

Addis Ababa
University
(Since 1950)



Impact of Service Quality on Customer Satisfaction: The Case of Bank of Abyssinia S.C

A Research Project Submitted to the College of Business and Economics of Addis Ababa University in partial fulfillment of the requirement for the Degree of Executive Master of Business Administration (EMBA)

Advisor: Getie Andualem(Phd.)

By: Meron Melaku

**December 2015
Addis Ababa**

Statement of Declaration

I hereby declare that **Impact of Service Quality on Customer Satisfaction: The Case of Bank of Abyssinia S.C** is wholly the work of Meron Melaku. I have carried out the present study independently with the guidance and support of the research Advisor Getie Andualem(PhD). Any sources used for the study have been referenced in the prescribed manner. The study has not been submitted for award of any Degree or Diploma program in this or any other institution.

Meron Melaku

Statement of Certification

This is to certify that Meron Melaku carried out her project on the topic entitled **Impact of Service Quality on Customer Satisfaction: The Case of Bank of Abyssinia S.C** under my supervision. This work is original in nature and is suitable for submission for the award of Degree of Executive Master of Business Administration.

Advisor: Getie Andualem(PHD)

**Addis Ababa University
College of Business and Economics
Department of Management
Executive Master of Business Administration Program**

**Impact of Service Quality on Customer
Satisfaction: The Case of Bank of Abyssinia
S.C**

By Meron Melaku

Approved by the Board of Examiners:

Advisor

Signature

Internal Examiner

Signature

External Examiner

Signature

Acknowledgment

This study is made possible by a great deal of support from a number of people who have been kind enough to stand beside me every step of the way through my stay in the program. Yet, it would not be in its current shape if it hadn't been for God's enormous will and support. Therefore, the highest gratitude goes to God.

First, I would like to express my heartfelt appreciation to my advisor Getie Andualem(Phd) whose valuable comments and counsel guided the entire study to reach its current state. Thank you for being understanding and supportive. Special thanks go to all respondents who have sacrificed their valuable time to provide me with the vital information needed to complete the study. I thank them all for their patience and understanding. Special thanks also go to Bank of Abyssinia S.C staffs and management to whom I am highly indebted.

Finally, my utmost gratitude goes to my beloved family; my father Melaku Beyene, my mother Belaynesh Alamirew my dearest sister Yomi, my dear brother Yoseph and my husband Tewodros Haile. Thank you very much and God bless you all. Dear friends thank you very much for being there whenever I needed your support and input.

Table of Contents

Contents	Page
Acknowledgment	i
Table of content	ii
List of table	iv
List of Figures	v
Abstract	vi
Chapter One	
Introduction	Error! Bookmark not defined.
1.1 Background of the Study.....	Error! Bookmark not defined.
1.2 Statement of the Problem	Error! Bookmark not defined.
1.3 Objectives.....	Error! Bookmark not defined.
1.3.1 General Objective	Error! Bookmark not defined.
1.3.2 Specific Objective.....	Error! Bookmark not defined.
1.4 Research Question	6
1.5 Research Hypothesis.....	Error! Bookmark not defined.
1.6 Significance of the Study.....	Error! Bookmark not defined.
1.7 Scope of the Study	7
1.8 Limitation	7
1.9 Organization of the study	Error! Bookmark not defined.
Chapter Two	
Literature Review.....	9
2.1. Introduction	9
2.2 Theoretical Review.....	9
2.2.1 Service.....	9
2.2.2 Characteristics of Services	10
2.2.3 Quality.....	11
2.2.4 Service Quality	Error! Bookmark not defined.
2.2.5 Measuring Service Quality	Error! Bookmark not defined.
2.2.5.1 Using SERVQUAL to Measure Service Quality	Error! Bookmark not defined.
2.2.5.2 Using SERVPERF to Measure Service Quality.....	Error! Bookmark not defined.
2.2.5.3. The Gap Model.....	Error! Bookmark not defined.
2. 2.6 Customer Satisfaction	Error! Bookmark not defined.
2.2.7 Customer Satisfaction versus Service Quality	Error! Bookmark not defined.
2.3 Conceptual Framework.....	Error! Bookmark not defined.
Chapter Three	
Research Methodology.....	Error! Bookmark not defined.
3.1 Introduction	Error! Bookmark not defined.
3.2 Research Design.....	Error! Bookmark not defined.
3.3 Data type and source	Error! Bookmark not defined.
3.4 Sampling Method and Size	Error! Bookmark not defined.
3.5 Procedure for Data Collection	Error! Bookmark not defined.
3.6 Method of Data Collection.....	Error! Bookmark not defined.

3.7 Method of Data Analysis.....	Error! Bookmark not defined.
3.8 Questionnaire	Error! Bookmark not defined.
3.9 Reliability Test.....	Error! Bookmark not defined.
Chapter Four	
Data Analysis.....	Error! Bookmark not defined.
4.1 Introduction	Error! Bookmark not defined.
4.2 Respondents Profile.....	Error! Bookmark not defined.
4.3 Descriptive Analysis of Service Quality Measurement	30
4.3.1 Tangibility.....	Error! Bookmark not defined.
4.3.2 Reliability.....	Error! Bookmark not defined.
4.3.3 Responsiveness.....	Error! Bookmark not defined.
4.3.4 Empathy	Error! Bookmark not defined.
4.3.5 Assurance.....	Error! Bookmark not defined.
4.4 Customer Satisfaction.....	Error! Bookmark not defined.
4.5 Correlation Analysis between Service Quality Dimensions and Customer Satisfaction	Error! Bookmark not defined.
4.6 Regression Analysis.....	Error! Bookmark not defined.
4.6.1 Tangibility.....	Error! Bookmark not defined.
4.6.2 Reliability.....	Error! Bookmark not defined.
4.5.3 Responsiveness	Error! Bookmark not defined.
4.6.4 Empathy	Error! Bookmark not defined.
4.6.5 Assurance.....	Error! Bookmark not defined.
4.7 Overall Regression analysis.....	Error! Bookmark not defined.
Chapter Five	
Summary of Findings, Conclusion and Recommendation	Error! Bookmark not defined.
5.1 Summary of Findings.....	Error! Bookmark not defined.
5.2 Conclusion.....	Error! Bookmark not defined.
5.3 Recommendation.....	Error! Bookmark not defined.
Reference	
Annexure	
Questionnaire	

List of Tables

Table 3.5: Sample Proportion Taken from Branches-----	25
Table 4.2: Characteristics of Respondents -----	28
Table 4.2.a: Gender Profile of Respondents-----	28
Table 4.2.b: Age profile of Respondents-----	28
Table 4.2.c: Educational Status of Respondents-----	29
Table 4.2.d: Mean Score of Service Quality Dimensions by Gender-----	30
Table 4.3.1: Mean score for Tangibility-----	31
Table 4.3.2: Mean score for Reliability-----	32
Table 4.3.3: Mean score for Responsiveness-----	33
Table 4.3.4: Mean score for Empathy-----	34
Table 4.3.5: Mean score for Assurance-----	35
Table 4.3: Mean Score and Standard Deviation for Service Quality Dimensions-----	35
Table 4.4: Overall Customer Satisfaction-----	36
Table 4.5: Correlation-----	38
Table 4.6.1.a Model Summery for Tangibility-----	40
Table 4.6.1.b Coefficient for Tangibility-----	40
Table 4.6.2.a Model Summery for Reliability-----	41
Table 4.6.2.b Coefficient for Reliability-----	41
Table 4.6.3.a Model Summery for Responsiveness-----	42
Table 4.6.3.b Coefficient for Responsiveness-----	42
Table 4.6.4.a Model Summery for Empathy-----	43
Table 4.6.4.b Coefficient for Empathy-----	43
Table 4.6.5.a Model Summery for Assurance-----	43
Table 4.6.6.b Coefficient for Assurance-----	44
Table 4.7.a Model Summary of Service Quality Dimensions and Customer Satisfaction---	44
Table 4.7.b ANOVA for service quality dimensions and customer satisfaction -----	45
Table 4.7.c Coefficient for Service Quality Dimension ad Customer Satisfaction-----	46

List of Figures

Figure 2.1: The Gap Model of Service Quality----- 17

Figure 2.2: Conceptual Framework on the effect of service quality on customer satisfaction--22

Abstract

Banks play a very important role in the economic life of a nation. Although the banking industry is growing and offering various types of financial services to the public, their mere existence does not do any good unless they deliver a quality service. This study is set out to examine the impact of service quality on customer satisfaction in Bank of Abyssinia S.C. SERVPERF model by Cronin and Taylor's(1992) is used to identify the relationship. Quantitative means of data collection method is employed to collect the data through questionnaire. Proportionate and disproportionate stratified sampling technique is used to select the sample size and a sample of 399 bank customers are taken to undertake the study. The data collected from the questionnaire were analyzed using statistical tools such as mean, correlation, and regression analysis VIA SPSS Version. The results of this study indicate that, all the service quality dimensions (tangibility, reliability, responsiveness, empathy and assurance) have positive and significant relationship with customer satisfaction. Also the finding of this study indicates that customers were most satisfied with the assurance dimensions of service quality followed by responsiveness. Accordingly from the regression result it is observed that all service quality dimensions have positive and significant impact on customer satisfaction. Furthermore, 44% of the variations in customer satisfaction is explained by service quality dimensions in bank of Abyssinia S.C. Based on the findings of the study, the researcher forwarded some recommendations to the bank's management.

Key Words: Service Quality, Customer Satisfaction

Chapter One

Introduction

1.1 Background of the Study

Every business is established having the aim of achieving success and being profitable. The service industry as any other business sector shares this aim. The service industry is among the oldest and most diverse industries in the world. Services vary in many ways and include various stages. Lovelock and Wirtz (2004) defined service as “an act or performance made by one party to another although the process may be tied to a physical product, the performance is transitory, often intangible in nature and does not normally result in ownership of any of the factors of production”. It is an economic activity that creates value and provides benefits for customer at specific time and place by bringing about a desired change in or on behalf of the recipient of the service.

The service industry is among the highly dynamic industries as consumers and customers often demands change. These changes further drive the service provision and delivery forward with increasing demand for quality. Since services are intangible in nature their success and failure is not easily measured or quantified. The success of any service providing organization can be measured in terms of its customers’ attitude towards the service delivery practiced which means service quality will be the dominant element in customers’ evaluations of a given service. Customers’ go to service providers expecting to get a quality service and the level of expectation among each individual varies. Finding out what customers’ expect is essential in providing a quality service. This can be done through marketing research focusing on issues such as what features are important to customers, what levels of these features customers expect and what customers think the company can and should do when problems occur in service delivery.

In a service business, the customer and the front-line service employee interact to create the service. Effective interaction, in turn, depends on the skills of front-line service employees and on the support processes backing these employees. Thus, successful service companies focus their attention on both their customers and their employees. (Kotler and Armstrong, 2012)

Unlike product manufacturers who can adjust their machinery and inputs until everything is perfect, service quality will always vary, depending on the interactions between employees and customers.

