of Dashen Bank's north district. Specifically, the study seeks to assess customers' perceptions and expectations regarding service quality dimensions, examine the impact of service quality on customer satisfaction and loyalty, and identify areas for improvement in service delivery to enhance customer satisfaction and loyalty. Through these objectives, the study endeavors to provide actionable insights for Dashen Bank and other organizations operating in service-centric industries, facilitating informed decision-making and sustainable competitive advantage.

1.2 Statement of the Problem

In the dynamic landscape of the financial services industry, banks worldwide are compelled to reassess their customer-centric strategies to ensure sustained profitability and competitiveness. The evolving paradigm shift necessitates a strategic realignment of marketing practices to effectively meet the changing needs and preferences of clients while navigating heightened market competition (Daniel, 1999).

At the heart of this strategic evolution lies the imperative to enhance customer satisfaction, a pivotal concept in contemporary marketing literature and a fundamental goal of all business endeavors (Kotler, 2000). Transitioning from traditional product-oriented approaches to a more customer-centric marketing philosophy is crucial for banks seeking to surpass competitors and foster long-term customer loyalty.

However, achieving and maintaining high levels of customer satisfaction pose significant challenges, particularly within the realm of financial services. Research suggests that consumers tend to exhibit lower levels of satisfaction with services compared to tangible products, adding complexity to the task of delivering exceptional service experiences (Andresen & Best, 1977).

Amidst these challenges, financial institutions must navigate the intricacies of designing and implementing customer-facing marketing strategies that strike the delicate balance between customer orientation and market competitiveness. The formulation of effective marketing guidelines tailored to the unique needs and expectations of clients is imperative for banks striving to thrive in today's fiercely competitive financial landscape.

1.3 Research Questions

The following questions are going to be answered by this research.

1. How does tangible affect customers' satisfaction at Dashen bank, north Addis Ababa district?

2. How does empathy affect customers' satisfaction at Dashen bank, north Addis Ababa district?

3. To what extent does assurance affect customers' satisfaction at Dashen bank, north Addis Ababa district?

4. How does responsiveness affect customers' satisfaction at Dashen bank, north Addis Ababa district?

5. To what extent does reliability affect customers' satisfaction at Dashen bank, north Addis Ababa district?

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of this study is to examine the effect of service quality on customer satisfaction in the case study of Dashen bank S.C.

1.4.2 Specific Objectives

1. To examine the effect of tangibles on customers' satisfaction at Dashen bank, north Addis Ababa district

2. To identify the effect of empathy on customers' satisfaction at Dashen bank, north Addis Ababa district

3. To evaluate the effect of assurance on customers' satisfaction at Dashen bank, north Addis Ababa district

4. To determine the effect of responsiveness on customers' satisfaction at Dashen bank, north Addis Ababa district

5. To examine the effect of reliability on customers' satisfaction at Dashen bank, north Addis Ababa district

1.5 Significance of the Study

This study holds significant value both academically and practically. Firstly, it contributes to the academic literature by enriching the understanding of service quality and customer satisfaction dynamics within the banking sector. Focusing on a specific district of Dashen Bank allows for a detailed analysis that can complement broader studies in the field, providing nuanced insights into the factors influencing customer satisfaction.

Moreover, the findings of this study carry practical implications for Dashen Bank, particularly for the management of the northern Addis Ababa district. By uncovering the relationship between service quality and customer satisfaction, the study enables the bank to identify specific areas for improvement in service delivery. This, in turn, can lead to enhanced customer experiences, increased loyalty, and improved competitiveness within the banking industry.

In today's competitive market landscape, maintaining high levels of customer satisfaction is crucial for business sustainability and growth. Therefore, the insights derived from this study can give Dashen Bank a strategic advantage by helping it tailor its operational strategies to better meet customer needs and expectations. By prioritizing customer satisfaction, the bank can strengthen its market position and build lasting relationships with its clientele.

Furthermore, the study has broader implications for the banking sector in Ethiopia. Policymakers and industry stakeholders can use the findings to develop guidelines and standards aimed at improving service quality across the sector. This can lead to a more customer-centric approach to banking operations, ultimately benefiting customers and fostering a healthier banking ecosystem.

Lastly, the study serves as a foundation for future research endeavors. It opens avenues for longitudinal studies, comparative analyses, and qualitative investigations to delve deeper into the complexities of service quality and customer satisfaction in banking. By building upon the insights gained from this study, researchers can explore related topics or expand the scope to include other branches, banks, or geographic regions, further advancing knowledge in the field.

1.6 Scope of the Study

The study focuses on investigating the relationship between service quality and customer satisfaction within the context of Dashen Bank, one of the largest banks in Ethiopia. Specifically, the scope of the study is limited to the northern Addis Ababa district of Dashen Bank. Northern district serves as the primary setting for data collection and analysis.

In terms of conceptual scope, the study centers on service quality and its direct impact on customer satisfaction. Service quality is a multifaceted construct, encompassing various dimensions that influence customers' perceptions and evaluations of the services they receive. For this study, the conceptual framework revolves around SERVPERF's quality dimensions, which include tangibility, assurance, reliability, responsiveness, and empathy.

These five dimensions provide a comprehensive framework for assessing service quality within the banking context. Tangibility pertains to the physical aspects of service delivery, such as the branch facilities and appearance of personnel. Assurance relates to the competence, courtesy, and credibility of bank employees. Reliability refers to the bank's ability to deliver services accurately and dependably. Responsiveness involves the promptness and willingness of staff to assist customers. Empathy reflects the bank's ability to understand and address the individual needs of customers with care and attentiveness.

By focusing on these dimensions, the study aims to capture the nuances of service quality as perceived by customers at the northern district branches of Dashen Bank. The examination of these dimensions provides a structured approach to understanding how different aspects of

service delivery contribute to overall customer satisfaction. It's important to note that while the study is specific to the northern district branches of Dashen Bank and employs SERVPERF's quality dimensions, the findings may offer broader insights applicable to other branches of Dashen Bank or even to the banking sector in Ethiopia more broadly. However, the primary emphasis remains on understanding the service quality-customer satisfaction relationship within the specified scope of the study.

The research approach is quantitative. Correlational strategy was employed to assess the strength and direction of the relationship between service quality and customer satisfaction. The sampling method was simple random probability sampling. The main data collection method was survey. Data was analyzed using SPSS.

1.7 Definition of Terms in the Study

Here are the definitions of terms used in this study,

1. **The SERVPERF model**, or Service Performance Model, is a framework developed by researchers A. Parasuraman, Valarie Zeithaml, and Leonard Berry in 1985. It is designed to assess service quality based on customers' perceptions of their service experiences. SERVPERF stands for Service Performance, and it aims to measure the gap between expectations and their perceptions of the actual service received.

2. **Reliability**: The ability of a service provider to perform the promised service dependably and accurately. It involves consistently delivering services as agreed upon, without errors or delays, thereby instilling confidence in customers.

3. **Assurance:** Refers to the knowledge and courtesy of employees and their ability to inspire trust and confidence in customers. Assurance entails demonstrating competence, professionalism, and reliability in service delivery, reassuring customers about the quality and integrity of the service.

4. **Responsiveness:** The willingness of a service provider to help customers and provide prompt service. It involves being attentive and proactive in addressing customer needs and inquiries, as well as promptly resolving any issues or concerns that may arise during the service encounter.

5. **Empathy:** Involves providing caring and individualized attention to customers, demonstrating a genuine understanding of their needs and concerns. Empathy entails

listening actively to customers, showing compassion, and customizing service delivery to meet their specific requirements.

6. **Tangibles:** Physical facilities, equipment, appearance of personnel, and communication materials associated with the service. Tangibles contribute to customers' overall perception of service quality by influencing their initial impressions and expectations regarding the service encounter.

7. **Service Quality:** Defined as the disparity between a customer's expectations for a service encounter and their perceptions of the service actually received. It reflects customers' assessments of how well a service provider meets their needs and fulfills their expectations.

8. **Service Quality Dimensions:** A model comprising variables such as reliability, assurance, responsiveness, empathy, tangibles, and network aspects, as proposed by Parasuraman et al. in 1988. These dimensions serve as the primary framework for analyzing and evaluating service quality in various industries.

9. **Customer Satisfaction:** A person's emotional response, feeling of pleasure, or disappointment resulting from comparing their perceived performance of a product or service with their expectations. Customer satisfaction reflects the extent to which a customer's needs and desires are fulfilled by the service provider.

1.8 Limitation of the Study

This study at Dashen Bank's northern Addis Ababa district branches to investigate the impact of service quality on customer satisfaction has the following limitations.

Firstly, Even if there are many models useful to study the effect of service quality on customer satisfaction, the study is focused only on SERVPERF. Moreover, While SERVPERF serves as a valuable tool for gauging service quality, its utilization in examining Dashen Bank's North District operations necessitates a nuanced understanding of its limitations. Recognizing these limitations is crucial for ensuring the accuracy and relevance of the findings. By acknowledging the potential constraints such as subjective customer perceptions, cultural variations, and the static nature of the scale, researchers can effectively contextualize their findings within the broader landscape of service quality assessment. Addressing these limitations not only strengthens the validity of the study but also underscores the importance of rigorous

methodology and thoughtful interpretation in contributing meaningful insights to the field of customer satisfaction research within the banking sector.

By acknowledging and addressing these limitations, and taking them into account when interpreting the results, the study's credibility and usefulness can be enhanced for both academic researchers and industry professionals.

1.9 Organization of the Paper

This research is structured into five chapters. Chapter one provides an introduction to the study, presenting the background, problem statement, research questions, objectives, significance, limitation, scope, and a brief overview of the paper's organization. Chapter two focuses on reviewing existing literature, including theoretical frameworks relevant to the study, empirical studies related to the company and topic, and the development of a conceptual framework derived from theories and empirical findings, along with hypotheses.

Chapter three outlines the methodology employed in the study, detailing the research design, sample size, sampling technique, data sources, collection methods, data collection procedures, and the approach to data analysis. Chapter four presents the data analysis process and the discussion of results derived from the analysis.

Finally, chapter five summarizes the study's findings, draws conclusions based on the analysis, and provides recommendations for future research or practical implications. This chapter serves as the culmination of the research, offering a synthesis of the key insights and implications drawn from the study's findings and analysis.

CHAPTER TWO

RELATED LITERATURE REVIEW

2.1 Theoretical Literature

2.1.1 Defining Service

Different scholars define service and its features in various ways. One comprehensive definition comes from Zeithaml (2009), who describes services as "deeds, performances, and processes provided or co-produced by one entity or person for and with another entity or person." This definition underscores the interactive and collaborative nature of service provision, emphasizing the involvement of both the provider and the recipient in the service delivery process.

Moreover, Zeithaml (2009) also provides an inclusive definition of service that encompasses not only core services but also products and product-service bundles. This expanded perspective suggests that all offerings, including physical goods, provide inherent service or value beyond their tangible attributes.

