Addis Ababa University

School of Commerce

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The Effect of Credit Service Quality on Customer Satisfaction in Zemen Bank S.C Sited in Addis Ababa.

By: Hawi Bejega

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THE EFFECT OF CREDIT SERVICE QUALITY ON CUSTOMER SATISFACTION: ZEMEN BANK SC (A.A)

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A Thesis submitted to Addis Ababa University School of Commerce in partial fulfillment of the requirement for the Degree of Master of Arts in Marketing Management.

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Approved by Board of Examiners

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External Examiner	Signature

DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

Signature: ________________ Date: ___________________

Hawi Bejega

Statement of certification

This is to certify that Hawi Bejega has carried out her research work on the topic entitled: The effect of Credit Service Quality on Customer Satisfaction in Zemen Bank S.C The work is original and is suitable for submission of the award of Masters Degree in Marketing Management.

Advisor: Dr. Rakshit Negi

Date: ______________________

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ACRONYMS

ANOVA	Analysis of Variables
NBE	National Bank of Ethiopia
SERVPERF	Service Performance
SERVQUAL	Service Quality
VIF	Variance inflation factor

Abstract

The aim of this research study is to study the effect of service quality on customer satisfaction regarding quality of credit services specifically provided by Zemen Bank. Service quality is studied within a spectrum of different dimensions. An effort is also made to find out which service quality dimensions may enhance customer satisfaction in a better way.

Respondents are chosen from a range of various demographic features and the samples were drawn using purposive sampling. This research mainly focuses on Zemen Bank credit customers. This study used SERVPERF model of measuring service quality developed by Cronin and Tailor in 1992, which used five dimensions (tangibility, reliability, responsiveness, empathy and assurance). Questionnaires were distributed among 150 credit customers of the bank. A 100%response rate is yielded.

Findings indicate that service quality and all its dimensions have significant and positive association with customer satisfaction. Mainly, Reliability and Responsiveness resulted in high relationship, high significance and high predictors of customer satisfaction. The recommendations suggested are regular training concerning service quality, design new system which enables to respond to client's need at the promised time frame, and also the bank should always avail itself to solve credit customer's problem.

Banking sector is a significant sector in Ethiopia's economy and has seen unparalleled growth and fierce competition during the last decade. Therefore this study has been specifically conducted to look into this phenomenon and seek empirical justification in this regard by considering service quality as the main contributory factor towards customer satisfaction.

(Tangibles, Reliability, Responsiveness, Empathy, Assurance, Customer satisfaction, SERVPERF

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

According to (NBE report, 2014) the existing financial system of Ethiopia is underdeveloped by many international standards. The financial system lacks finical instrument, capital market, secondary market, limited primary market (only the Government can issue securities and bonds) and other important elements. The country's financial system has been constituted by mainly banking industry, microfinance and insurance companies. The banking industry dominates the country's financial system and comprises 16 private and two state owned commercial bank together and development bank.

According to NBE (2014**)** Banks in Ethiopia have exercised a traditional banking service over the last two decades. However, recently they have been trying to improve their service provision to their customers by utilizing better technology. Overtime, their branch expansion, capital, asset size, resource mobilization, credit provision and ATM services have increased. The network of bank branches reached 2208, and the banks total capital of Birr 14,960.12 billion.

Banking services can be divided into three major categories; General Banking, Credit and Foreign Exchange. The general banking functions include accounts opening, deposit management, cash handling etc. Whereas, the credit service deals with the loan disbursement and loan management and the foreign exchange banking covers the area of L/C function, foreign currency and remittance management.

Credit service includes the total process of lending starting from questioning potential borrowers up to granting the amount settled. The process includes activities such as credit administration, credit assessment, credit approval, monitoring, etc.

As banks play the most significant role in the economy, it is important to evaluate the performance of banks (Farzana, & Hossain, 2008).Other than maintaining strong financial performance like maximizing profit, raising capital, increasing the quality of assets, maintaining customer satisfaction could be an efficiency indicator of banks, which includes the quality of service delivery, ability to maintain a relationship with customers, and the image of the bank.

Service quality has been increasingly recognized as a critical factor in the success of any business (Parasuraman et al., 1988), and the banking industry in this case in not exceptional (Hossain& Leo, 2009). Many globally dominant and successful banks have achieved their current position by innovating and improving the service provision through detailed evaluation of service quality and customer satisfaction (Koskosas, 1995). In order to create competitive advantage it's better to emphasize on service quality in order to maintain customer satisfaction.