Banks play a very important role in the economic life of a nation. Although the banking industry is growing and offering various types of financial services to the public, their mere existence does not do any good unless they deliver a quality service. There is no doubt that the increasing level of competition has improved the quality of service to customers of the banking industry. Majority of banks have boosted the quality of their services in terms of shorter transaction time, prestigious services, and customers' convenience.

This research therefore tries to study the impact of service quality on customer satisfaction: the case of Bank of Abyssinia S.C.

Ethiopian banking history, in its modern sense, began towards the end of the regime of Emperor Menilek. This period witnessed the establishment of the country's first bank called the Bank of Abyssinia, or in Amharic "Ye-Ityopya Bank", it was an affiliate of the National Bank of Egypt, and was founded in 1906.

The present-day Bank of Abyssinia was established on February 15, 1996 (90 years to the day after the first but defunct private bank was established in 1906 during Emperor Menelik II) in accordance with 1960 Ethiopian commercial code and the Licensing and Supervision of Banking Business Proclamation No. 84/1994. (www.bankofabyssinia.com)

Bank of Abyssinia started its operation with an authorized and paid up capital of Birr 50 million, and Birr 17.8 million respectively, and with only 131 shareholders and 32 staff. In about

eighteen years since its establishment Bank of Abyssinia has registered a significant growth in paid up capital and total asset.

Currently the Bank has 1,637 shareholders and Authorized and paid up capital has reached Birr 1.5 billion and Birr 1.1 billion, respectively, a total deposit balance of Birr 9.8 Billion and a total loans and advances of Birr 5.08 billion, which in effect enhance the risk absorbing and the lending capacity of the Bank. As of December 2014, the branch network of the bank has reached 108 out of which 55 branches are in Addis Ababa and the remaining 53 are in different parts of the country outside Addis Ababa. (www.bankofabyssinia.com)

Bank of Abyssinia has 3,076 staff and 445,133 account holders and works with known money transfer agents such as Western Union, Express Money, Turbo Cash, Ria International, Transfast, Dahabshiil and MoneyGram. Bank of Abyssinia has maintained correspondent bank accounts with 12 well known international foreign banks operated in USA, EUROPE, MIDDLE EAST, AND AFRICA and Relationship Management Administration (RMA) agreements with 282 international commercial banks all over the world. (www.bankofabyssinia.com)

Following a strong demand for better service and products from all directions on the one hand, and a ground-breaking development in ICT, on the other, the bank has replaced its in-house IT system with the state-of-the-art one called T24. ATM and POS services with Habesha card and mobile banking service are commenced to further extend its service excellence. (www.bankofabyssinia.com)

1.2 Statement of the Problem

In the world of competition, service quality is the most important parameter that needs critical attention for an organization to exceed its competitors. This is especially true in the service sector where there is frequent interaction with customers which hold the highest stake in ensuring the organization exceeds its competitors and excel in the service it provides. In winning this competition, it is obvious that customer satisfaction is a critical issue as it is highly correlated with the quality of services provided by competing organizations.

Being one of service offering institutions, the quality of the service offered by banks is very crucial for their survival. As most of the private banks in the banking industry of Ethiopia offer similar types of products, the differentiation lies in the service quality offered.

Banks operating in Ethiopia are consequently put into lot of pressures as a result of the increased competition in the industry. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level. Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage (Ahmossawi, 2001 cited on Mesay Shata, 2012)

Unsatisfactory customer service leads to a drop in customer satisfaction and willingness to recommend the service to a friend. Levesque and McDougall (1996) cited on Haile Yeshanew, 2010)

Service quality has various dimensions and each customer place different level of importance on each dimensions of service quality .The service providers' perception of service quality may be quite different from what customers perceive as service quality. Therefore, if banks are to compete in providing quality service to customers, it is important to understand the customer perception and expectation of quality service. Further they should identify themselves with at least one of the dimensions of service quality that they think it will drive customers' perceived service quality satisfaction, loyalty, and retention.(Lukmaan Osei-Mensah Bonsu and Gertrude Adu Mensah 2013)

Bank of Abyssinia S.C is the 4th largest bank in terms of deposit (after Commercial Bank of Ethiopia, Dashan Bank, Awash International Bank) as per the Strategic plan and organizational transformation study carried out by the bank in August 2015. On average it ranked 6th in the profitability terms (Return on Equity) and 12th in the customer deposit growth. The study also indicates that in spite of the bank's positive performance, it has not been growing as rapidly as some of its peer groups. As part of the study, external survey is also made on 300 bank customers and the result revealed that high service quality followed by accessibility is the main

choice driver when customers are selecting a bank. It is also noted from the survey that customers experience delays due to system and network issues.

One may ask “why is it necessary to assess the level of service quality in a given organization”? The reason is in this world of competition the only way a firm can survive is by being the best and being the best in the service industry i.e being able to provide the best quality service.

Therefore the main interest of this study is to measure the perception of customers concerning a service provided by Bank of Abyssinia and find out whether the bank has met the perception of its customers under all the dimensions of service quality as service quality is becoming key choice driver of customers.

1.3 Objectives

1.3.1 General Objective

The general objective of this study is to examine the quality of service provided by Bank of Abyssinia and its impact on customer satisfaction.

1.3.2 Specific Objective

The specific objective of the study is:

- To examine the relationship between service quality dimensions and customer satisfaction.
- To examine the impact of service quality on customer satisfaction.
- Identifying the dominant dimension of service quality that drives customers’ perceived service quality in Bank of Abyssinia.

1.4 Research Question

This study is designed to answer the following research questions:

- What is the level of service quality offered by Bank of Abyssinia S.C when measured by service quality dimensions?
- What is the relationship between service quality dimensions and customer satisfaction?
- What is the impact of service quality on customer satisfaction?
- What is the dominant service quality dimension that has a strong relation with customer satisfaction in Bank of Abyssinia?
- How can the bank solve service quality related problem in its organization?

1.5 Research Hypothesis

H1o: There is no significant and positive relationship between service quality and customer satisfaction in Bank of Abyssinia S.C

H1a: There is a significant and positive relationship between service quality and customer satisfaction in Bank of Abyssinia S.C

H2o: Service quality does not have a significant impact on customer satisfaction in Bank of Abyssinia S.C

H2a: Service quality has a significant impact on customer satisfaction in Bank of Abyssinia S.C

1.6 Significance of the Study

As explained earlier, this study examined the service provided by Bank of Abyssinia and its impact on customer satisfaction. It identified the strengths and weaknesses of the service delivered by the Bank and its effect on customer satisfaction. The significance of the study is to give sufficient information on the service the bank is currently providing and help it to know areas which need improvement and plan towards it so that its customers enjoy quality service.

It also allows the stake holders to have knowledge on where the bank stands in the eyes of its customer. Moreover, as employees are one of the stake holders, it will help them to evaluate their service deliveries through the eyes of the customer.

1.7 Scope of the Study

There are a number of previous and newly emerging commercial banks in Ethiopia. This study was conducted on Bank of Abyssinia. This is due to limited financial resources, time and accessible information regarding other Banks with the given time period. The study will cover the areas of service delivery within the branches in Addis Ababa.

1.8 Limitation

As stated earlier this study is a descriptive study limited in scope and sample size because of limited financial resources, time and accessible information regarding other Banks. Thus the findings of this study may not give a general picture of the quality of the banking sector in Ethiopia. But it can contribute to further study on quality of the banking sector in Ethiopia.

1.9 Organization of the study

The study is organized in to five chapters. The first chapter starts by giving a brief introduction on service, service quality, and background information about Bank of Abyssinia and followed by a brief statement of the problem. It also includes the objectives, research question and hypothesis, significance of the study, as well as the scope and limitation of the study.

The second chapter will focus on exploring various literatures on the problem under study to provide definitions to the various concepts as well as explain the theoretical perspectives and conceptual framework. The third chapter presents the methodology of the study. It covers research design, data type and source, sampling method and size, data collection procedures

method of data collection and analysis of the study and the forth chapter covers the result of the study. The last chapter will provide summary of findings, the conclusion of the study and suggests possible remedial recommendations.

Chapter Two

Literature Review

2.1 Introduction

This chapter covers the literature reviewed of Theories and models and conceptual framework which serves as evidence of the Variables of the study - Service Quality and Customer Satisfaction. Definitions of service, quality, customer satisfaction, the concept of service quality, and the relationship between service quality and customer satisfaction is briefly highlighted.

2.2 Theoretical Review

2.2.1 Service

Services are economic activities offered by one party to another. In exchange for money, time, and effort, service customers expect value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of the physical elements involved(Lovelock & Wirtz, 2011).

A service occurs when an interaction is established between customers and service providers and/or the physical component of the service and/or the systems through which the service is delivered (Shahin & Janatyan, 2011).

The concept of service is used and defined in various perspectives by many scholars. A service is a commodity with no physical existence, usually created and consumed at the same time. Gronroos (2001) described a service as a process resulting in an outcome in a partly simultaneous production and consumption process. This definition points to the fact that service provision and consumption are simultaneous activities.

Service is intangible in nature, it cannot be mass produced. It cannot be inventoried and stored after production. Due to the fact that services and consumers of services are inseparable, they cannot be produced until the consumer is ready to consume them. Providing consistent quality

is difficult for service because of the characteristic of variability (Clow and Kurtz, 2003). When one puts it in the simplest term; services are deeds, processes and performances (Zeithaml and Bitner, 2004). It is apparent that services are produced not only by service businesses but also are integral to the offering of many manufactured goods producers.

Philip Kotler (2000) defines services as “ A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything, it’s production may not be tied to a physical product.”

According to Zeithaml and Bitner (2004) Services include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser. Lovelock and Wirtz (2007) indicated that, service is “time based” and the outcome of a service may result in desire change in consumer or any property of the consumer.

2.2.2 Characteristics of Services

It is generally accepted that services have four main characteristics that differentiate them from goods: intangibility, inseparability, variability, and perishability (Armstrong & Kotler, 2011) these characteristics create unique challenges for services.

Service intangibility refers to the fact that services cannot be seen, tasted, felt, heard, or smelled before they are bought. For this reason, customers try to evaluate the quality of a service by looking at tangible components such as the place, people, price, equipment, and communications apparent. (Armstrong & Kotler, 2011).

Service inseparability refers to the fact that services cannot be separated from their providers, whether the providers are people or machines. This means that the employee providing the service becomes part of the service, in most cases, the customer is also present at the time of

providing the service. Therefore, the provider-customer interaction becomes important in determining the outcome of the service (Armstrong & Kotler, 2011)

Service variability refers to the fact that the quality of services depends on who provides them as well as when, where, and how they are provided (Armstrong & Kotler, 2011). This means that the quality of a service provided is not just determined by the company but by the service provider too. Therefore, understanding the role of service providers is crucial to understand perceptions of service quality.

Service perishability refers to the fact that services cannot be stored for later sale or use (Armstrong & Kotler, 2011), although Lovelock and Wirtz (2011) argue that “not all service performances are perishable” like video recordings of events and concerts. One problematic situation that accompanies this characteristic is when demand exceeds supply (Armstrong & Kotler, 2011). This can be applied to the banking sector when there is traffic at the counters and not enough service providers, thus the service in that case cannot be stored for later use. In this case, banks should think of better ways to match the service supply with the demand. For this reason, understanding perishability of services is important in the context of this study.