Furthermore, scholars such as Vargo and Lusch (2004) emphasize the distinctive characteristics of services compared to products. These characteristics include:

- Intangibility: Services lack physical form and are experienced or perceived rather than seen or touched.

- Heterogeneity: Services exhibit variability or diversity in quality and delivery due to their reliance on human interaction and customization to meet individual needs.

- Simultaneous Production and Consumption: Services are typically produced and consumed simultaneously, occurring in real-time.

- Perishability: Services cannot be stored or inventoried like physical goods; they are often time-sensitive and must be consumed when offered.

Understanding these distinctions is essential for businesses and organizations operating in the service industry to effectively manage and deliver value to customers (Zeithaml, 2009; Vargo & Lusch, 2004).

Service is commonly understood as a distinct category of economic activity, encompassing industries such as financial, transport, retail, and personal services (Silvestro and Johnston, as cited in Johns, 1998). Additionally, services extend to sectors like health and Civil Service, which have traditionally developed along bureaucratic lines and differ from industrial service sectors (Johns, 1998).

Customer service, defined as a series of activities aimed at enhancing customer satisfaction, is integral to service provision (Zeithaml and Bitner, 2006). Moreover, there's contention that services, as outputs, have tangible components, challenging the traditional division between goods and services (Johns, 1998; Clow and Kurtz, 2003).

Another significant aspect of services is the spectrum between customization and standardization in service delivery. Lovelock and Wright (2001) suggest that services can be classified based on the degree of customization or standardization involved. While some services follow standardized procedures, others are tailored to meet individual needs and preferences. For instance, an eye exam may involve standardized procedures, but the resulting prescription for contact lenses is customized to correct the individual's vision.

2.1.2 Service Quality

Assessing service quality poses a unique challenge for customers compared to evaluating goods quality. This difficulty stems from the intangible nature of services, making them harder to evaluate prior to consumption. Consequently, service providers may struggle to gauge how consumers perceive their offerings. Service quality pertains to the manner in which customers are served, ranging from satisfactory to unsatisfactory experiences (Khan, 2003). It's widely acknowledged as a crucial factor for firms aiming to differentiate themselves from competitors (Robinson, 1999).

Robinson (1999) defines service quality as the customer's perception of the excellence of a service, reflecting the evolving landscape of service provision across various sectors. As

customers become more discerning, the significance of service quality escalates, compelling firms to prioritize it to sustain competitiveness.

Kotler and Keller (2009, pp. 789) characterize service quality as "any intangible act or performance offered by one party to another, without resulting in ownership of anything." While the definition of service quality evolves over time, the overarching objective remains consistent: to satisfy customers. Various researchers offer differing perspectives on service quality definitions. Parasuraman et al. (1985) view it as a comparison between consumer expectations and actual service performance, while Parasuraman et al. (1988) define it as an organization's ability to meet or surpass customer expectations. Cronin and Taylor (1994) consider service quality as an enduring assessment of service, reflecting customers' long-term perceptions.

Service quality is a critical aspect of businesses across various sectors, influencing customer satisfaction, loyalty, and ultimately, competitiveness in the market. Understanding and managing service quality is essential for organizations striving to meet and exceed customer expectations. Here are key points to consider:

1. **Definition**: Service quality encompasses the customer's perception of the excellence or superiority of a service (Robinson, 1999). It reflects how well a service meets or exceeds customer expectations.

2. **Intangibility**: Services are intangible, making it challenging for customers to evaluate quality before consumption (Khan, 2003). Thus, ensuring high service quality requires careful attention to customer needs and preferences.

3. **Competitive Advantage**: Service quality serves as a crucial differentiator for firms seeking to stand out in the market (Robinson, 1999). Organizations that consistently deliver superior service are more likely to attract and retain customers.

4. **Measurement**: Assessing service quality involves comparing customer expectations with actual service performance (Parasuraman et al., 1985). Various models and frameworks, such as SERVQUAL, help businesses measure and improve service quality.

5. **Continuous Improvement**: Achieving high service quality is an ongoing process that requires continuous monitoring, feedback, and improvement efforts (Kotler & Keller, 2009). Organizations must be responsive to changing customer preferences and market dynamics.

In summary, service quality plays a pivotal role in shaping customer experiences and perceptions. By prioritizing service quality and aligning strategies to meet customer needs, businesses can enhance their competitive position and foster long-term success.

2.1.3 Service Quality Models

1. Servqual ModeL

Note: The SERVQUAL model, developed by Parasuraman, Zeithaml, and Berry (1988), is one of the most widely used models for assessing service quality. It identifies five key dimensions: reliability, assurance, tangibles, empathy, and responsiveness. These dimensions represent aspects of service delivery that influence customer perceptions and satisfaction. SERVQUAL operates on the premise that the perception of service quality is shaped by the disparity between customer expectations and actual service performance. By measuring this gap, organizations can identify areas for improvement and enhance overall service quality.

2. SERVPERF Model

Note: The SERVPERF model, proposed by Cronin and Taylor (1992), is similar to SERVQUAL but focuses on perceived service performance rather than customer expectations. Like SERVQUAL, it includes dimensions such as reliability, responsiveness, assurance, empathy, and tangibles. However, SERVPERF assesses how customers perceive the actual performance of these dimensions rather than comparing them to their expectations. This model provides insights into how well service providers are meeting customer needs and preferences in real-time, allowing for immediate feedback and improvement opportunities.

3. RATER Model

Note: The RATER model, introduced by Gronroos (1984), emphasizes five dimensions of service quality: reliability, assurance, tangibles, empathy, and responsiveness. These dimensions represent essential aspects of service delivery that contribute to customer satisfaction and loyalty. The RATER model provides a framework for understanding and improving service quality from the customer's perspective. By focusing on these key dimensions, organizations can identify strengths and weaknesses in their service offerings and implement targeted improvement strategies.

4. HESQUAL Model

Note: The HESQUAL model, developed by Brady and Cronin (2001), offers a hierarchical approach to conceptualizing perceived service quality. It identifies five hierarchical levels: employee behavior, physical environment, core service, corporate image, and customer expectations. This model recognizes that service quality is influenced by multiple factors operating at different levels within an organization. By considering these hierarchical levels, organizations can develop comprehensive strategies for enhancing service quality across various touch points and interactions with customers.

5 DINESERV Model

Note: The DINESERV model, proposed by Parasuraman, Zeithaml, and Berry (1994), focuses specifically on service quality in the restaurant industry. It identifies seven dimensions: tangibles, reliability, responsiveness, assurance, empathy, courtesy, and access. These dimensions reflect the unique aspects of service delivery in the restaurant sector, such as ambiance, food quality, and staff interaction. The DINESERV model provides restaurant managers with a framework for assessing and improving service quality to enhance the overall dining experience for customers.

These service quality models offer valuable frameworks for organizations to assess, measure, and improve service quality, ultimately leading to increased customer satisfaction, loyalty, and competitive advantage.

2.1.4 Service quality dimensions

Service quality dimensions represent the key aspects of service delivery that influence customer perceptions and satisfaction. Understanding these dimensions is essential for businesses aiming to provide exceptional service experiences and build strong customer relationships. Here's an overview of the main service quality dimensions:

1. **Reliability**: Reliability refers to the ability of a service provider to deliver services consistently and dependably. It involves fulfilling promises, delivering on time, and providing accurate information. Customer's value reliability as it instills confidence and trust in the service provider (Parasuraman et al., 1985).

2. **Assurance**: Assurance pertains to the competence, courtesy, credibility, and professionalism of service providers. It involves instilling confidence in customers through knowledgeable staff, clear communication, and a focus on building trust (Parasuraman et al., 1988).

3. **Tangibles**: Tangibles are the physical or visible elements of the service environment that customers can perceive. This includes facilities, equipment, appearance of personnel, and other tangible cues that shape customer perceptions of service quality (Zeithaml et al., 1990).

4. **Empathy**: Empathy involves understanding and addressing the individual needs, concerns, and emotions of customers. It requires service providers to demonstrate empathy, compassion, and personalized attention towards customers to enhance their overall experience (Parasuraman et al., 1988).

5. **Responsiveness**: Responsiveness refers to the willingness and promptness of service providers to assist customers and address their inquiries, requests, or problems. It involves being attentive, proactive, and responsive to customer needs in a timely manner (Parasuraman et al., 1988).

These service quality dimensions collectively contribute to the overall perception of service quality and customer satisfaction. By prioritizing these dimensions and continuously improving service delivery across each dimension, businesses can enhance customer experiences, foster loyalty, and gain a competitive edge in the market.

2.1.5 Customer satisfaction

Customer satisfaction is a pivotal concept in marketing and business management, representing the degree to which customers' expectations are fulfilled by a product, service, or experience. It encompasses various aspects of the customer experience, including product quality, service delivery, and overall value proposition. Understanding and managing customer satisfaction is crucial for businesses striving to build strong, long-lasting relationships with their clientele. Here are key points to consider:

1. **Definition**: customer satisfaction refers to the perception or judgment made by customers regarding the performance of a product or service in relation to their expectation. (Oliver, 1980). It reflects the customers overall evaluation of their experience with a company or a brand.

2. **Measurement**: Customer satisfaction can be measured through various methods, including surveys, feedback forms, Net Promoter Score (NPS), and online reviews (Anderson & Mittal, 2000). These tools provide valuable insights into customer perception, allowing businesses to identify areas for improvement and gauge their performance in relative to competitors.

3. **Importance**: Customer satisfaction is closely linked to customer loyalty, retention, and advocacy. Satisfied customers are more likely to repurchase from a company, recommend it to others, and exhibit brand loyalty (Reichheld, 2003). Conversely dissatisfied customers may switch to competitors and share negative experiences potentially damaging the company's reputation.

4. **Drivers of Satisfaction**: Several factors influence customer satisfaction, including product quality, price, customer service, convenience, and brand reputation (Fornell et al., 1996). Understanding these drivers enables businesses to prioritize resources and initiatives that enhance customer satisfaction and loyalty.

5. **Continuous Improvement**: Achieving and maintaining high levels of customer satisfaction requires ongoing efforts and a customer-centric approach. Companies must listen to customer feedback, address concerns promptly, and continually innovate to meet evolving customer needs and preferences (Zeithaml et al., 2006).

In summary, customer satisfaction is a fundamental metric that impacts business performance, customer loyalty, and brand reputation. By prioritizing customer satisfaction and implementing strategies to exceed customer expectations, businesses can foster positive relationships, drive growth and sustain long term success.

2.2 The relationship between service quality and customer satisfaction

The relationship between service quality and customer satisfaction is fundamental to the success of businesses across various industries. Service quality refers to the extent to which service meets or exceeds customer expectations, while customer satisfaction reflects the customers overall evaluation of their experience with a product, service or brand. Understanding this relationship is essential for businesses seeking to build strong customer relationships, enhance loyalty and drive growth. Here is an overview of the key aspects:

1. Service Quality as a Driver of Customer Satisfaction: High service quality is a significant predictor of customer satisfaction (Cronin & Taylor, 1992). When customers perceive that a service meets or exceeds their expectations across dimensions such as reliability, responsiveness, assurance, tangibles, and empathy (Parasuraman et al., 1988), they are more likely to be satisfied with their overall experience. For example a reliable and responsive customer service team can enhance customer satisfaction by addressing customer enquiries or issues promptly and effectively.