According to (Arokiasamy, 2013), Customer satisfaction is one of the most important issue concerning any business organization, which is justified by the customer oriented philosophy and the principles of continues improvement in modern enterprise". In view of this, measuring customer satisfaction is critical in the process of serving the customer to maintain good relationship. The importance of improving service quality in the banking industry is highly considered for achieving customer satisfaction. To meet such advantage, a given bank must design timely and best strategies that help to excel and differentiate from its competitor. The strategic plan sets goals, objectives and formulates what kind of service must be given and how; what kind of approach should be followed to handle customers; how high credit service quality delivered in terms of time, interaction with customers; effective processing mechanism of credit provision, deposit mobilization and payment facilities.

Zemen Bank S.C is among the private banks which has been established in 2008 and be in operation since 2009. It was founded with 3000+ shareholders with a view to fill the gap in the market and addresses the needs of corporate, institutional and high net-worth businesses in the country. Zemen is all about giving customers choice and convenience which is to deliver industry leading customer service with a vision to becoming 'Ethiopia's Five Star Bank' through 'Local Knowledge and international standards'. The Bank's key differentiators are its commitment to corporate clients, its use of state-of-the-art technology, its operational efficiency. According to Zemen Bank annual report (2016), Zemen Bank provides various types of loans to customer which presently extends credit facilities for the following economic sector: Manufacturing or industry(22%), import(21%), export(15%), Domestic Trade and Service(11%), Building and Construction(9%), transportation and communication(8%), hotel and tourism(5%), personal(4%), others (3%), agriculture(2%).

Therefore, this study is designed to assess the effect of credit service quality on customer satisfaction in Zemen credit operations.

1.2 Statement of the problem

Credit is mainly granted by banks including to several other functions like mobilizing deposits, local and international transfers, and currency exchange service. The degree of the development of the banking system in any country is measured by its ability to deliver these functions efficiently (Touny, 2014). As (Chaoprasert & Elsey, 2004) said the interrelated nature of customer satisfaction and service quality revealed that satisfaction of customers depends on service quality. If the provided credit service quality is poor it will cause dissatisfaction of clients and if providing poor credit service is to be lengthened, Zemen would lose its valuable customers to their competitors' which are other private and commercial bank.

From this inception, Zemen Bank has been known by its uniqueness of service quality among other banks in Ethiopia. However, the effect of existing credit service quality on customer satisfaction has not been studied intensively. And this may lead to missing what the main qualities the clients are looking. Since, Zemen Bank primary strategy was to operate in one branch strategy the credit department exists in the main branch. The current credit customer satisfaction of Zemen should be known as to how to adjust the service quality. Service process performance in the banking industry should be measured continuously.

A preliminary study conducted with 15 Zemen bank's credit customers by the researcher (conducted at branch conveniently) regarding the credit service quality revealed that there exist some dissatisfaction with the credit service of the bank. Poor customer handling in certain areas of credit services delivery may cause customer dissatisfaction.

It should be noted that extensive work has been done on service quality and customer satisfaction in banking industry (Bowen and Hedges (1993), Carman (1990), Ding (2004), Jain and Gupta (2004). Only a few studies concerned on service quality, loan acquisition and customer satisfaction exists.

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

1.3 Research questions

Major research question: How does credit service quality affect customer satisfaction in Zemen bank S.C?

Specific research question:

1. To what level tangibility affect customer satisfaction in credit acquisition service?

2. To what extent does empathy affect customer satisfaction in credit acquisition service?

3. To what level responsiveness affect customer satisfaction in credit acquisition service?

4. To what extent does assurance affect customer satisfaction in credit acquisition service?

5. To what level reliability affect customer satisfaction in credit acquisition service?

1.4 Objective of the study

1.4.1 General objective

The general objective of this study was to assess the effect of credit service quality on customer satisfaction in Zemen Bank S.C.

1.4.2 Specific objectives

1. To examine the relationship between tangibility and customer satisfaction in credit service.
2. To assess the effect of empathy on customer satisfaction in credit service.
3. To identify the relationship between responsiveness and customer satisfaction in credit service.
4. To assess the association between assurance and customer satisfaction in credit service.
5. To identify the relationship between reliability and customer satisfaction in credit service.

1.5 Significance of the study

The study can be a practical guideline for the bank's management regarding the quality of its service in its credit area. This will also help the bank to identify measures to ensure high level of customer satisfaction in their credit operations.

This study will add to the academic research purposes of customer service quality in banks as it aims at developing the delivery of quality credit service in order to meet customer satisfaction.