2.2.3 Quality

According to Reid and Sanders, there is no sole definition for quality. For some quality is Performance to standards while for others it is meeting or satisfying the customer’s needs. The Quality of a product or service is the fitness of that product or service for meeting or exceeding its intended use as required by the customer (S.Anil Kumar and N.Suresh). Dr. Ram Naresh Roy defined quality as the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.

The definition of quality depends on the point of view of the people defining it. Most consumers have a difficult time defining quality, but they know it when they see it.

Some definitions of Quality according to Reid and Sanders:

Conformance to specifications: How well a product or service meets the targets and tolerances determined by its designers.

Fitness for use: A definition of quality that evaluates how well the product performs for its intended use.

Value for price paid: Quality defined in terms of product or service usefulness for the price paid.

Support services: Quality defined in terms of the support provided after the product or service is purchased.

Psychological criteria: a way of defining quality that focuses on judgmental evaluations of what constitutes product or service excellence.

Defining quality for service organization is difficult because of the intangible nature of the product. Since a service is experienced, perceptions can be highly subjective. In addition to tangible factors, quality of services is often defined by perceptual factors. In most cases, defining quality in services can be especially challenging. (Reid and Sanders, operation mgt 4th edition)

Some of the terms used to define quality in the service industry according to Reid and Sanders are:

Consistency: ability to provide same level of good quality repeatedly.

Responsiveness to Customer needs: willingness of service providers to help customers in unusual situations and to deal with problems.

Courtesy: the way employees treat customers.

Time: the amount of time a customer has to wait for the service.

Reliability: the ability to perform dependably, consistently and accurately.

Convenience: the accessibility of service provider to its customers.

2.2.4 Service Quality

Quality can only be judged in a context of customers' expectations and experience.

Its value to the customers which should be the driving force of quality needs to be a dynamic factor responding to change. Jim Whittle (1995) cited in Ken Irons (1997) said "service is the one unique opportunity we have to be better than competitors and make sure our customers return" which would mainly be the result of a quality service. Gronroos (1984) defined service quality as the outcome of an evaluation of process where the consumer compares their expectations with the service they received. He postulated that customer perceived service quality is a function of expected service, perceived service, and image quality.

Lehtinen and Lehtinen (1982) defined service quality in terms of physical quality, interactive quality and corporate (image) quality. Physical quality is associated with tangible aspects of the service. Interactive quality involves the interactive nature of services and refers to the two-way flow, which occurs between the customer and the service provider, or his/her representative, including both automated and animated interactions. Corporate quality refers to the image attributed to a service provider by its current and potential customers, as well as other publics. They also suggested that, when compared with the other two quality dimensions, corporate quality tends to be more stable over time.

Researchers argue that the distinctive nature of services requires a distinctive approach to defining and measuring service quality. As a result of the intangible multifaceted nature of many services, it may be harder to evaluate the quality of a service than of a good. Because customers are often involved in service production particularly in people processing services, distinction needs to be drawn between the process of service delivery and the actual output of the service. Perceived quality of service is the result of an evaluation process in which customers compare their perception of service delivery and its outcome against what they expect.

The most extensive research in to service quality is strongly user oriented. Valarie Zeithmal and Leonard Berry (1990) cited in Lovelock and Wirtz (2004) identified criteria consumers use in evaluating service quality. In subsequent research, they found a high degree of correlation among several of these variables and so consolidated them into five broad dimensions.

1. **Tangibles:** the appearance of physical facilities, equipment, personnel and communication materials. The customer perceives that all the tangible aspects of the service are fit for the task and is customer friendly.
2. **Reliability:** the ability to perform the promised service dependably and accurately.
3. **Responsiveness:** the willingness to help customers and provide prompt service. The customer's perception that the service provider responds quickly and accurately to his or her specific needs and demands.
4. **Assurance:** the knowledge and courtesy of employees and their ability to convey trust and confidence so that the customer feels he or she is in courteous, able and competent hands.
5. **Empathy:** providing caring and individualized attention for customers to make them feel they are receiving caring services and individualized attention.

2.2.5 Measuring Service Quality

Without doubt, conceptual service quality models are useful in so much as they provide an overview of the factors which have the potential to influence the quality of an organization and its service offerings. They facilitate our understanding and can help organizations to clarify how quality shortfalls develop. However, human behavior significantly affects the quality of an organization and its offerings, and this is more evident in service organizations.

The most widely used models in measuring service quality in the banking sector are the SERVQUAL and SERVPERF model.

2.2.5.1 Using SERVQUAL to Measure Service Quality

According to Clow and Kurtz (2003) a test instrument called SERVQUAL was developed to measure service quality.

Parasuraman et al. (1985) is believed to be the first who introduced the conceptual framework for the SERVQUAL model to measure consumer perceptions of service quality and later refined the model. According to the SERVQUAL model (Parasuraman et al., 1988), service quality can be

measured by identifying the gaps between customers' expectations of the service to be rendered and their perceptions of the actual performance of the service.

It was developed to measure perceived service quality as the key output variable and in its finalized form it has 22 pairs of Likert-type scales. The first 22 items are designed to measure customer expectations of service for a particular service industry (expectations), while the remaining 22 are intended to measure the perceived level of service provided by a particular service organization (perceptions). Service quality is then measured by calculating the difference in scores between the corresponding items (i.e. perceptions minus expectations). (Parasuraman et al, 1985). In other words, it is a technique that can be used for performing a gap analysis of an organization's service quality performance against customer service quality needs.

Research has shown SERVQUAL to be an effective and stable tool for measuring service quality across service industries (Parasuraman et al., 1985, 1988; Zeithaml et al., 1990; 1993).

SERVQUAL is based on five dimensions of service quality. The model was initially developed for financial services sector and it has been used for other sectors such as telecommunications, healthcare and hospitality. When perceived performance rating exceeds expectations, the outcome is considered as a sign of good quality whilst the reverse is an indication of a poor quality. (Lovelock and Wirtz (2007).

SERVQUAL has been adopted for conducting many studies. As it easily identifies the strength and weakness of service provided by organizations, areas of weakness can be prioritized. It also serves as a standard for organizations to measure the quality of service in the same industry. Moreover it serves as a signal to management to take in consideration the perception of both the management and the customer helps them to know the customer's impression about the service provided. (Buttle 1996 cited on Aborampah Amoah Mensah 2010)

However major criticisms have been made against the SERVQUAL model. The major one being, the five service quality dimensions are not universal and cannot be applied in all service industries. Further Buttle(1996) cited on Aborampah 2010 argues that there is a little proof that

customers evaluate the quality of service on the basis of the difference between perception and expectation. Landhure also supported his idea saying the difference score do not give any additional information beyond that already existed in the perception's item for the result showed that the dominant contributor to the gap scores comes from the perception's score. More over using two sets of questionnaire with the likert scale is confusing and tire some. SERVQUAL also fails to provide remedies for the identified Gaps. (Aborampah Amoah Mensah 2010)

2.2.5.2 Using SERVPERF to Measure Service Quality

The SERVPERF model was carved out of SERVQUAL by Cronin and Taylor in 1992. SERVPERF directly measures the customer's perception of service performance and assumes that respondents automatically compare their perceptions of the service quality levels with their expectations of those services. Cronin and Taylor argued that only perception was sufficient for measuring service quality and therefore expectations should not be included as suggested by SERVQUAL (Baumann et al, 2007). Instead of measuring the quality of service via the difference between the perception and expectation of customers as in SERVQUAL, SERVPERF operationalizes on the perceived performance and did not assess the gap scores as expectation does not exist in the model. Thus, it is performance-only measure of service quality.

The model adopts the five dimensions of SERVQUAL and the 22 item scale is used in measuring service quality. In the SERVPERF model, the results demonstrated that it had more predictive power on the overall service quality judgment than SERVQUAL. (Cronin and Taylor 1994)

"The SERVPERF scale is found to be superior not only as the efficient scale but also more efficient in reducing the number of items to be measured by 50% (Hartline and Ferrell, 1996; Babakus and Boller, 1992; Bolton and Drew, 1991)" cited by Mesay Shita 2012. Many studies have been conducted by adopting the SERVPERF model.

Also, Wall and Payne (1973) note that when people are asked to indicate the "desired level" (expectations) of a service and the "existing level" (perceptions) of the service, there is a

psychological constraint that people always tend to rate the former higher than the latter (E>P). Babakus and Boller1992 have found that service quality, as measured in the SERVQUAL scale, relies more significantly on the perception score than on the expectation score. (Cited on H.Vasantha Kumari)

Due to the above mentioned facts the researcher also preferred to use SERVPERV model to undertake the study.

2.2.5.3. The Gap Model

If one accepts interview that quality entails constantly meeting or exceeding customer's expectations the manager's task is to balance customer expectation and perceptions and to close any gaps between the two.

Zeithmal et al (1990) cited in Lovelock and Wirtz (2004) identified four potential gaps within the service organization that may lead to a final and most serious gap. The difference between what customers expected and what they perceived was delivered.