2. Expectations and perceptions: Customer satisfaction is influenced by the alignment between customer expectations and perceptions of service quality (Oliver, 1980). When service delivery matches or exceeds customer expectations, satisfaction increases. Conversely, when service falls short of expectations, satisfaction decreases. Therefore, businesses must understand and manage customer expectations to deliver high quality service that drives satisfaction.

3. Continuous Improvement: Achieving and maintaining high levels of customer satisfaction requires continuous improvement efforts aimed at enhancing service quality (Zeithaml et al., 2006). By listening to customer feedback, identifying areas for improvement, and implementing changes to address customer needs and preferences, businesses can enhance service quality and, increase customer satisfaction and loyalty.

4. Impact on Business Performance: Customer satisfaction has direct implications for business performance, including customer retention, loyalty, and profitability (Reichheld, 2003). Satisfied customers are more likely to repurchase from a company, recommend it to others, and exhibit brand loyalty, leading to increased revenue and market share. Conversely, dissatisfied customers may switch to competitors, resulting in lost sales and negative word-of-mouth. In summary, the relationship between service quality and customer satisfaction is reciprocal and mutually reinforcing. By delivering high-quality service that meets or exceeds customer expectations, businesses can enhance customer satisfaction, foster loyalty, and drive long term success in the market place.

2.3 Customer Satisfaction and the Banking Industry

Customer satisfaction is a critical metric in the banking industry, directly impacting a bank's success, reputation, and bottom line. In today's competitive landscape, where customers have an

array of options and high expectations, banks must prioritize strategies that prioritize customer satisfaction.

Research consistently highlights the positive correlation between customer satisfaction and various business outcomes. Satisfied customers are more likely to exhibit loyalty, continuing to use the bank's services and products over time. They also tend to engage in positive word-of-mouth, recommending the bank to friends, family, and colleagues. These satisfied customers contribute significantly to a bank's profitability and long-term growth.

Several factors influence customer satisfaction within the banking sector. One of the primary determinants is service quality. Customers expect prompt, efficient, and personalized service across all touch points, whether it's in-branch interactions, online banking, or mobile apps. Banks that excel in delivering high-quality service, characterized by reliability, responsiveness, assurance, empathy, and tangible elements are more likely to foster satisfied customers.

Moreover, technology plays a significant role in shaping customer satisfaction in the banking industry. The integration of innovative technologies like artificial intelligence, chatbots, and biometric authentication not only streamlines banking processes but also enhances the overall customer experience. Customers appreciate banks that leverage technology to offer secure, efficient and user-friendly banking solutions.

Personal interactions also contribute to customer satisfaction, especially in the context of personalized financial advice and support. Banks that prioritize building strong relationships with their customers through personalized interactions, proactive communication, and responsive customer service teams are more likely to foster satisfaction and loyalty.

Additionally, trust is a fundamental component of customer satisfaction in banking. Customers entrust banks with their financial assets and sensitive information, expecting transparency, reliability, and ethical conduct. Banks that prioritize transparency in their dealings, maintain high ethical standards, and safeguard customer data are better positioned to earn and retain customer trust, ultimately leading to higher satisfaction levels.

In conclusion, customer satisfaction is a multifaceted concept influenced by various factors within the banking industry. By prioritizing service quality, convenience, technology integration,

personal interactions, and trust, banks can enhance customer satisfaction, driving loyalty, positive word of mouth and sustainable growth in the long run.

2.4 Empirical Literature

The interplay between customer satisfaction and service quality has been a focal point in the literature, as highlighted by Bolton and Drew (1994). They underscore the distinction between service quality, which pertains to the delivery of service based on decision-making, and customer satisfaction, which reflects customers' actual experiences with the service. It's emphasized that improving service quality without aligning it with customer needs may not necessarily enhance customer satisfaction (Iacobucci et al., 1995). While factors like price and product quality can influence satisfaction, perceived service quality remains a pivotal component (Zeithaml, 2006). Satisfaction and service quality share commonalities, but service quality focuses specifically on service dimensions, whereas satisfaction encompasses a broader spectrum (Wilson, 2008).

The investigation into empathy has been recognized as a vital element of customer service, as it allows service providers to develop a deeper emotional connection with their customers. By fostering empathy, employees can more effectively anticipate and meet a customer need, which in turn contributes to enhance customer satisfaction (Van Walle, Larivière, & Vermeir, 2018).

Regarding the temporal relationship between customer satisfaction and service quality, Bolton and Drew (1994) suggest that customer satisfaction relies on pre-existing or contemporaneous attitudes toward service quality. Scholars have debated whether customer satisfaction precedes service quality or vice versa. Initially, satisfaction was viewed as an antecedent of service quality, implying that a culmination of satisfactory encounters leads to an overall positive attitude about service quality (Bolton & Drew, 1991). However, some argue the reverse, positing that service quality serves as the catalyst for customer satisfaction (Cronin & Taylor, 1992; Ekinci, 2004; Rust & Oliver, 1994). More evidence supports the notion that service quality significantly influences satisfaction. Parasuraman (1985) found that high perceived service quality correlates with increased customer satisfaction. Similarly, other authors acknowledge that customer satisfaction hinges on the level of service quality offered by service entities (Saravana & Rao, 2007).

2.5 Conceptual framework of the study

The conceptual framework for this study is based on the SERVPERF model, which is widely recognized in the service quality literature. The SERVPERF model focuses on five key dimensions of service quality: tangibles, reliability, responsiveness, Assurance and empathy.

Relationship to Customer Satisfaction: The SERVPERF model posits that higher levels of service quality across these dimensions lead to greater customer satisfaction. Customers are more likely to be satisfied when their expectations regarding service quality are met or exceeded consistently.

Research Hypothesis: Based on the SERVPERF model, it is hypothesized that higher levels of service quality, as perceived by customers across the dimensions of Tangibles, Reliability, Responsiveness, Assurance and Empathy positively influence customer satisfaction.

Independent variable (service quality)
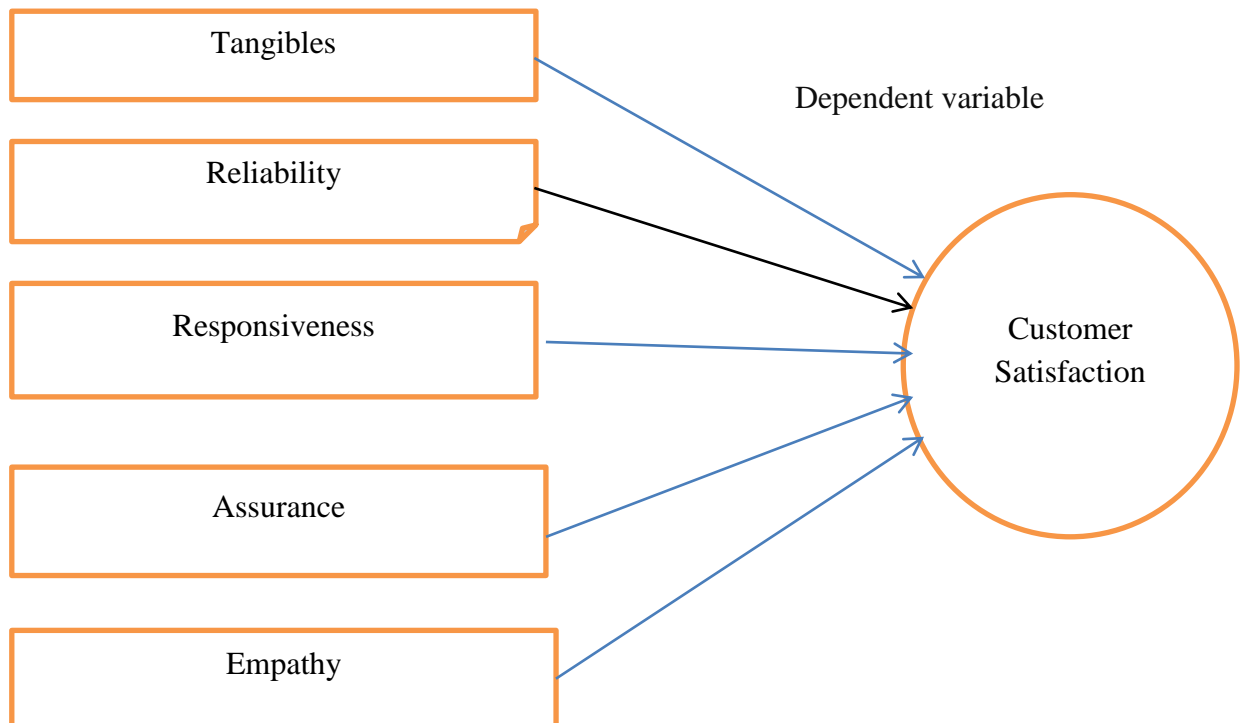
Figure 2.1 conceptual framework

Source: Parasuraman et al., 1988

2.6 Hypothesis

Depending on the result of the literature review; the researcher states the following hypothesis idea.

H1: Tangibility has a positive effect on customer satisfaction.

H2: Responsiveness has a positive effect on customer satisfaction.

H3: Assurance has a positive influence on customer satisfaction.

H4: Reliability has a positive effect on customer satisfaction.

H5: Empathy has a positive effect on customer satisfaction.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1 Research Approach

The researcher adopted a quantitative research approach to address the research questions, which is well-suited for exploring the numerical dimensions of the phenomenon under investigation. According to Kothari (2004), a quantitative research approach entails the systematic collection and analysis of data, facilitating the identification of numerical patterns and trends. By employing this approach, the researcher is able to gather and analyze numerical data, including statistics and frequencies, to uncover relationships and patterns, ultimately drawing conclusions from the findings.

3.2 Research Design

A research design serves as a framework or strategy for collecting and analyzing the data required to address research questions. In this study, both descriptive and explanatory research designs were employed. The explanatory research design was particularly effective in linking concepts to understand the cause-and-effect relationship between service quality and customer satisfaction. Meanwhile, the descriptive research design was utilized to depict the current state of affairs at the Dashen bank S.C.

3.3 Population and Sampling Technique

3.3.1Target Population

The population is defined as the entire collection of study elements for which references must be made (Cooper and Schindler, 2008). The target population of this study was the major customers of Dashen Bank S.C northern district.

3.3.2 Sampling Technique

For this study, the researcher has opted for systematic random probability sampling. This method involves selecting a random sample at regular intervals from a large population. One notable advantage of this approach is its ability to eliminate clustered selection and minimize the risk of

data contamination. Given the diversity and size of the entire population, which is impractical to cover comprehensively within the constraints of time and cost, the researcher has chosen to employ a systematic random sampling procedure.