It would also serve as a reference document for further studies into the activities of the credit service in the banking industry on customer satisfaction.

1.6 Scope of the study

The study focused on Zemen Bank S.C. targets only the credit customers, who have an experience regarding the service quality in acquisition of credit, and assessed the effect of credit service delivery (quality) dimensions in terms of (Reliability, Responsiveness, Tangibility, Empathy and Assurance) towards customer's satisfaction. The study measured the service quality by SERVPERF model.

1.7 Limitations of the study

This study is limited to private bank specifically on Zemen bank and assessed the credit service quality and satisfaction of credit customers, findings may not be generalized to other sections of Zemen bank service. The other limitation of this research is regarding the measurement of service quality, this research is delimited on SERVPERF model.

1.8 Operational Definitions

Credit is defined by the Economist Dictionary of Economics as "the use or possession of goods or services without immediate payment" and it "enables a producer to bridge the gap between the production and sale of goods" and "virtually all exchange in manufacturing, industry and services is conducted on credit". (Colquitt 2007, vol 2)

Service quality: Gronroos (1984) “identified service quality as the evaluation process outcome, in which customers are involved and where a certain experience is always compared to the perceived service received.”

The five dimensions by Parasuraman et al. (1988)

- **Tangibles** - Physical facilities, equipment and appearance of personnel.
- **Empathy** (including access, communication, understanding the customer) - Caring and individualized attention that the firm provides to its customers.
- **Responsiveness** - Willingness to help customers and provide prompt service.
- **Assurance** (including competence, courtesy, credibility and security) - Knowledge and courtesy of employees and their ability to inspire trust and confidence.
- **Reliability** - Ability to perform the promised service dependably and accurately.

Perceived quality is the judgment of the customer regarding the overall excellence or superiority of the product that is different from objective quality and associates to the perception of customer (Tang & Hawley, 2009)

Consumer satisfaction is characterized as a client's general assessment of the performance of an offering to date (Johnson and Fornell 1991).

1.9 Organization of the study

This paper has five chapters. The first chapter deals with the background of the study, statement of the problem, Research question, objectives of the study, research hypothesis, significance of the study, scope of the study, limitation of the study, definition of terms, , and organization of the paper. The second chapter deals with review of literature. The third chapter discusses the methodology. The fourth chapter is the findings and analysis, interpretation and discussion of major findings. The fifth chapter is the summary, conclusion, recommendation and further areas of study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Theory of Banking Industry

Theory of banking business underlined that banks make profit by selling liabilities with one set of characteristics (a particular combination of liquidity, risk, size, and return) and using the proceeds to buy assets with a different set of characteristics through the process of asset transformation (S.Mishkin & Eakins, 2012).

(Touny, 2014) the concept of the development of the banking sector is a multi-dimensional concept and is not easy to find a single definition of this process as it is an interrelated process that includes improvements in the quantity and quality of financial services. Some of these dimensions are related to the mobilization of savings, credit granting and risk management. And thus the degree of the development of the banking system in any country is measured by its ability to deliver these functions efficiently.

According to the NBE report (2014) the operating environment is generally under the umbrella of the financial system regulated and supervised by the national bank of Ethiopia (NBE) in which the banks serve as the instrument to execute monetary policy measures. The impact of banking activities on monetary statistics, such as money supply figures and credit extension to the domestic private sector, is also of concern to policy makers.

As (Crouhy et al, 2006) in banking specifically, two primary kinds of credit services based on customer categories are offered: retail credit and wholesale credit. Lending in retail or personal banking are subject to individuals and may fall under: home mortgages, installment loans (e.g. consumer loans, educational loans, auto loans…), credit card revolving loans, revolving credits (e.g. overdrafts), etc. Wholesale lending, on the other hand, involves firms as the borrowers and therefore is of much higher value, more complicated and poses more threats to the banks.

2.2 Concept of Credit in the Banking Sector

Acquisition of bank loans spans for several decades. Empirical studies (Collins et al 2016, Manju et al, 2011) show that bank loans are more special for both firms and Individuals. Loan acquisition is a contractual promise between two parties where one party, the creditor, agrees to provide a sum of money to a debtor, who promises to return the money to the creditor either in one lump sum or in parts over a fixed period of time.

The purposes of loan acquisition are diverse. It has been observed that different people acquire loan for different purposes.