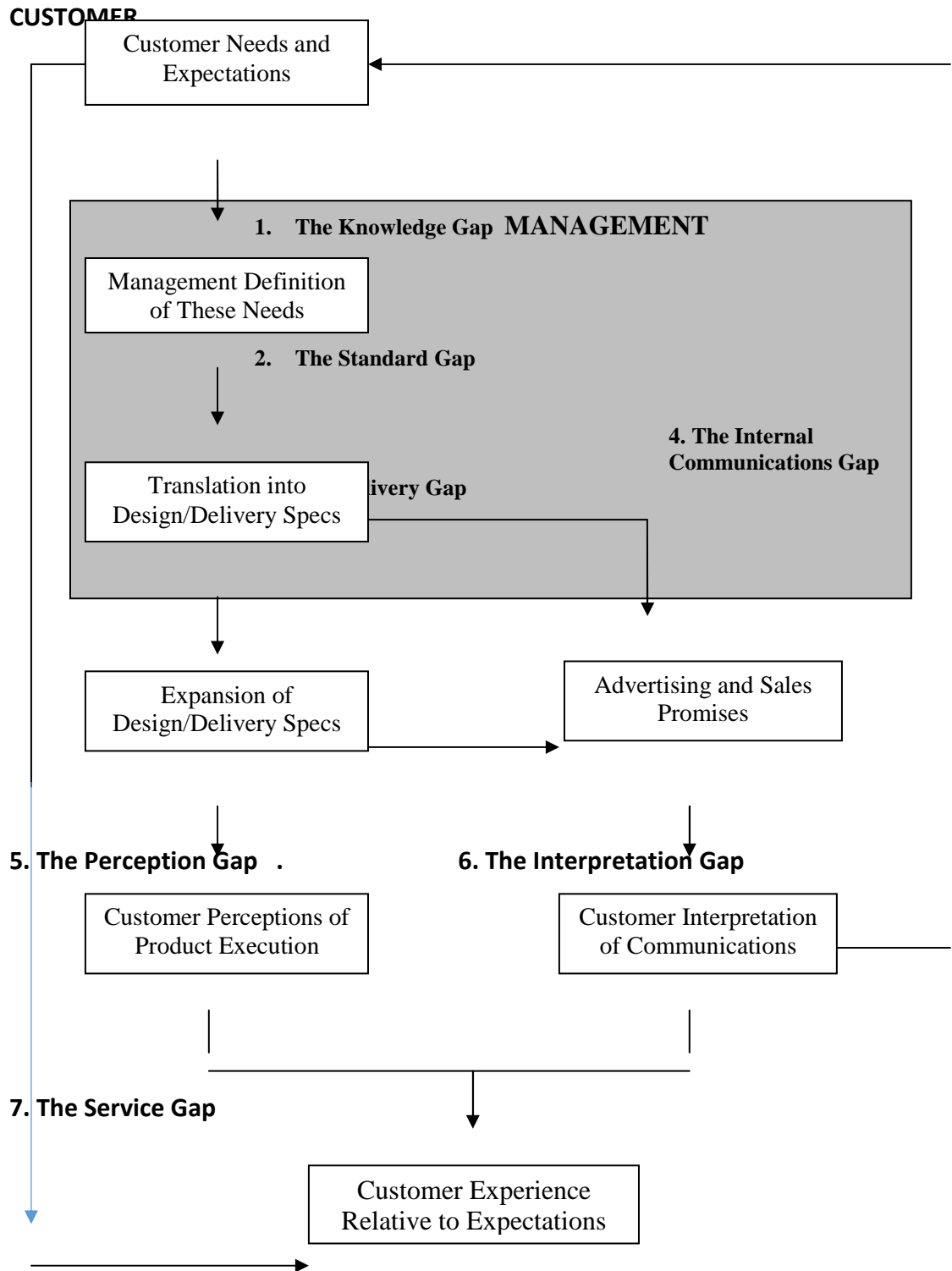


Figure 2.1 The Gap Model of Service Quality

Source: (Lovelock and Writz,2004)

1. **The knowledge gap:** - is the difference between what service providers believe customers expect and customer's actual needs and expectations.
2. **The standard gap:** - is the difference between manager's perceptions of customer expectations and the quality standards established for the service delivery.
3. **The delivery gap:** - is the difference between specified delivery standards and the service providers' actual performance on these standards.
4. **The internal communication gap:** - is the difference between the company's advertising and sales personnel thinks are the products features, performance service quality levels and what the company is actually able to deliver.
5. **Perceptions gap:** - is the difference between what is in fact, delivered and what customers perceive they have received (because they are unable to accurately evaluate service quality.)
6. **The interpretation gap:** - is the difference between what a service provider's communication efforts (in advance of service delivery) promise and what a customer think was promised by these communications.
7. **The service gap:** - is the difference between what customers expect to receive and their perception of the service that is delivered.

Gaps 1, 5, 6 and 7 represent external gaps between the customer and the organization. Gaps 2, 3 and 4 are internal gaps occurring between different functions and departments within the organization.

The presence of any one of the above seven gaps may lead to a disappointing outcome which affects the relationship with customers. Thus it is important to avoid this gap in every service encounter for it helps to build a good reputation in the eyes of customers. Moreover identifying the specific causes of each gap and then developing strategies to close them will reduce the likelihood that one of the gaps will occur. (Lovelock and Writz, 2004)

2. 2.6 Customer Satisfaction

Satisfaction is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under or over-fulfillment (Oliver 2010).

Zeithaml and Bitner (2000) defined customer satisfaction as the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations.

Customer satisfaction can also be defined as the "customer's response to the evaluation of the perceived discrepancy between prior expectation and the actual performance of the product as perceived after its consumption" (Tse and Wilton, 1998). Jamal and Nazer(2002) cited on Aborampah argued that customer satisfaction is not only linked with the view of customers but also on their experience with the service delivery process.(Aborampah Amoah Mensah 2010)

Customer satisfaction reflects the degree of a customer's positive reaction for a service provider in a bank context, it is necessary for service providers (bank) to recognize the customer's vision of their services. A high level of customer satisfaction can have a positive impact on customer loyalty (Deng et al., 2010) cited on Hossein Gazora*, Babak Nematia, Amir Ehsania and Kianoush Nazari Amelehb

Mixed findings exist regarding the casual direction between service quality and satisfaction (Lee, et al., 2000) does customer satisfaction lead to service quality or vice versa. Yavas et al. (1997) explained that although some studies interpreted service quality perceptions as an outcome of satisfaction, recent studies have characterized service quality as an antecedent of satisfaction. We except the position that customers can evaluate a service (be satisfied or dissatisfied) only after they perceive it. Many authors who studied the relationship between perceived service quality and customer satisfaction have shown that service quality determines customer satisfaction. (cited on Anderson et al 1994)

Edvardsson (1998) believes that the concept of service should be approached from a customer perspective. It is the customer's total perception of the outcome, which is "the service". It forms the perception of quality and determines whether a particular customer is satisfied or not. Customers have different values and different grounds for assessment; they may perceive one and the same service in different ways.

Therefore a company must first find out the level of satisfaction of its current customers to improve its customer satisfaction. One common way of measuring satisfaction is to ask customers first to identify what factors are important in satisfying them and then to evaluate

the performance of a service provider and its competitors on these factors. Many firms use a five point scale to measure customer satisfaction, with the following format

1= very dissatisfied

2=somewhat dissatisfied

3=neutral

4= somewhat satisfied

5=very satisfied.

The result of the satisfaction surveys can be used to estimate the number of loyal customers a firm has as well as how many are at risk of defecting. Lovelock and Wright(1999) cited on (Deborah Mamo 2014)

2.2.7Customer Satisfaction versus Service Quality

Due to the dynamic nature of expectation, evaluations change over time from person to person and from culture to culture. What is considered quality service or the things that satisfy customers today may be different tomorrow. Customers perceive services in terms of the quality of the service and how satisfied they are overall with their experiences. (Zeithaml and Bitner, 2013).The reason for the focus on quality of service and customer satisfaction is the belief that organizations can differentiate themselves by means of providing better service quality and overall customer satisfaction.

Parasuraman et al (1988) defined service quality and customer satisfaction as service quality is a global judgment or attitude relating to the superiority of the service, whereas satisfaction is related to a specific transaction. Satisfaction is a post consumption experience which compares perceived quality with expected quality, whereas service quality refers to a global evaluation of a firm's service delivery system. (Beliyu Girma 2012)

According to Zeithaml and Bitner (2013) the terms satisfaction and quality were used interchangeably. But researchers have attempted to be more precise about the meanings and measurement of the two concepts, resulting in considerable debate. Consensus is growing that

the two concepts are fundamentally different in terms of their underlying causes and outcomes. Although they have certain things in common, satisfaction is generally viewed as a broader concept whereas service quality assessment focuses specifically on dimensions of service. Based on this view perceived service quality is a component of customer satisfaction.

According to Kotler and Armstrong satisfaction is the post-purchase evaluation of products or services taking into consideration the expectations. Researchers are divided over the antecedents of service quality and satisfaction. Some believe service quality leads to satisfaction, others think it's not. The studies of Lee et al. (2000); Gilbert and Veloutsou (2006); Sulieman (2011) and Buttle (1996) suggest service quality leads to customer satisfaction. To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction. As service quality improves, the probability of customer satisfaction increases. (Mesay 2012)

2.3 Conceptual Framework

The conceptual framework indicates the crucial process, which is useful to show the direction of the study. The study shows the relationship between the five service quality dimensions and customer satisfaction. Also the study focuses on SERVPERV model which represents customers' perceptions toward the service offered which is referred to as the perceived service quality.

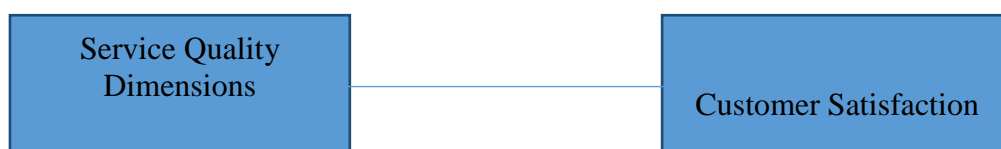


Figure 2.2 Conceptual frameworks on the effect of the service quality on customer satisfaction

Source: Parasuraman et al., 1988

Chapter Three

Research Methodology

3.1 Introduction

This chapter presents details of the research design and methodology. This includes research design, data type and source, sampling method and size, procedure for data collection, method of data collection and data analysis, questionnaire design and reliability.

3.2 Research Design

The research is quantitative and data was collected on the service quality dimensions using SERVPERF model. Explanatory study is used to explain the relationship between the independent variables, (service quality dimensions) and the dependent variable (customer satisfaction). The research is cross sectional in a sense that data was collected at one point in time.

3.3 Data type and source

The study relayed on primary sources of data. Primary data was collected using questionnaires. And the questionnaires are distributed to customers of selected branches in Addis Ababa

3.4 Sampling Method and Size

The main focus of this study is to identify the service quality provided by Bank of Abyssinia S.C and its impact on customer satisfaction using SERVPERF Model.

The target population for the study is customers of Bank of Abyssinia S.C. in all branches of Addis Ababa. The bank has 243,157 customers in Addis Ababa as of December 31, 2014. The sample size of this study is determined by using the formula developed by Taro Yamane(1967)

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

Where, n is the sample size

N is the population size,

E is the level of precision or sampling error = (0.05)

$$n = \frac{243,157}{1 + 243,157 (0.05)^2} = 399$$

Thus, sample size of 399 customers is selected from the population of 243,157.

3.5 Procedure for Data Collection

Since the branches are classified according to their performance starting from Grade 1-4, a disproportionate stratified sampling technique was used to select the branches and proportionate stratified sampling technique had been used to select the customers from each grade. As of December 31, 2014 bank of Abyssinia S.C had 27 Grade 1 branches, 14 Grade 2 branches, 8 Grade 3 branches and 5 Grade 4 branches. Thus 12 branches are selected from total of 54 branches and 3 branches are selected from each grade accordingly. A total of 399 questionnaires were distributed to potential respondents and 341 usable questionnaires were obtained. The table below represents list of branches the questionnaire is distributed to.

Table 3.5 Sample Proportion Taken from Branches.

S.No	Name of Branch	Grade of Branch	Number of Customers in each Grade	Number of sample distributed to each Grade
1	Arat Kilo Africa union Kazanchis	1	42,597	70
2	Aba Koran Olympia Churchil	2	89,160	146
3	Airport Gerji Merkato	3	58,983	97
4	Bole Negadras Filweha	4	52,417	86
Total			243,157	399

3.6 Method of Data Collection

The data collection method is done using self administered questionnaire to be filled by the bank's customers. The questionnaire was designed in a five scale likert measurement. A 22 item measure was used to indicate the customers degree of agreement for the 22 performance statements, based on their assessments of the service provided by the bank adopted from SERVPERF model by Cronin and Taylor's(1992).The variables are measured using Likert scale with five response categories (strongly agree, agree, neither agree nor disagree, disagree and strongly disagree). The Likert scale method was refereed to make the questions interesting to the respondents and to insure maximum response rate. Customer satisfaction was measured

with one scale adopted from Lovelock and Wright (1999) with response ranging from 'very satisfied' to 'very dissatisfied'

3.7 Method of Data Analysis

Both descriptive and inferential statistics were used to analyze and interpret the findings. Demographic variables of the respondents and mean scores of the service quality dimensions are interpreted using descriptive statistics where as inferential statistics is used to find out the relationship between service quality dimensions and customer satisfaction using correlation and regression analysis via SPSS Version 20.