3.3.3 Sample Size

A reduced subset of the overall population is referred to as the sample size (Cooper and Schindler 2008). According to Mugenda (2013), the degree of certainty, accuracy, and degree of confidence in data can be determined by the sample size. This means that a researcher can determine the optimal sample size required for their study based on the level of certainty they desire to achieve, the accuracy of their measurements, and the level of confidence they have in their data. A readable representative population sample size was established by using Yamane's (1967) formulas, as follows.

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

Where $= \frac{600}{1 + 600 * 0.05 * 0.05}$

n = required sample size

N=600 (population size i.e. major customers of Dashen Bank S.C)

e=0.05 (95% confidence level (0.05))

Substituting the given values: $n = \frac{600}{1 + 600 * 0.05 * 0.05} = 240$

The researcher distributed 240 Questionnaires to the major customers of Dashen Bank S.C in Addis Ababa.

3.4 Data Type and Data Collection Method

To meet the research objectives effectively, primary data is employed, as it provides direct insights and firsthand information relevant to the specific study. This approach allows researchers to gather data that is tailored to their unique questions. By collecting primary data, researchers can enhance the validity of their findings and draw more meaningful conclusions that directly address the research goals.

3.4.1 Primary Data Sources

The primary data for the research was gathered directly from members of Dashen bank northern district branches through the administration of questionnaires. These questionnaires were specifically designed to gauge customer perceptions regarding the effect of service quality on customer satisfaction.

3.5 Data Analysis

The 27th version of the Standard Package for Statistical Analysis (SPSS) was used in the analysis of the collected quantitative data. Descriptive statistics was used to measure (mean, median, and mode) and measure variation (variance, standard deviation, standard error, and percent).On the other hand, inferential statistics was used for correlation, linear and multiple regression. Linear regression was used from the factors showing a positive relationship. The multiple regression models used are:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e.$$

Where Y=Dependent Variables

X_i= Independent Variables, e=error, β_i=constants

When items are mixed, regression is performed to determine the level of significance. The analysis process involves converting the raw data into tables and graphs containing frequency distributions and percentages that answer the research questions. The research data was finally analyzed using the Statistical Package for the Social Sciences (SPSS) V-27.

3.6 Reliability and validity

3.6.1 Validity

According to Adams (2007) state that the question of validity concerns whether the items capture the intended data. A group of colleagues and experts was invited to evaluate the instrument to confirm its validity. A few similar items were repeated in different sections of the questionnaire to test for response bias. Consequently, experts and the research advisor validated the survey's face validity. All the required adjustments were made in light of the feedback from these

specialists and colleagues. In addition, the study's content validity was guaranteed by the alignment of the research question, conceptual framework, and data instrument.

To improve the validity of the instruments the researcher was first pre-tested the questionnaire in a pilot study. The response from the pilot study was used to guide the researcher in making necessary changes and corrections to the questionnaire to enhance its validity.

The validity of the data was checked by the correlation analysis of exact items with total correlation coefficients, with a significance level of 5%. The Pearson Correlation(r) of each question with a total value at the sample size, for all cases the value of r was greater than the Critical Values of the Product Moment Correlation Coefficient Pearson (2017). Therefore the data was valid.

3.6.2 Reliability

According to Carmines and Zeller (1979), Reliability is concerned with the degree to which the measurement of a phenomenon produces stable and consistent results. Reliability is also related to repeatability. Reliability testing is important because it indicates the uniformity of measuring equipment components (Huck, 2007). A scale is said to have high internal consistency reliability if the scale items are "related to each other" and measure the same construct (Huck, 2007, Robinson, 2009). The most commonly used method to measure internal consistency is Cronbach's Alpha. This is considered the most appropriate measure of reliability when using a Likert scale (Whitley, 2002, Robinson, 2009). Although there are no absolute rules regarding internal consistency, most agree on a minimum internal consistency coefficient of 0.70 (Whitley, 2002, Robinson, 2009). Hinton (2004) proposed four reliability thresholds, including excellent reliability (above 0.90), high reliability (0.70–0.90), moderate reliability (0.50–0.70), and low reliability (below 0.50). Therefore the reliability of the data was checked by Cronbach Alpha.

Table 3.1 Reliability Test

Description	Cronbach's Alpha	N of Items
Tangibility	.728	4
Responsiveness	.723	4
Reliability	.706	5
Assurance	.713	3
Empathy	.719	5
Customer Satisfaction	.779	5

Source: researcher own data (2024)

Table 3.3 presents the Cronbach's alpha coefficients for each statement, the Cronbach's alpha coefficients values of 0.728 for Tangibility, 0.723 for Responsiveness, 0.706 for Reliability, 0.713 for Assurance, 0.719 for Empathy, and 0.779 for Customer Satisfaction. These results suggest that the data demonstrates a high level of reliability, in accordance with the standards outlined by Hinton (2004).

3.7 Ethical Consideration

Firstly, participants were provided with clear information regarding the purpose, procedures, risks, and benefits of the study, ensuring informed consent. Confidentiality of participant data was rigorously maintained, with all information anonymized and securely stored.

Moreover, participation in the research was entirely voluntary, and participants have the right to withdraw at any time without penalty. Special attention was paid to vulnerable populations, with measures in place to protect their rights and well-being.

Furthermore, steps were taken to minimize potential harm or discomfort to participants, and cultural sensitivities were respected throughout the research process.

The accuracy and integrity of data collection, analysis, and reporting was maintained, with transparency regarding any conflicts of interest. All contributions or collaborations will be duly acknowledged, and the research will comply with relevant regulations and ethical guidelines.

Continuous monitoring and review of ethical considerations were conducted throughout the research, with any concerns promptly addressed to ensure the rights, dignity, and well-being of all participants.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Response Rate of the Respondents

The response rate, which measures the proportion of participants in the sample who completed and returned the survey, is a crucial factor in assessing the effectiveness of the survey. In this study, a total of 240 questionnaires were distributed to major customers. Of these, 225 questionnaires were completed, resulting in an impressive response rate of 93.75%. It is important to note that 15 individuals did not return the questionnaire, and their responses have been excluded from the final analysis.

Table 4.1 Response Rate of the Respondents

Questionnaire	Frequency	Percentage
Total number of questionnaires distributed	240	100%
Total number of questionnaires returned	225	93.75%
Total number of questionnaires unreturned	15	6.25%

Source: researcher own service

4.2 Personal Characteristics of the Respondents

The respondents' gender, age, level of education and occupation are among their demographic features. The frequency and proportion of respondents from a sample of Dashen Bank S.C in Addis Ababa were shown in below table 4.2.

Table 4.2 Personal Characteristics of the Respondents

Sex of participants			
		Frequency	Percent
Valid	Male	116	51.6
	Female	109	48.4
	Total	225	100.0
Age group of participants			
		Frequency	Percent
Valid	31-40 years	131	58.2
	20-30 years	48	21.3
	41-50 years	28	12.4
	Above 50 years	18	8.0
	Total	225	100.0
Educational background of participants			
		Frequency	Percent
Valid	High school completed	35	15.6
	Diploma	34	15.1
	First Degree	124	55.1
	masters and above	32	14.2
	Total	225	100.0
Occupation of participants			
		Frequency	Percent
Valid	Self-employed	100	44.4
	public employee	27	12.0
	private employee	98	43.5
	Total	225	100.0

Source: researcher own data (2024)

As shown in Table 4.2, the respondents with 116 (51.6%) identifying as male and 109 (48.4%) identifying as female. The results of the study indicate that there is a fairly even distribution of male and female customers of Dashen Bank S.C. who participated in the research aimed at determining the effect of service quality on customer satisfaction. In conclusion, this balanced gender representation among participants enhances the reliability of the findings, allowing for a more comprehensive understanding of customer perceptions and experiences at Dashen Bank S.C.

As shown in Table 4.2, the demographic characteristics of the respondents indicate that the largest age group is those aged 31-40 years, comprising 131 participants (58.2%). This is followed by the 20-30 age range, with 48 respondents (21.3%), the 41-50 age groups with 28 participants (12.4%), and finally, those aged above 50 years, who represented 18 participants (8%). The results reveal a predominance of younger and middle-aged customers in the study, with the majority falling within the 31-40 age range. This demographic insight is valuable as it may influence the understanding of customer satisfaction and service quality perceptions at Dashen Bank S.C.

The educational background analysis of the respondents reveals that the majority hold a first degree, constituting 124 participants (55.1%) of the total respondents. This is followed by 35 respondents (15.6%) who completed high school. Additionally, 33 participants (15.1%) possess a diploma, and 32 respondents (14.2%) have a master's degree or above. The findings highlight a significant representation of individuals with first degrees among the respondents, indicating a relatively educated customer base for Dashen Bank S.C. This implies that most of the respondents were educated could easily understand the research questionnaires, and could give appropriate answers that were necessary for the validity and reliability of the research.

4.3 Descriptive Analysis

Descriptive analysis is a statistical method aimed at summarizing and illustrating the key features of a dataset, both visually and quantitatively, serving as the initial step in the data analysis process and laying the groundwork for further inferential statistics. In this study, quantitative data collected from questionnaires were subjected to descriptive analysis, focusing on metrics such as mean, overall mean, and standard deviation, with all analyses conducted using SPSS software version 27. Interpretations were based on a 5-point Likert scale, where 5 indicates

"Strongly Agree," 4 means "Agree," 3 is "Neutral," 2 corresponds to "Disagree," and 1 denotes "Strongly Disagree." Scores above the neutral point of 3 suggest a favorable opinion, while scores below indicate an unfavorable perspective on the given statements.

Moidunny (2009) describes the interpretation of Likert scales, accordingly, in this study the essence of the interpreted data is as follows: 1.0–1.8 = Strongly Disagree, 1.81–2.6 =Disagree, 2.61–3.20 =Medium, 3.21–4.20 = Agree, 4.21–5.00 = Strongly Agree

4.3.1 Tangibility

Table 4.3 Descriptive Statistics of Tangibility

Description	N	Mean	Std. Deviation
The office has up to date equipment	225	4.12	0.823
The office facilities are visually attractive	225	4.13	0.829
The office is at convenient location to its customers	225	4.09	0.947
Staff of the office at the frontline position are well dressed and appear neat	225	4.27	0.738
Grand mean	225	4.15	0.834

Source: researcher own data (2024)

As shown in table 4.3 descriptive statistics of statements related to the tangibility of service in Dashen bank S.C. The office has up to date equipment, the respondents agreed with this statement with a mean of 4.12 and st. deviation of 0.823. This implies that customers perceive the bank's equipment as contemporary and effective in delivering services. This favorable perception can help in supporting the bank's competitive positioning in the financial services marketplace. Regarding, the office facilities are visually attractive, the respondents agreed with this statement with a mean of 4.13 and st. deviation of 0.829. This shows that Dashen Bank invests in creating an inviting environment for its clients, which may result in amplified satisfaction levels.