As (S. Mishkin et al, 2010) Banks should be given some reasonable flexibility as to the level of sophistication or comprehensiveness of the a fore mentioned financial information, and the frequency with which it is obtained, depending upon such factors as the credit size, the type of loans involved, the financial strength and trends of the borrower, and the economic, climatic or other external conditions which may affect loan repayment.

2.3 Definition and characteristics of service

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

Traditionally, service quality has been conceptualized as the difference between customer expectations regarding a service to be received and perceptions of the service being received (Zeithaml and Berry, 1988). But recently it is conceptualized as the consumer’s overall impression of the relative inferiority or superiority of the services (Zeithaml and Berry, 1990).

2.4 Service quality

Ramaswamy (1996) described service as "the business transactions that take place between a donor (service provider) and receiver (customer) in order to produce an outcome that satisfies the customer. Fogli (2006) defined term service quality as “a global judgment or attitude relating to particular service; the customer’s overall impression of the relative inferiority or superiority of the organization and its service.”

Service quality has been widely used to evaluate the performance of banking services (Cowling & Newman, 1996). It is a business administration term used to describe achievements in service. The banks understand that customers will be satisfied if they are provided greater service than their competitors (Dawes &Swailes, 1999), and on other hand, banks can only earn high profits if they are able to position themselves better than competitor within specific market (Davies et al., 1995).

2.5 Facts about service

Services are a continuous process of on-going interactions between customers and service providers comprising a number of intangible activities provided as premium solutions to the problems of customers and including the physical and financial resources and any other useful elements of the system involved in providing these services (Grönroos, 2004).

According to Baker (2004), products based on goods tend to have more tangible characteristics while products based on services tend to be more intangible. Delivering a wide range of service products to customers is important for businesses' success and survival.

The evaluation of quality for services is more complex than for products because of their intrinsic nature of heterogeneity, inseparability of production and consumption and intangibility (Frochot and Hughes, 2000, Zeithaml, et al, 2006).

2.6 Perceived quality

Perceived quality is a concept which is very closely related with satisfaction. The satisfaction level of customers is dependent on their perception of service quality and the trust in service provider (Ismail et al., 2006). By providing better quality services to customers, a firm restores the perception of customers about quality of services. Particularly in banking industry, premium service quality plays a pivotal role for customers in evaluating the performance of a service provider and is the key to gain customer satisfaction.

2.7 Service quality dimensions

2.7.1 Tangibles

Those things which have a physical existence and can be seen and touched. In context of service quality, tangibles can be referred to as Information and Communications Technology (ICT) equipment, physical facilities and their appearance (ambience, lighting, air-conditioning, seating arrangement); and lastly but not least, the services providing personnel of the organization (Bleryet al., 2009).

2.7.2 Reliability

Reliability means the ability of a service provider to provide the committed services truthfully and consistently (Blery et al., 2009). Customers want trustable services on which they can rely. (Parasuraman et al., 1991) This dimension of service quality evaluates the promises of banks and its execution from customers' point of view.

2.7.3 Assurance

Assurance is developed by the level of knowledge and courtesy displayed by the employees in rendering the services and their ability to instill trust and confidence in customer (Blery et al., 2009).

It indicates the employees' knowledge, courtesy and their ability to convey trust and confidence.

2.7.4 Empathy

Empathy means taking care of the customers by giving attention at individual level to them (Blery et al., 2009). It involves giving ears to their problems and effectively addressing their concerns and demands.

It shows the magnitude of caring and individual attention given to customers. It implies that employees' commitment to deliver quality services.

2.7.5 Responsiveness

(Parasuraman et al., 1991) This dimension reflects the willingness of employees to provide immediate services to customers. Customers are very sensitive to employees' working environment in service organizations.

In the end of this discussion of literature we may conclude that the product or service offered must be valuable and beneficial enough and fit customers' perceptions in order to maximize their satisfaction. Finally it can be suggested that in today's highly dynamic and competitive environment, financial institutions can win the trust of customers by offering premium quality services to ensure maximum customer satisfaction.

2.8 Service quality and customer satisfaction

Maximizing customer satisfaction through quality customer service has been described as 'the ultimate weapon' by Davidow and Uttal (1989). In banking industry, service quality is one of the most important aspects of the premium customer experience.

Service quality is a key factor for customer satisfaction. It is an important tool for banks for augmenting their income and market share (Muyeed, 2012).

Consumer satisfaction is characterized as a client's general assessment of the performance of an offering to date (Johnson and Fornell, 1991). In other words, Cronin (2000), conceptualized customer satisfaction to be an evaluation of an emotion, reflecting the degree to which the customer believes the service provider evokes positive feelings.