3.8 Questionnaire

The questionnaire is prepared in three parts. The first part of the questionnaire consists of issues related to the personal information of the respondent. It included the age, gender, and educational background. The second part was concerned with the questions used to assess service quality of Bank of Abyssinia. S.C. The research instrument designed is based on the five dimensions of service quality and the 22 service items of the SERVPERF model. The developed questionnaire includes four items which correspond to the tangibles dimension, five items which correspond to the reliability dimension, five items to the responsiveness dimension, four items to empathy dimension and four items which correspond to the assurance dimensions. Respondents were asked to indicate their degree of agreement with each of the items on five point likert scale.

The third part of the questionnaire measures the level of customer satisfaction using a five point Likert sale which ranges from 'highly satisfied' to 'highly dissatisfied.'

3.9 Reliability Test

The Cornobatch alpha coefficient is an indicator of internal consistency of the scale. A high value of the Cronbach alpha coefficient suggests that the items that make up the scale 'hang together' and measure the same underlying construct. A vale of Cronbach alpha above 0.70 can

be used as a reasonable test of reliability. To meet the consistency reliability of instrument, the questionnaire was first distributed to 30 respondents and the Cornbach's alpha for the independent variables (Tangibility, Reliability, Responsiveness, Empathy and Assurance) was found to be 0.896. Therefore the five dimensions of service quality were found to be high in their internal consistency and thereby in measuring the dimensions of interest.

Chapter Four

Data Analysis

4.1 Introduction

This chapter describes the analysis and interpretation of the collected data. Out of the 399 questionnaires distributed to customers of bank of Abyssinia 341 questionnaires were collected. The data was analyzed using SPSS version 20.

4.2 Respondents Profile

To find out general background of customers of bank of Abyssinia, the respondents were asked their Gender, Age and Educational Status. The results obtained from the structured questionnaires are represented on the table below.

Table 4.2 Characteristic of the Respondents

Table 4.2. a. Gender Profile of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Female	141	41.3	41.3	41.3
Valid Male	200	58.7	58.7	100.0
Total	341	100.0	100.0	

Table 4.2.b. Age Profile of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
18-29	113	33.1	33.2	33.2
30-40	171	50.1	50.3	83.5
Valid 40-50	36	10.6	10.6	94.1
Above 50	20	5.9	5.9	100.0
Total	340	99.7	100.0	

Missing	System	1	.3	
Total		341	100.0	

Table 4.2 c. Educational Status of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
High school	50	14.7	14.7	14.7
Diploma	76	22.3	22.3	37.0
Degree	178	52.2	52.2	89.1
Masters	27	7.9	7.9	97.1
Above	10	2.9	2.9	100.0
Total	341	100.0	100.0	

From the 341 respondents 200(58.7%) were male and 141(41.3) percent of the respondents were female.50.3 %(171) of the respondents are between 30 to 40 years old whereas 33.2%(113) were from 18 to 29 years old. 10.6 %(36) were from 40 to 50 years the remaining 5.9%(20) were above 50. Regarding educational level, half of the respondents 52.2%(178) are degree holders, 22.3%(76) are diploma holders,14.7%(50) have finished high school, 7.9%(27) have masters degree and the remaining 2.9%(10) have above masters degree.

From the gender profile of the respondents, independent t test is undertaken to find out whether there is a significant difference on the perception of male and female customers towards service quality dimensions.

The table below states the mean score of the service quality dimensions for female and male respondents and from the score we can observe that the perception of female and male respondents on reliability, responsiveness, empathy and assurance is somewhat the same and difference is observed on tangibility dimension. On the independent t test, t value and p value of tangibility is -2.701 and 007 respectively at 95% confidence interval which confirms that the perception of the male and female respondents is different on tangibility the mean score stated on the below table also confirms same.

Table 4.2.d Mean Score of Service Quality Dimensions by Gender

		N	Mean	Std. Deviation	Std. Error Mean
Tangibles	Female	141	3.4096	.77878	.06559
	Male	200	3.6363	.75222	.05319
Reliability	Female	139	3.9137	.62967	.05341
	Male	199	3.9284	.64859	.04598
Responsiveness	Female	139	3.9525	.65964	.05595
	Male	196	4.0235	.70838	.05060
Empathy	Female	139	3.8964	.60880	.05164
	Male	195	3.8841	.63270	.04531
Assurance	Female	140	4.1482	.59743	.05049
	Male	199	4.1357	.69253	.04909
Satisfaction	Female	134	3.8525	.50949	.04401
	Male	189	3.9196	.55063	.04005

4.3 Descriptive Analysis of Service Quality Measurement

To measure the customers' perception of the service quality provided by bank of Abyssinia, SERVPERF model is used in this study. SERVPERF directly measures the customer's perception of service performance and assumes that respondents automatically compare their perceptions of the service quality levels with their expectations of those services. The model contains 22 questions and a five point likert scale is used to measure the performance. For all the service quality dimensions (Tangables, Reliability, Responsiveness, Empathy and Assurance), the mean score have been computed. The table below represents the results.

4.3.1 Tangibility

Tangibility refers to the appearance of physical facilities, equipment, personnel and communication materials. Accordingly the mean value of tangibility is 3.54 and as it can be seen from the table from the 4 questions asked under tangibility the highest mean score is obtained on the bank's equipment and technology which shows that majority of the respondent's agree that the bank has up to date equipment and technology. The lowest mean score is obtained in the statement which asks whether the physical facilities of the bank are visually appealing or not.

Table 4.3.1 Mean score for Tangibility

		Q1_ Bank of Abyssinia has up-to-date equipment and technology	Q2_ Bank of Abyssinia's physical facilities are visually appealing	Q3_ Bank of Abyssinia's employees are well dressed and appear neat.	Q4_ The physical facilities and technology of Bank of Abyssinia goes with the type of service provided.	Tangibles
N	Valid	341	341	341	341	341
	Missing	0	0	0	0	0
Mean		3.68	3.32	3.60	3.57	3.5425

4.3.2 Reliability

Reliability is the ability to perform the promised service dependably, accurately and consistently. It is performing the service right the first time. It also means that the firm honors its promises. Reliability of service designates the bank's capability to supply the promised output at the stated level. Accordingly the mean value of reliability is 3.92. The highest mean score is obtained on questions no.8 thus respondents agree that the bank keeps their records

accurately. The lowest mean score is obtained on question no.7 which asks whether the bank's employees perform error free service or not.

Table 4.3.2 Mean Score for Reliability

		Q5_ Bank of Abyssinia's employees provide service at the time they promise to do so.	Q6_ Bank of Abyssinia's employees show sincere interest in solving a problem you face.	Q7_ Bank of Abyssinia's employees perform service right the first time(error free service)	Q8_ Bank of Abyssinia keeps your records accurately (statements, account balance, your contact information...)	Reliability
N Valid		339	340	341	341	338
Missing		2	1	0	0	3
Mean		4.05	4.09	3.19	4.35	3.92

4.3.3 Responsiveness

Responsiveness refers to the prompt response to the service need of the customer and the readiness of employees to provide service. It is the speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service to respond promptly to customer service requests, with minimal waiting and queuing time. When the customer is kept waiting for no apparent reason creates unnecessary negative perceptions of quality. Conversely, the ability for the bank to recover quickly when service fails and exhibit professionalism will also create very positive perceptions of quality. This dimension touched on subjects as information about the request by customers being authorized promptly, communication of new products to customers and handling of customer professionally.

As it can be noted from the below table the mean score of responsiveness is 3.99. The highest mean score is obtained on question number 12. Here majority of the respondents agree that

Bank of Abyssinia’s employees are always helpful whereas the lowest mean score is obtained on question number 10.

Table 4.3.3 Mean Score for Responsiveness

	Q9_ There are always adequate number of employees to respond to your needs at the branches of Bank of Abyssinia.	Q10_ Bank of Abyssinia’s employees tells you exactly when the service will be performed	Q11_ you receive prompt service from Bank of Abyssinia’s employees	Q12_ Bank of Abyssinia’s employees are always helpful	Q13_ Bank of Abyssinia’s employees are never busy to respond to your enquires	Responsiveness
N valid	340	340	340	340	339	335
Missing	1	1	1	1	2	6
Mean	3.90	3.80	4.00	4.18	4.06	3.99

4.3.4 Empathy

Empathy is providing caring and individualized attention to customers to make them feel they are receiving caring services and individualized attention. Service empathy characterizes both the service provider’s willingness and capability to respond to individual customer desires. This means putting one’s self in the shoes of the customer.

The mean score of Empathy is 3.89. The majority of the respondents agree that the bank’s service hour is convenient and hence the highest mean score is obtained therein. The lowest mean score is obtained on the question which asks whether the banks employees understand the customer’s specific needs.

Table 4.3.4 Mean score on Empathy

	Q14_ Bank of Abyssinia's employees give you individual attention	Q15_ Bank of Abyssinia's service hours are convenient to you	Q16_ Bank of Abyssinia's branches are easily accessible to you	Q17_ Bank of Abyssinia's forms are easily understandable (withdrawal, deposit, account opening, money transfer, application for foreign transactions)	Q18_ Bank of Abyssinia's employees understand your specific needs	Empathy
N valid	338	340	340	341	339	334
Missing	3	1	1	0	2	7
Mean	3.72	4.29	3.70	4.12	3.64	3.89

4.3.5 Assurance

Assurance is the knowledge and courtesy of employees and their ability to convey trust and confidence so that the customer feels he or she is in courteous, able and competent hands.

It relates to the capability of the service provider to deliver the output, specifically in terms of the knowledge, politeness and trustworthiness of the employees to the customer of the service firm. This dimension is about the behavior and ability of the employees to instill confidence, secure transactions, courtesy of the employees and the knowledge of the employees to answer questions from customers.

Accordingly assurance has a mean score of 4.14 which is the highest from all the service quality dimensions. The highest contributor for this score is question 20 where the majority of the

respondents agree that they feel safe in transacting with Bank of Abyssinia. The lowest mean score is obtained on question 22. The table below depicts the results.

Table 4.3.5 Mean Score for Assurance

	Q19_ The behavior of Bank of Abyssinia's employees Instills confidence in you	Q20_ You feel safe in transaction with Bank of Abyssinia.	Q21_ Bank of Abyssinia's employees are consistently polite	Q22_ Bank of Abyssinia's employees provide you the adequate information on the service you requested.	Assurance
N valid	340	340	341	341	339
Missing	1	1	0	0	2
Mean	4.14	4.24	4.23	3.97	4.14

In summary the mean and standard deviation of each service quality dimensions is represented in the table below. The service quality dimension with the highest mean score is Assurance 4.1409, followed by Responsiveness 3.9940; Reliability 3.9223, Empathy 3.8892 and Tangibility 3.5425. With this we can infer that the service provided by Bank of Abyssinia is somewhat satisfactory. This also answers the first research question.