The office is at convenient location to its customers, the respondents agreed with this statement with a mean of 4.09 and st. deviation of 0.947. This implies that location of Dashen bank

branches are convenient to its customer's access to facilitate banking services. It is important for Dashen Bank to continuously evaluate and potentially strategize on improving location-related services to ensure they remain accessible to their target demographic. In case of, Staffs of the office at the frontline position are well dressed and appear neat, the respondents agreed with this statement with a mean of 4.27 and st. deviation of 0.738. This finding show that customers feel positively about the demeanor and presentation of the staff, which can significantly contribute to their overall satisfaction and perception of service quality. A well-dressed and neat presentation helps instill trust and reflects the professionalism of the institution.

Generally, the findings of this study indicate that Dashen Bank S.C. is successfully delivering a good level of service quality, with overall grand mean of 4.15. Each individual parameter, from equipment and facilities to the professionalism of frontline staff, demonstrates that customers agree upon the quality of service being provided. This positive assessment is crucial as it correlates with customer satisfaction, which is essential for customer retention and brand loyalty in the banking sector. By continuing to monitor and enhance these critical aspects of service quality, Dashen Bank can further strengthen its customer relationships and enhance its market competitiveness.

4.3.2 Responsiveness

Table 4.4 Descriptive Statistics of Responsiveness

Description	N	Mean	Std. Deviation
Employees provide punctual service	225	4.21	0.761
Employees willingness to help customers	225	4.23	0.773
Employees are never busy to respond to customer request	225	3.97	0.834
Employees give quick response when there is problem	225	3.84	0.967
Grand mean	225	4.07	0.833

Source: researcher own data (2024)

As shown in table 4.4 descriptive statistics of statements related to the responsiveness in Dashen bank S.C. Employees provide punctual service, the respondents agreed with this statement with a mean of 4.21 and st. deviation of 0.761. This implies that customers appreciate the timely manner in which services are rendered. Regarding, Employee's willingness to help customers, the respondents agreed with this statement with a mean of 4.23 and st. deviation of 0.773. This implies that employees of Dashen bank have high willingness to assist their customers; it is an indicative of a service-oriented culture within the bank, which fosters positive customer experiences. When employees actively express their readiness to support customers, they create an environment where clients feel valued and understood.

Employees are never busy to respond to customer request, the respondents agreed with this statement with a mean of 3.97 and st. deviation of 0.834. This implies that customers of Dashen bank S.C are satisfied with response of the bank. Regarding, employees give quick response when there is problem, respondents agreed with this statement with a mean of 3.84 and st. deviation of 0.967. This show that the Dashen bank S.C offers faster problem resolution mechanism.

In general, in the case of factors related to the responsiveness, the grand mean of the respondents was 4.07. This implies that a strong customer agreement on the value of timely and helpful service, in response and problem resolution signal opportunities for enhancement. Dashen bank S.C focused on training programs that strengthen a customer-first approach, coupled with operational strategies to manage workloads to enhance good service quality. By doing that Dashen bank can enhance customer satisfaction and foster deeper loyalty among its clientele, ensure sustainable growth in the competitive banking environment.

4.3.3 Reliability

Table 4.5 Descriptive Statistics of Reliability

Description	N	Mean	Std. Deviation
The office provides service as promised	225	3.95	0.849
When you have a problem, the office shows a sincere interest in solving it	225	3.96	0.842
The office performs the service right the first time	225	4.00	0.874
The office provides its service at the time it promises to do so.	225	3.97	0.871
The office insists on error free records	225	3.85	0.877
Grand mean	225	3.95	0.862

Source: researcher own data (2024)

As shown in table 4.5 descriptive statistics of statements related to the reliability of service in Dashen bank S.C. The office provides service as promised, the respondents agreed with this statement with a mean of 3.95 and st. deviation of 0.849. This indicates that customers largely agree with the office's efficacy in delivering on commitments. Dashen Bank S.C. to strengthen customer trust and perception, it needs to ensure that all service promises are consistently met, as reliability is a foundational element of customer satisfaction in financial services. Regarding, when you have a problem, the office shows a sincere interest in solving it, the respondents agreed with this statement with a mean of 3.96 and st. deviation of 0.842.

This indicates that favorable view of the bank's responsiveness during problem resolution. Active engagement and sincerity in addressing customer concerns can significantly enhance customer loyalty, as customers tend to feel valued and acknowledged.

The office performs the service right the first time, the respondents agreed with this statement with a mean of 4.00 and st. deviation of 0.874. This implies that customers generally perceive that Dashen Bank is capable of executing its processes effectively at the outset, which enhances

overall satisfaction. Providing error-free service right from the beginning is critical in financial institutions, where inaccuracies can lead to significant issues for customers. It is essential for Dashen Bank to maintain this standard and continuously monitor service execution to ensure that quality remains consistent and reliable. In case of the office provides its service at the time it promises to do so, the respondents agreed with this statement with a mean of 3.97 and st. deviation of 0.871. This shows that Dashen Bank employs effective scheduling and resource allocation strategies that ensure that service delivery aligns seamlessly with customer expectations.

In conclusion, the grand mean of 3.95 reflects a generally favorable assessment of reliability at Dashen Bank S.C., suggest that the office succeeds in meeting many of its customers' expectations in areas of problem-solving sincerity and the ability to perform tasks correctly the first time, there are also notable opportunities for improvement, especially in ensuring error-free records and consistently delivering promised services on time.

4.3.4 Assurance

Table 4.6 Descriptive Statistics of Assurance

Description	N	Mean	Std. Deviation
Personal behavior of the staffs are excellent that the customer can trust	225	3.93	0.863
The staffs are polite	225	4.27	0.769
The staffs have adequate knowledge to serve customer	225	4.29	0.752
Grand mean	225	4.16	0.794

Source: researcher own data (2024)

As shown in table 4.6 descriptive statistics of statements related to the assurance in Dashen bank S.C. Personal behaviors of the staffs are excellent that the customer can trust, the respondents agreed with this statement with a mean of 3.93 and st. deviation of 0.863. This implies that customers feel well-treated and respected during their interactions with the bank's personnel. In

case of the staffs have adequate knowledge to serve customer, the respondents agreed with this statement with a mean of 4.29 and st. deviation of 0.752, this indicates that customers believe staff possesses adequate knowledge to serve them effectively. Customers feel confident in the staff's ability to address their needs and provide relevant information. By ensuring that employees are well-informed about products, policies, and procedures, Dashen Bank can maintain this positive perception and continue to build customer trust.

In general, the overall grand mean of 4.16 indicates that customers at Dashen Bank S.C. have a positive perception of the service quality, especially regarding staff politeness and knowledge. These elements play a crucial role in cultivating customer trust and satisfaction, thereby establishing a strong competitive advantage for the bank in the dynamic financial landscape.

4.3.5 Empathy

Table 4.7 Descriptive Statistics of Empathy

Description	N	Mean	Std. Deviation
The staff know what customers' needs are	225	3.93	0.878
Staffs give customers individual attention	225	3.77	0.982
The office and its employees give do consideration for customers property	225	3.87	1.034
Staffs give orientation about the new service and the cost related with the service	225	3.84	0.975
The office has convenient working hours to all its customers	225	3.88	1.028
Grand mean	225	3.86	0.979

Source: researcher own data (2024)

As shown in table 4.7 descriptive statistics of statements related to the Empathy in Dashen bank S.C. The staff knows what customers' needs are, the respondents agreed with this statement with a mean of 3.93 and st. deviation of 0.863. This shows that strong agreement among customers that the staff generally understands what they require. Recognizing customer needs is

foundational in fostering strong relationships and ensuring customer satisfaction. Regarding Staffs give customers individual attention, the respondents agreed with this statement with a mean of 3.77 and st. deviation of 0.982. This implies that customers feel they receive high level of attention, Dashen Bank could consider strategies such as assigning dedicated relationship managers to customers or implementing training programs to encourage employees to address customers on a more personal level, which may lead to increased satisfaction and loyalty.

The office and its employees give do consideration for customer's property; the respondents agreed with this statement with a mean of 3.87 and st. deviation of 1.034. This finding suggests that general positive attitude toward how customer property is treated. In case of Staffs give orientation about the new service and the cost related with the service, the respondents agreed with this statement with a mean of 3.84 and st. deviation of 0.975.This indicates that customers feel somewhat informed about the offerings of the bank. Clear and comprehensive orientations can empower customers, helping them make informed decisions regarding financial products and services. By enhancing the method and frequency of communication regarding products and services, Dashen Bank can ensure that customers feel fully knowledgeable and confident about their choices.

The office has convenient working hours to all its customers, the respondents agreed with this statement with a mean of 3.88 and st. deviation of 1.028. This shows agreement among customers that the operation of the bank aligns with their needs. Implementing flexible hours or offering remote access to banking services could greatly benefit customer satisfaction, accommodating those who may have difficulties visiting during regular hours.

Table 4.7 presents descriptive statistics regarding Empathy at Dashen Bank S.C. Customers express strong agreement that the staff understands their needs with grand mean of 3.86, which indicates that a solid awareness of client requirements, which is crucial for nurturing relationships and enhancing customer satisfaction. Additionally, respondents feel they receive a high level of individualized attention. Positive sentiments are also noted in relation to how the bank considers customer property, reflecting a general trust in the handling of their belongings. Customers feel adequately informed about new services and related costs, emphasizing the importance of clear communication to enable informed decision-making regarding financial products. Lastly, there is agreement on the convenience of the bank's working hours, indicating

that the operational schedule meets customer needs; further improvements such as flexible hours or remote access to services could enhance satisfaction for those facing challenges in visiting during standard hours.

4.3.6 Effect of Service Quality on Customer Satisfaction

Table 4.8 Descriptive Statistics of Customer Satisfaction

Description	N	Mean	Std. Deviation
I am satisfied with the security of the office services	225	4.17	0.877
I am satisfied with respectful behavior of the office staffs	225	4.23	0.829
I am satisfied with the communicative ability of the employee of the office.	225	4.28	0.735
I am satisfied with the performance of the employee of the office	225	4.12	0.933
I am satisfied with various ranges of services of the office.	225	3.95	0.971
Grand mean	225	4.15	0.869

Source: researcher own data (2024)

As shown in table 4.7 descriptive statistics of statements related to the Effect of Service Quality on Customer Satisfaction in Dashen bank S.C. I am satisfied with the security of the office services, the respondents agreed with this statement with a mean of 4.17 and st. deviation of 0.877. This result implies a strong level of agreement among customers that they feel secure when utilizing the services offered by the bank. Security is a paramount factor in customer satisfaction, particularly in financial services, as customers need to feel that their assets and personal information are protected. Dashen Bank's performance in this area not only enhances customer trust but also positions it as a reliable institution in the eyes of its clients.

I am satisfied with respectful behavior of the office staffs, the respondents agreed with this statement with a mean of 4.23 and st. deviation of 0.829. This shows that there is respectful and courteous approach from employees of the bank. It is crucial for customer satisfaction as it creates a welcoming and positive environment. So, the bank should continue to prioritize employee training to ensure that staff interactions remain consistent and respectful, which is conducive to lasting customer relationships.