Customer satisfaction is attained by properly meeting the customer demands and providing services which are up to the market standards (Gitomer, 1998). A positive consumption experience of the customer ensures that overall these feelings for the products or services consumed are positive.

2.9 Measurement of Service Quality

2.9.1 SERVQUAL and SERVPERF Models

The characteristics of services which are not easily identifiable and measurable raise different issues regarding the measurement. According to Emel Kursunluogl, 2014 SERVQUAL and SERVPERF are two major service quality measurement scales. The consensus, however, continues to elude till date as to which one is superior.

2.9.2 SERVQUAL Model

Service quality is known to be an important factor in banking, and SERVQUAL provides a technique for assessing and managing service quality (Buttle, 1996). The concept was conceptualized and proposed by Parasuraman, Zeithaml and Berry (1985) and then further developed for the next eight years by the same researchers.

SERVQUAL comprises 22 items (Likert-type) with five dimensions namely- tangibles, reliability, responsiveness, assurance and empathy. Each item in SERVQUAL instrument is of two types. One is to measure expectations about firms in general within an industry and the other measures perceptions regarding the particular company whose service is being assessed.

SERVQUAL scale has been the most widely used measure of service quality. In many private research studies SERVQUAL has been constructively deployed (Parasuraman et al., 1991).

Several researchers have assessed the validity and reliability of this measure Brensinger& Lambert, 1990; and Finn & Lamb, 1991).

2.9.3 SERVPERF Model

Cronin and Taylor (1992) to propose a perceived quality model called SERVPERF. The perceived quality model postulates that an individual's perception of the quality is only a function of its performance. Considering that the 22 performance items adequately define the domain of service quality, Cronin and Taylor (1992) proposed the SERVPERF instrument, which is a more concise performance-based scale; an alternative to the SERVQUAL model.

As Cronin and Taylor (1992) noted that 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 per cent. SERQUAL measures customers' expectations of the ideal firm in a particular service industry. This may or may not be relevant to the capabilities of a particular service firm of the set of service firms available to a customer. A customer's perception of service quality can be best measured by his/her "perceived" attitude about the service being rendered.

The service quality can be measured as an attitude, the marketing literature supported the performance-based measures, and the SERVPERF explained more of the variation in service quality than SERVQUAL. SERVQUAL had a good fit in banking and fast food sectors whereas SERVPERF had an excellent fit in all four industries-banking, pest control, dry cleaning, and fast food Brady et al. (2002)

2.10 Zemen's credit facilities

Zemen bank provides various types of credit products classified based on:

I. Credit department's structure:-

1. Corporate loans- loans having relatively big size shall be placed under corporate loans.
2. Retail loans- all loans that are not included under corporate category shall be placed under the retail loan category which have relatively small size.
3. Consumer loans- loans availed to individuals that are not engaged in business.

II. Classification of loans by product:-

- Term loans and merchandise loan

III. Export related loans

- Pre-shipment export credit, advance against export bills, letter of credit, irrevocable letter of credit, advance against import bills, import letter of credit settlement loan, overdraw from current account, bridge loan and line of credit.

IV. Real-estate, construction and mortgage loans

- Real-estate loans, construction loans, mortgage loan and home equity loans and home equity line of credit.

V. Machinery and vehicles loans

- Loan for machinery and equipments, loans for trucks and automobile, project finance and letter of guarantee.

VI. Other credit products

- Syndicate financing, loan buy-outs and loan for micro-financing institutions.

2.11 General lending procedures and processing credit applications

According to Zemen's documentation; credit request may originates from the customers themselves. In the process of granting credits documents should be presented by the customers as regards their collaterals and their trade license if they are traders or any identifying evidences for their work.

I. Getting started**:-**this is the first stage in which either the customer will come to the bank seeking for a loan or the branch manager initiates the customer to take out a loan for his business because the customer may not always know how to obtain credit from a bank.

II. Preliminary discussion with the customer**:-**after the first encounter the request for a loan can be processed. Then the borrower's credit worthiness is assessed. The request may not be processed if it falls outside the domain of the bank's credit policy. If it is accepted, the customer completes the bank credit application explaining the relevant details to be incorporated therein including the type of collateral he/she is able to offer.

III. Processing the credit application:-if the loan request of a borrower can be processed then the branch manager or other lending officers shall follow a detailed procedure in the appraisal of credit request and execution of the necessary documentation. The following general guideline is to be observed by lending officers of the bank whenever a loan request is presented to them.