Table 4.3 Mean score and Standard Deviation for Service Quality Dimensions

	Tangibles	Reliability	Responsiveness	Empathy	Assurance
N Valid	341	338	335	334	339
Missing	0	3	6	7	2
Mean	3.5425	3.9223	3.9940	3.8892	4.1409
Std. Deviation	.77033	.63997	.68846	.62197	.65404

4.4 Customer Satisfaction

As explained in the literature review, customer satisfaction involves the fulfillment of customers' anticipation of the goods and services. Customers become satisfied if the performance of the good or service is equivalent to, or even surpasses, the original expectation. Accordingly identifying satisfaction level of customers is one interest of this study. The satisfaction level in this study is also categorized and it ranges from highly dissatisfied, Dissatisfied, Neutral, Satisfied and Highly Satisfied.

The table below presents the overall level of customer satisfaction.

Table 4.4 Overall Customer satisfaction level

	Frequency	Percent	Valid Percent	Cumulative Percent
Highly dissatisfied	3	.9	.9	.9
Dissatisfied	18	5.3	5.3	6.2
Neutral	28	8.2	8.2	14.4
Satisfied	202	59.2	59.2	73.6
Highly satisfied	90	26.4	26.4	100.0
Total	341	100.0	100.0	

As it can be seen from the table 59.2% of the respondents are satisfied, 26.4 percent of the respondents are very satisfied, 8.2% chose to remain neutral, 5.3% are dissatisfied and 0.9% is very dissatisfied. Therefore even if the highest percentage of respondents are somehow satisfied by the service provided by bank of Abyssinia 6% of the respondents are dissatisfied from these one can infer that the bank needs to work more to change this result and highly satisfy its customers for customers are key divers of bank performance in today's environment.

4.5 Correlation Analysis between Service Quality Dimensions and Customer Satisfaction

To find out the relationship between service quality dimensions and customer satisfaction, Pearson's correlation coefficient (r) which measures the strength and direction of a linear relationship between two variables is used. Values of Pearson's correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive sense; a correlation coefficient of -1 indicates that two variables are perfectly related in a negative sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables. A low correlation coefficient; 0.1-0.29 suggests that the relationship between two items is weak or non-existent. If r is between 0.3 and 0.49 the relationship is moderate. A high correlation coefficient i.e. >0.5 indicates a strong relationship between variables. The direction of the dependent variable's change depends on the sign of the coefficient. If the coefficient is a positive number, then the dependent variable will move in the same direction as the independent variable; if the coefficient is negative, then the dependent variable will move in the opposite direction of the independent variable. Hence in this study both the direction and the level of relationship between the dimensions of service quality and customer satisfaction are conducted using the Pearson's correlation coefficient. The table below presents the result of the correlation analysis made using bivariate correlation.

Table 4.5 Correlations

		Tangibles	Reliability	Responsiveness	Empathy	Assurance	satisfacion level
Tangibles	Pearson Correlation Sig. (2-tailed) N	1 341					
Reliability	Pearson Correlation Sig. (2-tailed) N	.574** .000 338	1 338				
Responsiveness	Pearson Correlation Sig. (2-tailed) N	.511** .000 335	.666** .000 332	1 335			
Empathy	Pearson Correlation Sig. (2-tailed) N	.400** .000 334	.526** .000 331	.597** .000 328	1 334		
Assurance	Pearson Correlation Sig. (2-tailed) N	.471** .000 339	.659** .000 336	.738** .000 333	.629** .000 332	1 339	
satisfaction level	Pearson Correlation Sig. (2-tailed) N	.501** .000 341	.512** .000 338	.585** .000 335	.487** .000 334	.606** .000 339	1 341

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

HYPOTHESIS TESTING

H1o: There is no significant and positive relationship among service quality and customer satisfaction in Bank of Abyssinia S.C.

H1a: There is a significant and positive relationship among service quality and customer satisfaction in Bank of Abyssinia S.C.

From the result we can see that assurance is highly correlated to satisfaction (0.606) followed by responsiveness (0.585), reliability (0.512), and tangibility (0.501) and empathy (0.487). When

we look at the inter correlation between the service quality dimensions we can see that there is a positive and significant relationship which implies that a change made in one of the service quality dimension will positively motivate the other service quality dimension. The highest inter correlation is between responsiveness and assurance ($r=0.738$) followed by responsiveness and reliability($r=0.666$), reliability and assurance ($r=0.659$) and empathy and assurance (0.629)

Thus from this result confirmed that there is a positive and significant relationship between service quality dimension and customer satisfaction. Hence it answers the second research question which asks about the relationship between service quality and customer satisfaction.

Accordingly we can conclude that there is a positive relationship between the service quality dimensions and customer satisfaction. Hence any improvement in one of the dimensions will positively contribute in enhancing the customer satisfaction. In addition the result confirmed that the alternative hypothesis “there is a significant and positive relationship among service quality and customer satisfaction in Bank of Abyssinia S.C” is accepted which leads to rejection of the null hypothesis.

4.6 Regression Analysis

Regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables . More specifically, regression analysis helps one understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. In this study regression analysis is used to identify the impact of service quality dimension on customer satisfaction thus it answers the third research question.

4.6.1 Tangibility

From the regression analysis we can see that here is a positive statistical relationship between tangibility (the independent variable) and customer satisfaction (the dependent variable). As

the table below presents the coefficient of determination (R-squared) indicates the proportionate amount of variation in the response variable (customer satisfaction) explained by the independent variable (tangibility) in the linear regression model. The larger the R-squared is, the more variability is explained by the linear regression model. Thus, 25% ($R^2 = .251$) of the variation on customer satisfaction is explained by tangibility.

Table 4.6.1 a .Model Summary for Tangibility

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.501 ^a	.251	.248	.691

b.Predictors: (Constant), Tangibles

On the coefficient table we find the beta value which measures of how strongly each independent variable influences the dependent variable. Thus a unit increase in tangibles leads to .518 increases in customer satisfaction other things being constant. Therefore the more the bank invests on its physical facilities equipment, technology and appearance of its personnel the more it satisfies its customers.

Table 4.6.1 b. Coefficients for Tangibility

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.215	.176		12.552	.000
	Tangibles	.518	.049	.501	10.645	.000

4.6.2 Reliability

From the regression analysis we can see that here is a positive statistical relationship between reliability (the independent variable) and customer satisfaction (the dependent variable). Thus 26% ($R^2 = .262$) of the variation on customer satisfaction is explained by the independent variable reliability.

Table 4.6.2 a. Model Summary for Reliability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.512 ^a	.262	.260	.687

a. Predictors: (Constant), Reliability

On the coefficient table we find the beta value which measures how strongly each independent variable influences the dependent variable. Thus a unit increase in reliability leads to .639 increases in customer satisfaction other things being constant. The bank should invest to enhance its ability to perform the promised service dependably and accurately so that the satisfaction level of its customers increases.

Table 4.6.2 b. Coefficients of Reliability

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.548	.233		6.659	.000
	Reliability	.639	.059	.512	10.916	.000

b. Dependent Variable: Q23_ My feeling about Bank of Abyssinia's service delivery can be best described as

4.5.3 Responsiveness

From the regression analysis we can see that here is a positive statistical relationship between responsiveness (the independent variable) and customer satisfaction (the dependent variable).

Thus 34% ($R^2 = .342$) of the variation on customer satisfaction is explained by the independent variable responsiveness which indicates a high level effect on customer satisfaction.

Table 4.6.3 a. Model Summary for Responsiveness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.585 ^a	.342	.340	.646

a. Predictors: (Constant), Responsiveness

On the coefficient table we find the beta value which measures of how strongly each independent variable influences the dependent variable. Thus a unit increase in responsiveness leads to .675 an increase in customer satisfaction other things being constant. Therefore the more the bank invests on enhancing its employee's ability to help customers and be responsive to customer's enquiry, the more the customer is satisfied.

Table 4.6.3 b. Coefficients for Responsiveness

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.357	.208		6.522	.000
	Responsiveness	.675	.051	.585	13.159	.000

b.. Dependent Variable: Q23_ My feeling about Bank of Abyssinia's service delivery can be best described as

4.6.4 Empathy

From the regression analysis we can see that there is a positive and statistically significant relationship between empathy (the independent variable) and customer satisfaction (the dependent variable). Thus 23% ($R^2 = .237$) variation level of customer satisfaction is explained by the independent variable empathy.

Table 4.6.4 a. Model Summary for Empathy

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.487 ^a	.237	.235	.702

a. Predictors: (Constant), Empathy

On the coefficient table we find the beta value which measures of how strongly each independent variable influences the dependent variable. Thus a unit increase in empathy leads to .628 increases in customer satisfaction other things being constant. Therefore the more the bank gives care and individualized attention to customers, the more the customer is satisfied.

Table 4.6.4 b. Model Coefficients for Empathy

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.604	.244		6.584	.000
	Empathy	.628	.062	.487	10.150	.000

b. Dependent Variable: Q23_ My feeling about Bank of Abyssinia's service delivery can be best described as

4.6.5 Assurance

From the regression analysis we can see that there is a positive and statistically significant relationship between assurance (the independent variable) and customer satisfaction (the dependent variable). Thus 36.7 % ($R^2 = .365$) variation level of customer satisfaction is explained by the independent variable assurance.

Table 4.6.5 a. Model Summary for Assurance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.606 ^a	.367	.365	.635

a. Predictors: (Constant), Assurance

On the coefficient table below we find the beta value which measures how strongly each independent variable influences the dependent variable. Thus a unit increase in assurance strongly increases customer satisfaction by .738 other things being constant. Therefore the more the bank invests on enhancing its employee’s knowledge, skill and on their ability to instill confidence to serve customers, the more the customer is satisfied. As it can be depicted from the result that Assurance is the dominant service quality dimension which has the highest effect on the customer satisfaction followed by responsiveness. Accordingly it answers the fourth research question.

Table 4.6.5 b. Coefficients for Assurance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.990	.221		4.476	.000
Assurance	.738	.053	.606	13.976	.000

b. Dependent Variable: Q23_ My feeling about Bank of Abyssinia’s service delivery can be best described as

4.7 Overall Regression analysis

As it can be depicted from the below table there is a positive and statistically significant relationship between the independent variables (tangibility, reliability, responsiveness, empathy and assurance) and the dependent variable (customer satisfaction). Thus 44% ($R^2 = .438$) variation on customer satisfaction is explained by the independent variables.

Table 4.7 a. Model Summary of Service Quality Dimensions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.662 ^a	.438	.429	.605

a. Predictors: (Constant), Assurance, Tangibles, Empathy, Reliability, Responsiveness

HYPOTHESIS TESTING

H2o: Service Quality does not have a significant impact on Customer Satisfaction in Bank of Abyssinia S.C

H2a: Service Quality have a significant impact on Customer Satisfaction in Bank of Abyssinia S.C.