I am satisfied with the communicative ability of the employee of the office. The respondents agreed with this statement with a mean of 4.28 and st. deviation of 0.735, this implies that customers satisfied with employees communication skills. Effective communication is vital for understanding and meeting customer needs. The bank's ability to engage with customers and provide clear, concise information reflects positively on its professionalism and dedication to service quality.

I am satisfied with the performance of the employees of the office, the respondents agreed with this statement with a mean of 4.12 and st. deviation of 0.933, this implies that strong agreement among customers regarding the quality of work provided by the staff. High employee performance is critical for operational effectiveness and customer satisfaction. It encapsulates aspects such as efficiency, knowledge, and problem-solving abilities. By regularly assessing employee performance and implementing feedback mechanisms, Dashen Bank can sustain high levels of service quality and continue to meet customer expectations. Regarding, I am satisfied with various ranges of services of the office, the respondents agreed with this statement with a mean of 3.95 and st. deviation of 0.869. This suggests that customers appreciate the range of services offered.

The overall grand mean of 4.15 indicates that customers at Dashen Bank S.C. generally express satisfaction with various aspects of service quality. This level of satisfaction suggests that elements such as security, respectful behavior, and effective communication are contributing to the bank's success in fostering a trustworthy and professional environment for its clientele. To further enhance customer satisfaction, Dashen Bank should continue to prioritize improvements in employee performance and communication skills. By investing in these areas, the bank can not only elevate the overall customer experience but also bolster its long-term success and competitiveness in the ever-evolving financial sector.

4.4 Inferential Analysis

Inferential analysis in research is the process of making predictions, generalizations, or conclusions about a larger population based on observations from a sample or subset of that population. This type of analysis employs statistical methods to identify and deduce patterns, trends, or relationships present in the data.

4.4.1 Correlation

The degree to which two variables have a linear relationship is determined by correlation. To determine whether there are relationships between the variables as well as to characterize the direction and strength of those relationships, Pearson's correlation is utilized. As per Berndt (2005), the degree of correlation between the two variables, as determined by Pearson's coefficient, ranges from -1 to +1 points, signifying the degree and direction of the association. The correlation results can be interpreted as follows: a correlation between 0 and 1 suggests a positive relationship, 0 (zero) indicates no relationship, 1 indicates a perfect positive relationship, -1 indicates a perfect negative relationship and -1 to 0 indicates the presence of a negative relationship. While the results below ±0.61 indicate the presence of a positive or negative relationship, their strength is not high (Ogarah; 2011).

Table 4.9 Correlation Analysis

Correlation							
		CS	TN	RS	RE	AS	EM
CS	R	1					
TN	R	.614**	1				
RS	R	.618**	.523**	1			
RE	R	.558**	.508**	.527**	1		
AS	R	.517**	.362**	.377**	.233**	1	
EM	R	.565**	.462**	.517**	.541**	.398**	1
**. Correlation is significant at the 0.01 level (2-tailed).							
CS= Customer Satisfaction, TN= Tangibility, RS= Responsiveness, RE= Reliability, AS= Assurance, EM=Empathy							

Source: SPSS output (2024)

Table 4.9 illustrates the relationship between service quality and customer satisfaction, revealing a positive association between the independent variables and the dependent variable. Specifically, the correlations are as follows: Tangibility (r = 0.614), Responsiveness (r = 0.618), Reliability (r = 0.558), Assurance (r = 0.517), and Empathy (r = 0.565). These results indicate that higher levels of service quality in each of these dimensions are linked to greater customer satisfaction. This implies that enhancing service quality across these key aspects can lead to improved customer satisfaction, emphasize the importance of focusing on these dimensions to foster positive customer experiences.

4.4.2 Regression Analysis

Regression analysis employs one or more independent variables to analyze their effects on a dependent variable (Albaum, 1997). This statistical tool is commonly utilized to explore the relationships between variables. Often, the primary objective of research is to uncover causal relationships among factors. Researchers collect data on relevant underlying variables and use regression to quantify the impact of these causal variables on the outcome of interest. Furthermore, investigators typically assess the statistical significance of the estimated relationships, indicating how closely the true relationship aligns with the estimated one (Malhotra, 2007). In this study, the researcher first conducted tests to ensure that the underlying assumptions for regression analysis were met prior to proceeding with the analysis.

4.4.3 Assumption Testing

To preserve the validity and robustness of the research's regressed result under multiple regression models, the fundamental assumptions must be met. Thus, assumption tests like multi-Co linearity, linearity, normality and heteroscedasticity test have been carried out in this study.

4.4.3.1 Linearity

As stated by (Hayes, 2012) to perform a linear regression analysis, the relationship between the independent and dependent variables must be a linear function. Consequently as shown below in Figure 4.1, scatter plots illustrating the relationship between the two variables (IV and DV). SPSSV-27 Software was used to test the linearity of the relationship between independent and dependent variables. The residuals scatter plot shows that the points were arranged from bottom

left to top right in a fairly straight line. As such, it exhibits linearity. Regression analysis relies on the fundamental premise that there is a linear relationship between the variables, meaning that the patterns formed by the points in the straight-line plot can be roughly represented by a straight line.
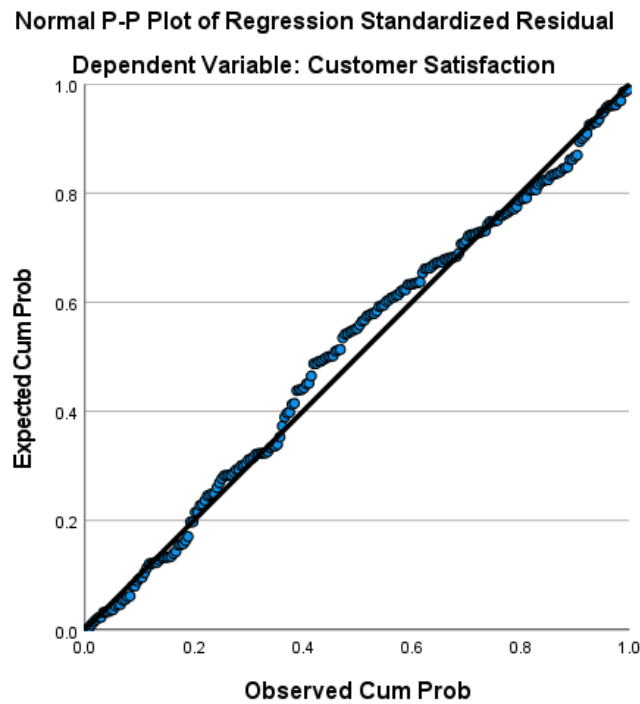

Figure 4.1 Linearity Test

Source: SPSS output (2024)

4.4.3.2 Normality Test

The assumption of normality assumes whether the error terms are normally distributed or not. In a regression analysis, the normality of errors is indicated when the standardized residual becomes bell-shaped (Gujarati, 2004). Figure 4.2 below shows the errors are normally distributed since the Histogram result indicated bell-shaped. So we can say that the errors are approximately normally distributed.

Histogram
Dependent Variable: Customer Satisfaction

Mean = -1.40E-15
Std. Dev. = 0.989
N = 225
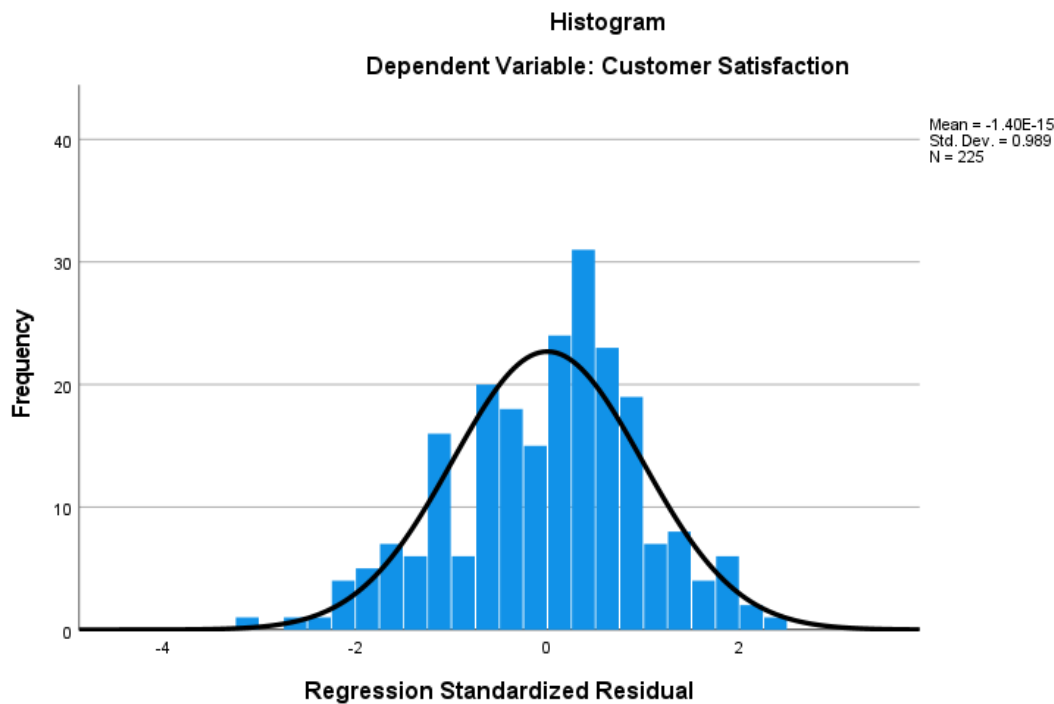
Figure 4.2 Normality Test

Source: SPSS output (2024)

4.4.3.3 Multicollinearity

Multicollinearity test is a statistical test used to assess the degree of correlation between two or more independent variables in a regression analysis. Multicollinearity can cause problems in regression analysis, such as inflated standard errors and unstable coefficients.

As stated by (McClelland 2017), the majority of regression software can calculate the variance inflation factor (VIF) for every variable. Generally speaking, a VIF greater than 5 points indicates issues with the multicollinearity test. (Erik, 2014) emphasizes that while some

statisticians believe that values for "Tolerance" below 0.2 are cause for concern, he also emphasizes that values below 0.1 indicate serious issues.

Variance Inflation Factor (VIF): VIF measures how much the variance of an estimated regression coefficient is increased due to collinearity. A VIF greater than 10 is often considered indicative of multicollinearity.

Tolerance: Tolerance is the reciprocal of VIF and measures the proportion of variance in an independent variable that is not explained by other independent variables. A tolerance value less than 0.1 is considered indicative of multicollinearity.

Table 4.10 Multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
1	Tangibility	0.615	1.626
	Responsiveness	0.574	1.741
	Reliability	0.579	1.727
	Assurance	0.775	1.290
	Empathy	0.582	1.717
a. Dependent Variable: Customer Satisfaction			

Source: SPSS output (2024)

As shown in Table 4.8 the multicollinearity test for all independent variables the tolerance is greater than 0.1 and the VIF is less than 10, therefore there is no multicollinearity.