IV. Loan application: the loan application should be in writing stating the following main points: amount of loan requested, the intended purpose for which the loan is to be used, the proposed collateral, mode of repayment and possible sources, duration of the loan, direct and indirect liabilities, the borrower's contribution to the project, a brief history of the firm or the borrower and its future plan, and any other information that may assist the lending in appraising the loan proposal.

V. Documentation:-along with the written loan application, the following and other documents should be submitted as may be demanded by the bank:-Trade license, registration certificate, investment certificate from the appropriate ministry or bureau, financial statements (preferably audited and reflecting the current years position) including cash flow statement, especially if the borrower runs a sizable business, feasibility study other documents that may justify the need for the loan as may be required by the bank on the merit of each application.

VI. Bank format: - the bank provides formats on which a customer would complete specific, general and financial information. The bank shall use its own format on which the borrower will have to fill in his assets and liabilities especially if the applicant does not have a ready financial statement or is not able to submit one.

VII. Interview:- after all the documentations are in order, the customer may be called in for interviews to obtain further information that has not been disclosed in the application or documents or that were not made clear to the lending officer. A general interview on his/her business and future plans can provide useful information. It is usually necessary to have prior preparation on the topics to be discussed and this should be to the point. In the interview important information must be skillfully extracted.

VIII. Site visits:-if the loan interview indicates that the request for credit sound, a site visit to the business for a more detailed assessment is necessary. Site visits are useful for many reasons mainly to become acquainted with new customers; to review changes that are taking place when customers have been granted a continuity line of credit; to review such changes when a significant new loan is to be considered and to assess the manner in which the business is organized. Important benefits can accrue from regular and informal visits to seize up the customer, which might reveal his managerial ability at close range. Any diversification of funds by customer other than for which it was intended should be immediately corrected upon bank's advice.

IX. Credit Information: - if the borrower or the applicant is new to the bank, it is particularly necessary to obtain as much information as possible. Such information may usually be related to his honesty, ability, stability, managerial capacity, operational efficiency, financial history, etc. The information can be gathered from various sources, including banks, trade partners, suppliers and the like. Credit information from bank must be required at the earliest possible time, while other lending formalities continue to overcome unnecessary delays in processing the loan application.

X. Credit Investigation:-when as much relevant and adequate information is obtained, the credit investigation can be conducted to determine the accuracy and the authenticity of the statements made during interview and at the time when financial position was declared. One must also look for information regarding payment habits and the character of the operator of the business. The Investigation process should be comprehensive and detail sufficiently far into the past to establish all pertinent facts regarding the applicant and his business. There is nothing more important than knowing a potential borrower as thoroughly and as fast as possible before making credit decisions.

XI. Credit analysis:-the next step in the sequence of credit appraisal is conducting credit analysis of the applicant's financial condition should be done carefully. Ratios should be calculated to determine the applicant's liquidity position and ability to repay the debt. The decision to external credit to the customer should basically depend on such and many other factors outlined above. The nature of the financial analysis is determined by or depends upon the specific interest of the analyst.

XII. The credit decision:-the final decision as to whether the loan request should be approved or rejected is reached by comparing the statements made by the applicant with the information derived through the investigation process and by analyzing various credit factors such as capacity, capital, collateral, track record for repayments and others. At this point it is necessary to underline the need for fast processing of credit application so that credit decision is given without undue delay. Undue delay in credit processing leads to losing good borrowers, a situation which must always be avoided. The competitive environment dictates that priority attention must be given to test processing of credit applications.

XIII. Formalizing or Execution of the loan documents:-once the loan approved, the terms and conditions to which the borrower and lender agree should be incorporated in a written agreement. All documents relative to the transaction should be completed and executed properly. The loan documents include a loan contract, any mortgage or assignments required to secure the indebtedness, evidence of adequate insurance coverage and the like. In particular, the branch manager must ensure that mortgage or the collateral has full legal authority to pledge the collateral offered and the spouse or legal heirs of the borrower, if legally required must sign the mortgage contract. Failure to fulfill this requirement will jeopardize the banks right in the event of default and the branch manager will bear full responsibility of its and other legal requirements if not fulfilled prior to the disbursement of the loan.