Table 4.7.b. ANOVA for service quality dimensions and customer satisfaction.

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	90.430	5	18.086	49.478	.000 ^b
Residual	115.874	317	.366		
Total	206.303	322			

- a. Dependent Variable: Q23_ My feeling about Bank of Abyssinia's service delivery can be best described as
- b. Predictors: (Constant), Assurance, Tangibles, Empathy, Reliability, Responsiveness

From the ANOVA table it has been determined that $F = 49.478$ and Sig. is .000 which confirms that service quality dimensions have significant impact on customer satisfaction. Hence the result depicted that the alternative hypothesis "Service Quality has a significant impact on Customer Satisfaction in bank of Abyssinia S.C" is accepted. Accordingly the null hypothesis is rejected. Furthermore question number three of the research question is answered.

Table 4.7.c .Coefficients for Service Quality Dimension on Customer Satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.298	.256		1.165	.245
Tangibles	.225	.054	.214	4.140	.000
Reliability	.019	.079	.015	.238	.812
Responsiveness	.227	.081	.194	2.811	.005
Empathy	.122	.073	.092	1.672	.095
Assurance	.363	.085	.290	4.274	.000

a. Dependent Variable: Q23_ My feeling about Bank of Abyssinia's service delivery can be best described as

The coefficient table for service quality dimensions indicates the beta values of the independent variables. From this the regression equation is derived as:

Regression Equation

$$Y = a + bX1 + bX2 + bX3 + bX4...$$

$$CS = 0.298 + 0.225TAN + 0.019REL + 0.227RES + 0.122EMP + 0.363ASS$$

Where,

CS = Customer satisfaction

TAN = Tangability

REL = Reliability

RES = Responsiveness

EMP = Empathy

ASS = Assurance

Chapter Five

Summary of Findings, Conclusion and Recommendation

5.1 Summary of Findings

The basic interest of this study is to find out the impact of service quality on customer satisfaction in the case of Bank of Abyssinia S.C. The 22 service item of the SERVPERF model is used to investigate the relationship between the service quality dimensions and customer satisfaction. The data obtained from the respondents was analyzed using various statistical tools.

The result of the background information of respondents indicated that the majority of the respondents are male (58.7%) aged in the range of 30 to 40(50%). Regarding the education background, 52.2% of the respondents are degree holder. The independent t test is also undertaken on male and female respondents and the result indicates that the perception of male and female respondents is the same for all service quality dimensions except on the tangibility dimension where a difference is observed.

From the mean result it is observed that customers were most satisfied with assurance dimension of service quality followed by responsiveness dimension of service quality.

The finding from the correlation result reveals that there is a positive and significant relationship between the service quality dimensions and customer satisfaction. Assurance is found to have the highest correlation with customer satisfaction and the findings from the inter correlation indicates that the highest relationship is found between assurance and responsiveness.

In addition the finding from the regression result indicates all the service quality dimensions have a positive impact on customer satisfaction and assurance is the dominant service quality dimension which affects customer satisfaction.

From the R square value it is depicted that 44% of variation in customer satisfaction is explained by the service quality dimensions.

Thus the findings are important to enable bank to have a better understanding of customers perception of service quality of banking and consequently of how to improve their satisfaction with respect to aspects of service quality. Due to the increasing competition in banking industry, customer service is an important part and Bank of Abyssinia S.C should do rethinking on how to improve customer satisfaction with respect to service quality.

5.2 Conclusion

This study is conducted to find out the impact of service quality on customer satisfaction in the case of Bank of Abyssinia S.C

The finding of the study indicates that all the service quality has a positive impact on customer satisfaction.

From the Pearsons correlation result it is indicated that there is a positive and significant relationship between the service quality dimensions and customer satisfaction. Accordingly assurance is found to have the highest correlation with customer satisfaction. Assurance is the knowledge and courtesy of employees and their ability to convey trust and confidence so that the customer feels he or she is in courteous, able and competent hands. It relates to the capability of the service provider to deliver the output, specifically in terms of the knowledge, politeness and trustworthiness of the employees to the customer of the service firm. This dimension is about the behavior and ability of the employees to instill confidence, secure transactions, courtesy of the employees and the knowledge of the employees to answer questions from customers. More over assurance has the highest beta value on the regression model and is the dominant service quality dimension with the highest impact on customer satisfaction. The descriptive analysis also confirmed that assurance has a mean value of 4.14 which implies that customers of Bank of Abyssinia S.C are satisfied with the assurance dimension of service quality and the bank should continue to maintain it in the future.

The correlation result indicates that the highest correlation is found between responsiveness and assurance($r=0.738$) followed by responsiveness and reliability (0.666) while the lowest relationship was found between empathy and tangibility (0.400). Thus the change in one of the service quality dimension will positively affect the other service quality dimension.

Responsiveness is the second dominant service quality dimension ($R = .342$, beta value of $.675$) according to the result followed by reliability, tangibility and empathy. Responsiveness refers to the prompt response to the service need of the customer and the readiness of employees to provide service. It is the speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service to respond promptly to customer service requests, with minimal waiting and queuing time. We can also say that Bank of Abyssinia S.C is doing well in this dimension too.

From the mean result of all dimensions we can say that customers of Bank of Abyssinia S.C are somewhat satisfied with the bank. Accordingly when we look at the overall regression result 44% of variation in customer satisfaction is explained by the service quality dimensions which imply that 56% of variation in customer satisfaction is explained by other variables.

5.3 Recommendation

This research has shown the impact of service quality on customer satisfaction in Bank of Abyssinia S.C. The results obtained confirm that all the service quality dimensions have a positive impact on customer satisfaction. Based on the findings and conclusions of the study, the following recommendations are forwarded to the management of the bank.

- In this study assurance is the dominant service quality dimension which has a highest positive correlation with customer satisfaction therefore the bank should work on the indicators of this dimension i.e. the bank should invest on trainings to enhance its employees knowledge and behavior and also the bank should ensure that customer feels safe in all transitions made. The bank should also realize that the improvement of this dimension would enhance customer satisfaction which in turn results in better performance of the bank.
- Empathy dimension was considered as one of the most important factors influencing customer satisfaction. However, the customers of Bank of Abyssinia were found less satisfied in terms of the empathy dimensions. One way of addressing this could be by

treating customer with great respect, giving individual attention to customers, serving customers based on their specific needs and improving its branch accessibility and working hours in a way it meets the customer's need.

- In our current environment services preference of customers and their demands keeps on changing at a rapid speed and the bank should operate proactively in meeting its customers' needs and preferences. Accordingly the bank should be customer centric and management's focus area should emanate from the customer's need.
- The satisfaction level result showed that 6% of the respondents are dissatisfied with the service provided by bank of Abyssinia. Therefore the bank should exert its maximum effort to change this result for customers are key divers of its performance.
- As the service quality dimensions represent 44% of the variation in customer satisfaction the bank should work on all the service quality dimensions to improve and maintain its customer satisfaction.

References

Aborampah Aameah Mensah 2010, Customer Satisfaction in Banking Industry: a comparative study between Ghana and Spain

Aleksandra Pisnik Korda Boris Snoj Development, Validity and Reliability of Perceived Service Quality in Retail Banking and its Relationship With Perceived Value and Customer Satisfaction

Almossawi M (2001). Bank selection criteria employed by college students in Bahrain: an empirical analysis. *Int. J. Bank. Mark.* 19(3): 115-125.

Anderson, Eugene W., Claes Fornell, and Donald R. Lehmann (1994), "Customer Satisfaction, Market Share, and Profitability: Findings from Sweden," *Journal of Marketing*, 58 (3), 53-66.

Armstrong and Kotler Principles of Marketing 2011

Bank of Abyssinia S.C Strategic Planning and Organizational Transformation Consolidated Diagnostic Report: August 2015 Unpublished

Beliyu, Girma(2012) Title, Quality of Service Delivery and its Impact on Customer Satisfaction in Four Selected Commercial Banks of Addis Ababa.

Bitner, M.J. (1990). Evaluating service encounters: the effect of physical surroundings and employee responses. *Journal of Marketing*, 54, April, 69-82.

Charlene Pleger Bebeko, Service intangibility and its impact on consumer expectation of service quality. *Journal of service marketing* vol 14 no.1 2000 pp 9-26

Cronin, J.J. Jr and Taylor, S.A. (2004), "Measuring service quality: a re-examination and extension", *Journal of Marketing*,

Deborah Mamo, Measuring Service Quality and Customer Satisfaction in United Bank S.C, 2014

Dr.Ram Naresh Roy: A modern approach to operation management 2005

Dr. Sultan A Tarawneh Vol.6, No.16, 2014 Marketing for Service Quality - Contractors' Perception: UAE Case Study European Journal of Business and Management
Clow k and kurtz D.(2003) service marketing USA Atomic Dog Publishing

Gronroos, C. (1984). A Service Quality Model and Its Marketing Implications. European Journal of Marketing, 18(4), pp. 36-44.

Gronroos, C. (2001), "The perceived service quality concept – Managing Service Quality, Vol. 11 No. 3, and Bank of Abyssinia

Haile Yeshanew, Assessment of service quality in the Banking Sector: A Case Study of Commercial Bank of Ethiopia

Hossein Gazora*, BabakNematia, Amir Ehsania and KianoushNazariAmelehb
Analyzing effects of service encounter quality on customer satisfaction in banking industry 2012
Growing Science Ltd 2012

H.VasanthaKumari Customer Perception of Services Quality in The Retail Banking Sector
European Journal of Business and ManagementN 2222-2839 (Online) Vol 3, No.3 299

Ken Irons, 1997 The marketing of Service: A total approach to Achieving Competitive Advantage, Journal of Marketing

Lehtinen, J.R. and Lehtinen, U. (1982), Service quality: a study of quality dimensions, unpublished Working Paper, Service Management Institute, Helsinki.

Lukmaan Osei-Mensah Bonsu Gertrude Adu Mensah, an examination of customer evaluation of banking service quality in Ghana banking industry.2013

Lovelock and Wirtz 2004 Service Marketing U.S.A Pearson prentice-Hall

Lovelock and wirtz 2011 Services Marketing: People, Technology, Strategy (7th Edition) 7th Edition 2011

Lovelock, Christopher H. And Jochen Wirtz.— Services marketing : people, technology, strategy 6th ed.2007

Mesay Sata Shanka Bank Service Quality, Customer Satisfaction and Loyalty in Ethiopian Banking Sector Journal of Business Administration and Management Sciences Research Vol. 1(1), pp. 001-009, December, 2012

Oliver, R.L. (1997). Satisfaction: A behavioural perspective on the consumer. New York, NY: Irwin McGraw-Hill.

Oliver R.L.(2010) Satisfaction: A Behavioral Perspective on the Consumer 2nd Edition

Parasuraman, A. Berry, L. and Zeithaml, V.A. (1985) "A conceptual model of service quality and its implication for future research," Journal of Marketing, Vol.49, No.4, pp.41-50.