4.4.3.4 Heteroscedasticity

The heteroscedasticity test is a statistical test used to check for the presence of heteroscedasticity, which is a violation of the assumption of homoscedasticity in regression analysis. Homoscedasticity means that the variance of the errors is constant across all levels of the independent variables. Heteroscedasticity, on the other hand, occurs when the variance of the errors is not constant.

Error terms don't have a continuing variance, according to this assumption. Hypothesis testing is no longer valid or reliable if heteroscedasticity occurs because the standard least square method's estimators become inefficient and underestimate variances and standard errors. The variance of the error term that is constant across all model measures is used to test heteroscedasticity graphically or visually. This implies that, in the absence of heteroscedasticity, the data is not heteroscedastic.
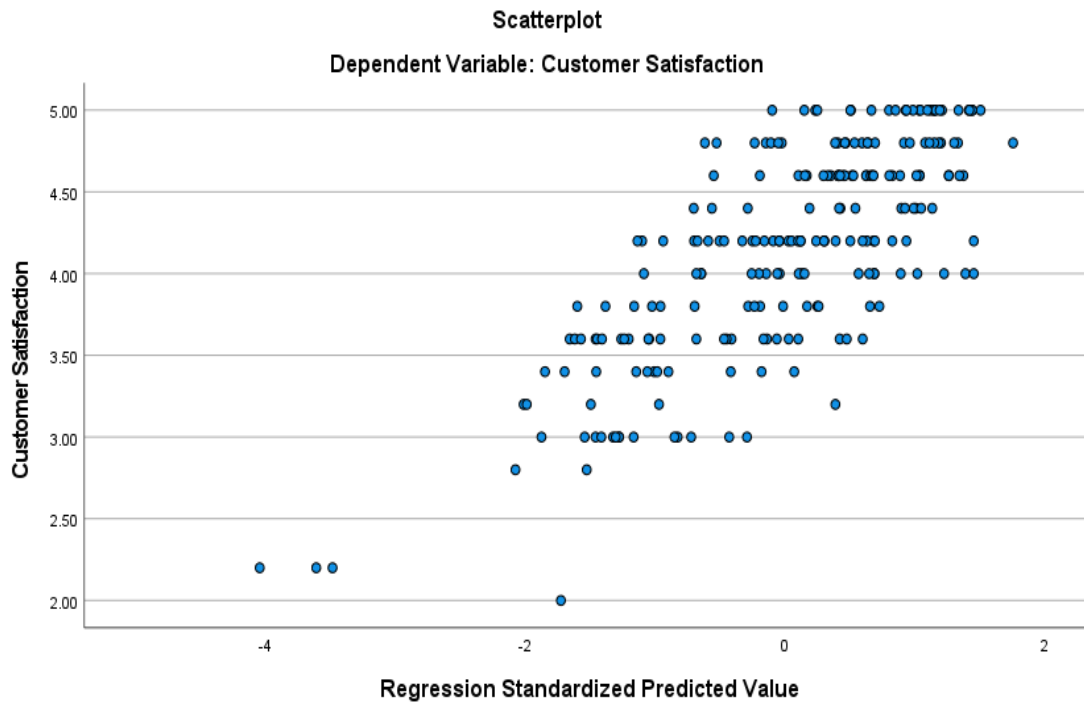
Figure 4.3 Heteroscedasticity test

Source: SPSS output (2024)

4.4.4 Multiplelinearity Regression Analysis

Multiple linear regression analysis is a statistical technique utilized to investigate the relationship between multiple independent variables and a single dependent variable. In this particular study, the researcher focused on the relationship between various dimensions of service quality such as Empathy, Assurance, Tangibility, Reliability, Responsiveness (independent variable) and customer satisfaction (dependent variable). This analysis allows the researcher to assess how different aspects of service quality influence customer satisfaction and to determine the extent of these effects.

The findings from the regression analysis can provide valuable guidance for banks aiming to enhance customer satisfaction. Specifically, by identifying which service quality factors exert the most significant influence on customer satisfaction, Dashen Bank S.C can make informed decisions regarding improvements in their service delivery. This understanding enables the bank to create a more supportive and conducive environment for their customers, ultimately fostering a better overall banking experience.

Table 4.11 Anova Result

ANOVA[a]					
Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	57.597	5	11.519	65.541	.000[b]
Residual	38.491	219	0.176		
Total	96.089	224			
a. Dependent Variable: Customer Satisfaction					
b. Predictors: (Constant), Empathy, Assurance, Tangibility, Reliability, Responsiveness					

Source: SPSS output (2024)

Based on the ANOVA results presented in Table 4.11, the F-statistic, which serves as an indicator of the model's goodness of fit, showed that it is significant at 1% level of significance and the model formulated in the study is best fitted.

Table 4.12 Multiple Linearity Regression Analysis

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.774[a]	0.599	0.590	0.41924	1.966
a. Predictors: (Constant), Empathy, Assurance, Tangibility, Reliability, Responsiveness					
b. Dependent Variable: Customer Satisfaction					

Source: SPSS output (2024)

The above table 4.12 shows that all independent variables accounted for 59.9% of the contribution to customer satisfaction. Thus, 59.9% of the variation in customer satisfaction can

be explained by empathy, assurance, tangibility, reliability, and responsiveness. The remaining 40.1% were other factors that limit the Customer Satisfaction in Dashen Bank S.C.

R: represents the multiple correlation coefficients between the predictor variables and the outcome variable, ranging from 0 to 1, where a higher value indicates a stronger correlation. A value of 1 signifies that the equation perfectly predicts the observed values (Pedhazur, 1982). In the model summary, R = .774 suggests that the linear combination of the five independent variables empathy, assurance, tangibility, reliability, and responsiveness strongly predicts the dependent variable, which is customer satisfaction.

R-squared (R^2) measures the proportion of variance in the dependent variable that is explained by the independent variables in a regression model. In this case, the linear combination of predictors such as empathy, assurance, tangibility, reliability, and responsiveness accounts for 59.9% of the variance in customer satisfaction, indicating a significant relationship between these factors and customer satisfaction levels. Conversely, the remaining 40.1% of the variance is attributable to extraneous variables not included in the model.

Adjusted R-squared (Adjusted R^2) provides insight into how well a regression model generalizes to the population being studied by modifying the original R^2 value to more accurately reflect that population. In this analysis, the difference between R^2 and Adjusted R^2 is minimal just 0.009, or approximately 0.90%. This slight reduction mean that if the model were based on the entire population instead of a sample, it would account for roughly 0.90% less variance in customer satisfaction, indicating the model's robustness in representing the population's characteristics.

The Durbin-Watson statistic is used to assess the assumption of independence among error terms in a regression analysis. According to conservative guidelines, values below 1 or above 3 warrant concern (Field, 2005). Ideally, a value close to 2 indicates that the independence assumption is likely satisfied. In this case, the Durbin-Watson value is 1.966, which is very close to 2, suggesting that the assumption of independent errors has almost certainly been met.

4.4.5 Coefficient Analysis

Table 4.13 Coefficients Analysis

Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.
		B	Beta		
1	(Constant)	-0.301		-1.196	0.233
	Tangibility	0.266	0.252	4.627	0.001
	Responsiveness	0.244	0.231	4.088	0.001
	Reliability	0.200	0.179	3.176	0.002
	Assurance	0.250	0.243	5.003	0.001
	Empathy	0.132	0.135	2.413	0.017
a. Dependent Variable: Customer Satisfaction					

Source: SPSS output (2024)

In the marked column B, the value for the intercept (a) in the regression equation is displayed in the first row, labeled constant. The unstandardized coefficients indicate the amount of change in the dependent variable associated with a one-unit change in the independent variable, while keeping all other independent variables constant. It's important to note that the interpretation of these coefficients is contingent upon the specific units of measurement used for the variables involved.

Table 4.12 presents the unstandardized coefficients beta for key variables influencing customer satisfaction, specifically empathy, assurance, tangibility, reliability, and responsiveness. According to the multiple regression analysis, these unstandardized regression coefficients (β) are valuable as they allow for the comparison of the relative strength of each independent variable's impact on customer satisfaction (Pedhazur, 1982). The findings indicate that the factors affecting customer satisfaction have the following beta weights: tangibility at 0.266, responsiveness at 0.244, reliability at 0.200, assurance at 0.250, and empathy at 0.132, weight their varying degrees of influence.

Based on these results, the regression equation that predicts the effect of service quality on customer satisfaction

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where Y= Customer satisfaction

   X1= Tangibility

   X2= Responsiveness

   X3= Reliability

   X4= Assurance

   X5= Empathy

$$Y = -0.301 + 0.266X_1 + 0.244X_2 + 0.200X_3 + 0.250X_4 + 0.132X_5$$

As indicated in table 4.12 the unstandardized coefficient beta and P-value table result, the tangibility factors is 0.266 and a significant level of 0.05. The P-value is 0.001, which is less than 0.05. According to the analysis, tangibility factors have a positive influence on customer satisfaction. Supported with Ali and Raza (2023), tangibility attributes play a crucial role as cues for customers in assessing the quality of the services they receive. These tangible elements ranging from the physical environment to the appearance of staff and service materials significantly influence how customers perceive service quality. This perception, in turn, has a direct impact on their overall satisfaction and loyalty, the importance of tangible aspects in shaping customer experiences and fostering long-term relationships in the service sector.

The results of the analysis indicate that the unstandardized coefficient beta for the responsiveness factor is 0.244, with a significance level of 0.05. The corresponding p-value is 0.001, which is less than 0.05, implies that the responsiveness factor has a statistically significant positive effect on customer satisfaction. Responsiveness in service industries highlights the importance of timely interactions and the swift resolution of issues as key factors contributing to increased customer satisfaction (Kumar, A., & Gupta, R. 2022). This review explores various dimensions of responsiveness, including emotional responsiveness, process efficiency, and the effectiveness of communication.

As indicated in table 4.12 the unstandardized coefficient beta and P-value table result, the reliability factors is 0.200 and a significant level of 0.05. The P-value is 0.002, which is less than 0.05. This shows that reliability has a statistically significant positive effect on customer satisfaction. Supported by Pinto (2022), businesses that prioritize reliability in their service offerings experience enhanced customer retention rates and generate positive word-of-mouth. When companies consistently deliver dependable services, they not only foster trust among their customers but also encourage loyalty, leading to repeated business. This commitment to reliability creates a favorable customer experience, which in turn prompts satisfied customers to share their positive experiences with others, effectively serving as advocates for the brand. Thus, reliability becomes a critical factor in achieving long-term business success and customer satisfaction.

As indicated in table 4.12 the unstandardized coefficient beta and P-value table result, the assurance factors is 0.250 and a significant level of 0.05. The P-value is 0.001, which is less than 0.05. This shows that assurance has a statistically significant positive impact on customer satisfaction. This result consistent with the assurance dimension of service quality, which encompasses the knowledge, courtesy, and competence of employees in fostering trust and confidence, is vital for boosting customer satisfaction (Zarei, M., & Naderi, S. 2023). When customers perceive higher levels of assurance, it enhances their evaluation of service quality, consequently leading to greater satisfaction.