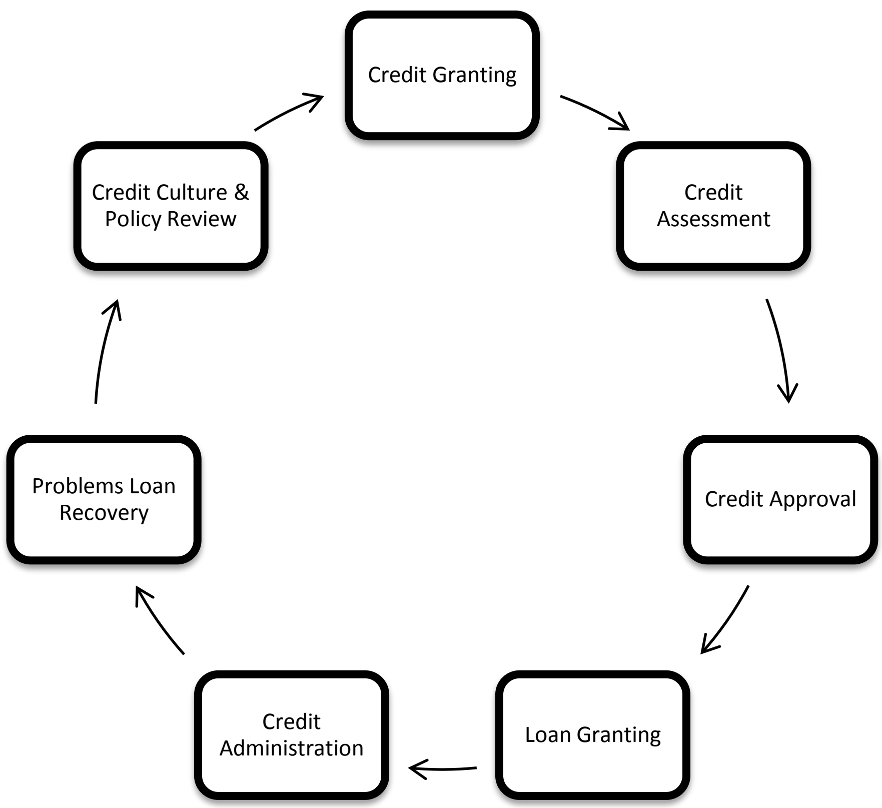

Figure 1: Credit cycle adapted from (Colquitt, 2007)

2.12. Review of empirical studies

2.12.1 Service quality and customer satisfaction

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

“A Study on Customer Satisfaction with Service of Banks’’: An empirical study, December 2013 by Dr Harsha and Dr Ramana Customer satisfaction is a significant subject for most marketers. The service quality has been regarded as the key factor in order to succeed and have endurance in banking industry, especially when there has been continuously growing pressure from other institutions working in the same industry and demanding customer requirements.

“Service quality delivery and its impact on customer satisfaction in the banking sector in Malaysia”: An empirical study, October 2010 by Jayaraman, Shankar and Hor WaiMun. In any business–to-customer (B2C) type of environment, satisfying a customer is the ultimate goal and objective. A quantitative research was used to study the relationship between service quality dimensions and customer satisfaction. Assurance has positive relationship but it has no significant effect on customer satisfaction. Reliability has negative relationship but it has no significant effect on customer satisfaction. Tangibles have positive relationship and have significant impact on customer satisfaction. Empathy has positive relationship but it has no significant effect on customer satisfaction. Responsiveness has positive relationship but no significant impact on customer satisfaction.

“Service quality and customer satisfaction: A case study – banking sectors in Jaffna district, Srilanka”: An empirical study, October 2012 by S. Sivesan. This study was undertaken with the objective of finding out the impact of the service quality on customer’s satisfaction in banking sectors. Customer satisfaction is appraised by service facility and accessories, convenience and supporting service, customer value, customer loyalty. There is positive linear relationship between the service quality and customer satisfaction. According to the Regression analysis, 58.8 % service quality impact on customer satisfaction. Finally, service quality influences on customer satisfaction.

“Customer’s perception of service quality of state bank of India - A factor analysis”: An empirical study, September 2011 by Dr. Santhiya valli. It is necessary to identify the key success factors in terms of customer satisfaction so as to survive in intense competition and increase the market share. SERVQUAL technique based on the model developed by Parasuraman et al (1988) was adopted. The factor analysis clearly indicates that the five dimensions which are Reliability, Responsiveness, assurance; Empathy and Tangibility are the major factors responsible for customer satisfaction.

2.12.2 Tangibles and Customer Satisfaction

Jabnoun and Al-Tamimi (2003) found that banks with better ambience enhance customer satisfaction in a better way. Association between service quality and customer satisfaction in banking sector of Sweden is examined by Zineldin (2005). He found that by combining tangible and intangible attributes of premium quality in products and services provided by banks, they may create a strong and long-term relationship with their customers.