Parasuraman, A., Zeithaml, V. A. and Berry, L. (1988). SERVQUAL: A Multiple- Item Scale for Measuring Consumer Perceptions of Service Quality. Journal of Retailing, 64, spring, pp.12-40.

Phillip kotler(2000) Marketing Management, New jersey 07458, U.S.A,Prentice Hall, Inc

Reid and sanders Operations Management an Integrated Approach Fourth Edition

S.anil kumar and n Suresh, Operation Management 2009

Tizazu Kassa, The Effect of Customer Service Quality on Customer Satisfaction in Selected Private Banks(Addis Ababa)

Tse, D.K. and Wilton, P.C. (1998), "Models of consumer satisfaction formation: an extension", Journal of Marketing Research, Vol. 25, May, pp. 204-13.

Viriri Piason, Muzividzi Donnelie, Chinoda Tough, Marufu Everisto, Muzuwa Tichaona Significance of Service Quality and Customer Satisfaction In Zimbabwe's Banking Sector. European Journal of Business and Management Vol.5, No.13, 2013

Zeithaml, V.A., & Bitner M. J. (2000). Services Marketing (2nd ed.). New York : McGrawHill. Inc.

Zeithmal V. And Bitner M.(2004) Service Marketing 7 west patal Nagar, New Delhi

Zeithaml and Bitner 2013 service marketing 6th edition, integrating customer focus across the firm.

WEB

www.bankofabyssinia.com

www.nbe.gov.et

Annexure

Questionnaire

1= strongly disagree, 2=Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree.

S/N	Statement Of Service Quality	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
i	Tangibles					
1	Bank of Abyssinia has up-to-date equipment and technology	1	2	3	4	5
2	Bank of Abyssinia's physical facilities are visually appealing	1	2	3	4	5
3	Bank of Abyssinia's employees are well dressed and appear neat.	1	2	3	4	5
4	The physical facilities and technology of Bank of Abyssinia goes with the type of service provided.	1	2	3	4	5
ii	Reliability					
5	Bank of Abyssinia's employees provide service at the time they promise to do so.	1	2	3	4	5
6	Bank of Abyssinia's employees show sincere interest in solving a problem you face.	1	2	3	4	5
7	Bank of Abyssinia's employees perform service right the first time(error free service)	1	2	3	4	5
8	Bank of Abyssinia keeps your records accurately (statements, account balance, your contact information...)	1	2	3	4	5
iii	Responsiveness					
9	There are always adequate number of employees to respond to your needs at the branches of Bank of Abyssinia.	1	2	3	4	5
10	Bank of Abyssinia's employees tells you exactly when the service will be performed	1	2	3	4	5
11	you receive prompt service from Bank of Abyssinia's employees	1	2	3	4	5
12	Bank of Abyssinia's employees are always helpful	1	2	3	4	5
13	Bank of Abyssinia's employees are never busy to respond to your enquires	1	2	3	4	5
iv	Empathy					
14	Bank of Abyssinia's employees give you	1	2	3	4	5

	individual attention					
15	Bank of Abyssinia's service hours are convenient to you	1	2	3	4	5
16	Bank of Abyssinia's branches are easily accessible to you	1	2	3	4	5
17	Bank of Abyssinia's forms are easily understandable (withdrawal, deposit, account opening, money transfer, application for foreign transactions)	1	2	3	4	5
18	Bank of Abyssinia's employees understand your specific needs	1	2	3	4	5
v	Assurance					
19	The behavior of Bank of Abyssinia's employees Instills confidence in you	1	2	3	4	5
20	you feel safe in transaction with Bank of Abyssinia.	1	2	3	4	5
21	Bank of Abyssinia's employees are consistently polite	1	2	3	4	5
22	Bank of Abyssinia's employees provide you the adequate information on the service you requested.	1	2	3	4	5

Part III: Level of Customer Satisfaction

Direction: the following statement describes your feeling about Bank of Abyssinia S.C. Please respond by choosing the number which best reflects your own perception.

23. My feeling about Bank of Abyssinia's service delivery can be best described as

1. Highly dissatisfied
2. Dissatisfied
3. Neutral
4. Satisfied
5. Highly satisfied

Thank You for Taking Your Time To Fill This Questionnaire!!!.

SPSS

Data output

Statistics

		ID	Q1_Gender	Q2_Age	Q3_Educational Level
N	Valid	341	341	340	341
	Missing	0	0	1	0

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	141	41.3	41.3	41.3
	Male	200	58.7	58.7	100.0
	Total	341	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-29	113	33.1	33.2	33.2
	30-40	171	50.1	50.3	83.5
	40-50	36	10.6	10.6	94.1
	Above 50	20	5.9	5.9	100.0
	Total	340	99.7	100.0	
Missing	System	1	.3		
Total		341	100.0		

Educational Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High school	50	14.7	14.7	14.7
	Diploma	76	22.3	22.3	37.0
	Degree	178	52.2	52.2	89.1
	Masters	27	7.9	7.9	97.1
	Above	10	2.9	2.9	100.0
	Total	341	100.0	100.0	

Mean score

		Q1_ Bank of Abyssinia has up-to-date equipment and technology	Q2_ Bank of Abyssinia's physical facilities are visually appealing	Q3_ Bank of Abyssinia's employees are well dressed and appear neat.	Q4_ The physical facilities and technology of Bank of Abyssinia goes with the type of service provided.	Tangibles
N	Valid	341	341	341	341	341
	Missing	0	0	0	0	0
Mean		3.68	3.32	3.60	3.57	3.5425

Mean Score

		Q5_ Bank of Abyssinia's employees provide service at the time they promise to do so.	Q6_ Bank of Abyssinia's employees show sincere interest in solving a problem you face.	Q7_ Bank of Abyssinia's employees perform service right the first time(error free service)	Q8_ Bank of Abyssinia keeps your records accurately (statements, account balance, your contact information...)	Reliability
N	Valid	339	340	341	341	338
	Missing	2	1	0	0	3
Mean		4.05	4.09	3.19	4.35	3.92

Mean Score

	Q9_ There are always adequate number of employees to respond to your needs at the branches of Bank of Abyssinia.	Q10_ Bank of Abyssinia's employees tells you exactly when the service will be performed	Q11_ you receive prompt service from Bank of Abyssinia's employees	Q12_ Bank of Abyssinia's employees are always helpful	Q13_ Bank of Abyssinia's employees are never busy to respond to your enquires	Responsiveness
N valid	340	340	340	340	339	335
Missing	1	1	1	1	2	6
Mean	3.90	3.80	4.00	4.18	4.06	3.99

Mean score

	Q14_ Bank of Abyssinia's employees give you individual attention	Q15_ Bank of Abyssinia's service hours are convenient to you	Q16_ Bank of Abyssinia's branches are easily accessible to you	Q17_ Bank of Abyssinia's forms are easily understandable (withdrawal, deposit, account opening, money transfer, application for foreign transactions)	Q18_ Bank of Abyssinia's employees understand your specific needs	Empathy
N valid	338	340	340	341	339	334
Missing	3	1	1	0	2	7
Mean	3.72	4.29	3.70	4.12	3.64	3.89

Mean Score

	Q19_ The behavior of Bank of Abyssinia's employees Instills confidence in you	Q20_ You feel safe in transaction with Bank of Abyssinia.	Q21_ Bank of Abyssinia's employees are consistently polite	Q22_ Bank of Abyssinia's employees provide you the adequate information on the service you requested.	Assurance
N valid	340	340	341	341	339
Missing	1	1	0	0	2
Mean	4.14	4.24	4.23	3.97	4.14

Mean score and Standard Deviation

	Tangibles	Reliability	Responsiveness	Empathy	Assurance
N Valid	341	338	335	334	339
Missing	0	3	6	7	2
Mean	3.5425	3.9223	3.9940	3.8892	4.1409
Std. Deviation	.77033	.63997	.68846	.62197	.65404

Overall Customer satisfaction level

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Highly dissatisfied	3	.9	.9	.9
Dissatisfied	18	5.3	5.3	6.2
Neutral	28	8.2	8.2	14.4
Satisfied	202	59.2	59.2	73.6
Highly satisfied	90	26.4	26.4	100.0
Total	341	100.0	100.0	

Correlations

		Tangibles	Reliability	Responsiveness	Empathy	Assurance	satisfaction level
Tangibles	Pearson Correlation Sig. (2-tailed) N	1 341					
Reliability	Pearson Correlation Sig. (2-tailed) N	.574** .000 338	1 338				
Responsiveness	Pearson Correlation Sig. (2-tailed) N	.511** .000 335	.666** .000 332	1 335			
Empathy	Pearson Correlation Sig. (2-tailed) N	.400** .000 334	.526** .000 331	.597** .000 328	1 334		
Assurance	Pearson Correlation Sig. (2-tailed) N	.471** .000 339	.659** .000 336	.738** .000 333	.629** .000 332	1 339	
satisfaction level	Pearson Correlation Sig. (2-tailed) N	.501** .000 341	.512** .000 338	.585** .000 335	.487** .000 334	.606** .000 339	1 341

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

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.501 ^a	.251	.248	.691

b. Predictors: (Constant), Tangibles

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.215	.176		12.552	.000
	Tangibles	.518	.049	.501	10.645	.000

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.512 ^a	.262	.260	.687

a. Predictors: (Constant), Reliability

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.548	.233		6.659	.000
	Reliability	.639	.059	.512	10.916	.000

b. Dependent Variable: Q23_ My feeling about Bank of Abyssinia's service delivery can be best described as

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.585 ^a	.342	.340	.646

a. Predictors: (Constant), Responsiveness

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	1.357	.208	6.522	.000
	Responsiveness	.675	.051	13.159	.000

b.. Dependent Variable: Q23_ My feeling about Bank of Abyssinia's service delivery can be best described as

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.487 ^a	.237	.235	.702

a. Predictors: (Constant), Empathy

Model Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	1.604	.244	6.584	.000
	Empathy	.628	.062	10.150	.000

b. Dependent Variable: Q23_ My feeling about Bank of Abyssinia's service delivery can be best described as

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.606 ^a	.367	.365	.635

b. Predictors: (Constant), Assurance

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.990	.221		4.476	.000
	Assurance	.738	.053	.606	13.976	.000

b. Dependent Variable: Q23_ My feeling about Bank of Abyssinia's service delivery can be best described as

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.662 ^a	.438	.429	.605

a. Predictors: (Constant), Assurance, Tangibles, Empathy, Reliability, Responsiveness

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	90.430	5	18.086	49.478	.000 ^b
	Residual	115.874	317	.366		
	Total	206.303	322			

c. Dependent Variable: Q23_ My feeling about Bank of Abyssinia's service delivery can be best described as

d. Predictors: (Constant), Assurance, Tangibles, Empathy, Reliability, Responsiveness

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.298	.256		1.165	.245
	Tangibles	.225	.054	.214	4.140	.000
	Reliability	.019	.079	.015	.238	.812
	Responsiveness	.227	.081	.194	2.811	.005
	Empathy	.122	.073	.092	1.672	.095
	Assurance	.363	.085	.290	4.274	.000

b. Dependent Variable: Q23_ My feeling about Bank of Abyssinia's service delivery can be best described as