As indicated in table 4.12 the unstandardized coefficient beta and P-value table result, the empathy factors is 0.132 and a significant level of 0.05. The P-value is 0.017, which is less than 0.05. This shows that empathy has a statistically significant positive influence on customer satisfaction. This finding supported by Siddiqui & Shukla (2023) highlight the connection between employee empathy and customer loyalty, detailing how empathetic interactions enhance customer satisfaction.

4.5 Hypothesis Testing

In this study, the researcher formulated five hypotheses based on the independent variables or predictors such as Tangibility, Responsiveness, Assurance, Reliability, and Empathy believed to have significant associations with customer satisfaction. These hypotheses were evaluated

against the p-values obtained through the regression analysis; As a result, the hypotheses that were tested are given below:

H1: Tangibility has a positive relation with customer satisfaction.

The unstandardized beta coefficient with ($\beta_1 = 0.266$, p=0.001< 0.05) indicated that tangibility has a positive and substantial effect on customer satisfaction.Therefore the hypothsis is accepted.

H2: Responsiveness has a positive effect on customer satisfaction.

The unstandardized beta coefficient with ($\beta_2 = 0.244$, p=0.001< 0.05) implies that responsiveness has a positive and significant effect on customer satisfaction.Therefore the hypothsis is accepted.

H3: Reliability has a positive relation effect on customer satisfaction.

The unstandardized beta coefficient with ($\beta_4 = 0.200$, p=0.002< 0.05) implies that reliability has a positive and significant effect on customer satisfaction.Therefore the hypothsis is accepted.

H4: Assurance has a positive influence on customer satisfaction.

The unstandardized beta coefficient with ($\beta_4 = 0.250$, p=0.001< 0.05) implies that assurance has a positive and significant effect on customer satisfaction.Therefore the hypothsis is accepted.

H5: Empathy has a positive relation with customer satisfaction.

The unstandardized beta coefficient with ($\beta_4 = 0.132$, p=0.017< 0.05) implies that empathy has a positive and significant effect on customer satisfaction.Therefore the hypothsis is accepted.

Table 4.14 Summary of Hypothesis Testing

S/no	Hypothesis	βi-value	P-value	Expected value	Finding result	Decision
1	Tangibility has a positive relation with customer satisfaction.	0.266	0.001	Positive	Positive	Accepted
2	Responsiveness has a positive			Positive	Positive	Accepted

	effect on customer satisfaction	0.244	0.001			
3	Reliability has a positive relation effect on customer satisfaction	0.200	0.002	Positive	Positive	Accepted
4	Assurance has a positive influence on customer satisfaction	0.250	0.001	Positive	Positive	Accepted
5	Empathy has a positive relation with customer satisfaction	0.132	0.017	Positive	Positive	Accepted

Source: SPSS output (2024)

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of Major Findings

Investigating the effect of service quality on customer satisfaction through a case study of Dashen Bank S.C was the aim of this study. To undertake the study, 240 questionnaires were distributed, and 225 have been filled out well and returned. Descriptive analysis shows that there was fair gender distribution of the customers of Dashen Bank S.C. and most of the respondents fell between the ages of 31 & 40 years, meaning a young and adult age group. Regarding the education level, 55.1% of the respondents are first-degree holders. And the majority of respondents (44.4%) were self-employed.

The descriptive statistics for analysis of the current status of service quality practices in Dashen Bank S.C. Respondents were generally agreed with tangibility of service quality with grand mean of 4.15. Customers of Dashen Bank S.C are also satisfied with employee's responsiveness grand mean of 4.09 and with reliability of service grand mean of 3.95. Additionally, customers are generally expressing their feeling about assurance and empathy with grand mean of 4.16 and 3.86 respectively. Generally the descriptive statistics result revealed that the effect of service quality on customer satisfaction is of good level, with overall mean score of 4.04 on a 5-point Likert scale.

The correlation coefficients between customer satisfaction and Empathy, Assurance, Tangibility, Reliability, Responsiveness dimension are all positive with coefficients of 0.565, 0.517, 0.614, 0.558 and 0.618 respectively. This finding indicates that the dimensions of service quality has a positive association with customer satisfaction.

The R-square value for the regression model was 0.599. This means that the all explanatory variables in this study, Empathy, Assurance, Tangibility, Reliability, and Responsiveness dimension, explain approximately 59.9% of the variation in the level of customer satisfaction. The 40.1% of the variation in customer satisfaction was explained by other variables that are not included in the model. However, this does not imply that all the service quality dimensions have an equally significant effect on customer satisfaction. As a result of the multiple linear regression

analysis, the service quality dimension factors have affected customer satisfaction with varying degrees of effect, such that Empathy, Assurance, Tangibility, Reliability, and Responsiveness dimension increase by one unit lead to an increase in customer satisfaction of 13.2%, 25%, 26.6%, 20% and 24.4% respectively. This study's hypothesis statement is accepted, and the results are significant at a 5% level of precision.

5.2 Conclusions

The main objective of this study was to investigate the effect of service quality on customer satisfaction in the case study of Dashen Bank S.C. To accomplish this, the determinants of service quality such as Empathy, Assurance, Tangibility, Reliability, and Responsiveness are used, and the study also attempts to address the research objectives given in the introductory section. The self-administered questionnaire utilized in the study includes 26 statements about the five elements of service quality and customer satisfaction. The data is analyzed using descriptive and inferential statistics in the Statistical Package for Social Science (SPSS) software version 27. The correlation analysis result concluded that, the determinants of service quality such as Empathy, Assurance, Tangibility, Reliability, and Responsiveness at Dashen Bank S.C had a positive correlation with its customer satisfaction.

According to regression analysis, the empathy had a strongly positive and significant effect on customer satisfaction. Assurance also shows a statistically positive and significant influence over customer satisfaction. And Tangibility affects the customer satisfaction positively and significantly. Additionally, Responsiveness also has positive and significant impact on customer satisfaction. Generally, the study showed that the impact of the service quality dimension such as Empathy, Assurance, Tangibility, Reliability, and Responsiveness over customer satisfaction were positive and significant. Thus, service quality influence on customer satisfaction was positive and significant in Dashen Bank S.C.

5.3 Recommendation

Based on the study finding and overall result, the following recommendations are forwarded to Dashen Bank S.C.

- ❖ Service quality dimensions like Empathy, Assurance, Tangibility, Reliability, and Responsiveness have a considerable positive effect on the level of customer satisfaction.

Due to this, Dashen Bank S.C needs to prioritize those dimensions to improve its customer retention, ultimately improve its overall achievement.

❖ Empathy and responsiveness have significant impact on customer satisfaction; due to this finding, Dashen Bank need to invest in comprehensive training programs for its employees. This training should focus on improving interpersonal skills, problem-solving capabilities, and customer engagement strategies to ensure that staff members are equipped to respond promptly and empathetically to customer needs.

❖ Tangibility has a strong positive association with customer satisfaction; thus, enhancing the physical aspects of services at Dashen Bank S.C. is essential. This enhancement could involve upgrading branch facilities, ensuring that marketing materials are professionally designed and clear, and maintaining up-to-date technological interfaces, such as online banking, which reassure customers of the bank's commitment to quality.

❖ Since reliability is crucial for customer satisfaction, Dashen Bank should conduct regular assessments of its service delivery processes to identify potential issues or delays. This can include ensuring timely transactions, maintaining system uptime, and providing clear communication whenever service interruptions occur.

1.4 Recommendations for Future Research

This study investigates the dimensions of service quality that significantly affect customer satisfaction, specifically focusing on Dashen Bank S.C. However, the generalizability of the findings may be limited when applied to other private banks in the country. To enhance the broader applicability of the results, future researchers are encouraged to draw samples from a wider range of banks within the country to allow for more comprehensive generalizations.

Furthermore, the variables examined in this study were not exhaustive. Future studies should consider incorporating additional variables that were not included in the present research. Given these considerations, the researcher advocates for making the findings accessible so that the study can be reproduced by other organizations. The current findings indicate a range of challenges as well as advantages, highlighting the need for further exploration in the field of customer satisfaction and service quality.

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Appendix

St. Mary University
School of Graduate Studies

Dear respondents,

Thank you for taking the time to complete this questionnaire. This study examines the impact of service quality on customer satisfaction at Dashen Bank northern district as part of a Master's thesis in business administration. Your responses remain confidential and was used solely for academic purposes. I appreciate your help and value your time. Thank you for your cooperation!

Contact Address: - Mihiret Ejigsemahu e-mail:-mero2feye@gmail.com Tel +251-977148745

• Put "√" for your choice in the box provided

Part 1: Demographic Information

1. Sex

      Male ☐   Female ☐

2. Age

      A) 20-30 years ☐

      B) 31 – 40years ☐

      C) 41 – 50 years ☐

      D) Above 50 years ☐

3. Educational background

    High school completed ☐

      Diploma ☐

      First Degree ☐

Master's Degree and above ☐

4. Occupation

        Self-employed ☐

        Public employee ☐

        Private employee ☐

Part 2: For the following Likert scale questions:-

Tick (√) or check the appropriate cell by expressing your opinion on the following 5-points scale shown below to the best of your knowledge.

Rating Scale: 1=Strongly Disagree (SD); 2= Disagree (DA); 3=Neutral (N); 4= Agree (A); 5=Strongly Agree (SA).

No	Tangibility	Responses				
		5	4	3	2	1
1	The office has up to date equipment					
2	The office facilities are visually attractive					
3	The office has office at convenient location to its customer					
4	Staffs of the office at the front line position are well dressed and appear neat.					
Responsiveness		5	4	3	2	1
5	Employees provide punctual service					
6	Employees willingness to help customers					
7	Employees are never busy to respond to customer request					
8	Employees give quick response when ether is problem					

Reliability		5	4	3	2	1
9	The office provide services as promised					
10	When you have problem, the office shows a sincere interest in solving it					
11	The office performs the service right the first time					
12	The office provides its service at the time it promises to do so					
13	The office insists on error free records					
Assurance		5	4	3	2	1
14	Personal behavior of the staffs are excellent that the customer can trust					
15	The staffs are polite					
16	The staffs have adequate knowledge to serve customer					
Empathy		5	4	3	2	1
17	The staff know what customers' needs are					
18	Staffs are give customers individual attention					
19	The office and its employees give do consideration for customers property					
20	Staffs give orientation about the new service and the cost related with the service					
21	The office has convenient working hours to all its customers					
Customer Satisfaction		5	4	3	2	1
22	I am satisfied with the security of the office services.					
23	I am satisfied with respectful behavior of the office staffs					
24	I am satisfied with the communicative ability of the employee of the office					
25	I am satisfied with the performance of the employee of the office.					
26	I am satisfied with various range of service of office					