This service quality dimension comprises of bank ambience, service equipment, human resources (staff) and the means of communication. In simple words tangibles are about creating foremost impressions. All organizations desire that their consumers get an exceptional and positive foremost impression. Focusing on this particular dimension will help them to gain maximum benefit. (Rust and Oliver (1994)

Environment and culture of different areas serve as a guide for businesses on how to adapt their policies in global perspective for a particular area. They have to make changes in the setup of their outlets and branches. Banking industry mostly follows identical office ambience setups and installs similar service equipment all over the globe to maintain a standard. But adapting according to cultural needs of particular areas up to some extent will make customers feel more comfortable and loyal (Sivesan, 2012).

2.12.3 Reliability and Customer Satisfaction

The association between dimensions of service quality and customer satisfaction was investigated by Ibáñez et al. (2006). They found a significant relationship between reliability of services on the satisfaction level of customers.

In the study by Berry, (1994) with more than 1,900 customers of five large famous US corporations, they found that (32%) placed emphasis on reliability, followed by responsiveness (22%), assurance (19%), empathy (16%) and tangibles (11%). Thus, reliability is considered the essential core of service quality. In addition, other dimensions will matter to customers only if a service is reliable, as those dimensions for example, responsiveness and empathy from service staff compensate for unreliable service delivery. Further, they found that more companies were deficient in reliability than in other service dimensions.

The literature reveals an increased degree of positive relationship between service quality, customer satisfaction and performance (both financial and non-financial) where face-to-face dealing between customer and employee is the only focus. Technology expansion has had a great impact on the choice of service delivery standard and services marketing strategies. This has yielded many prospective competitive advantages including augmenting of productivity and enhanced revenue creation from services (Muyeed, 2012).

2.12.4 Assurance and Customer Satisfaction

In addition to tangibles, reliability and responsiveness; assurance has been identified as a significant dimension of service quality by Parasuraman et al. (1988). They propose that all of these dimensions significantly enhance customer satisfaction. It is believed that if the employees of financial institutions display trustworthy behavior, the satisfaction level of customers can be enhanced significantly. It may also positively influence repurchase intension of customers (Ndubisi, 2006; and Ndubisi&Wah, 2005).

2.12.5 Empathy and Customer Satisfaction

A positive and significant relationship is found between empathy and customer satisfaction by Iglesias and Guillén (2004). It was proposed in another research study, that customers may remain unsatisfied with service quality if a gap is left in empathy. It was also established by Westbrook Robert A. and Richard L. Oliver (1991), that customer satisfaction is significantly impacted by empathy. It makes customers contended and in the long-run serves as an important predictor in improving the financial performance of the organization.

Wieseke et al. (2012) empirically investigated the role of empathy in service quality and its impact on customer satisfaction. It was established that customers treated emphatically are more often visitors and prone forgive any mistakes that may occur. Empathy creates an emotional relationship with customer, providing customer a touch of importance for business. This leads to retention and creation of new customer's pool.

Suki, N. M. (2013) has also studied the correlation between service quality dimensions and customer satisfaction in Bangladesh banking industry. It was found that customer satisfaction can be won through empathy. Empathy can play role in improvement of service quality, customer satisfaction.

2.12.6 Responsiveness and Customer satisfaction

Low, G.S.,& Lamb J.C.W., (2000)., in his research demonstrated that, the main sources of satisfaction are attentiveness, responsiveness; care and friendliness whereas the main sources of dissatisfaction are lack of integrity, reliability, responsiveness, availability and functionality. Further he argued that, all the reasons of dissatisfaction are not necessarily the other face of the sources of satisfaction though responsiveness is key component in providing satisfaction and the lack of it is a major source of dissatisfaction.

2.13 Research conceptual framework

The framework shows proposed framework to serve as a foundation of this study. Using the SERVPERF model, the purpose of this study is to examine how tangibility, reliability, responsiveness, assurance and empathy of service which are the independent variables can bring effect on the dependent variables which is customer satisfaction towards the credit service provided by Zemen bank S.C.

Figure 2: Dependent and independent variables

Parasuraman et al. (1988) a conceptual model for measuring the relations between the five service quality measurement constructs (reliability, responsiveness, tangibles, assurance and empathy) has on customer satisfaction.

2.14 Hypotheses development

The following null hypotheses were proposed:

- Jabnoun and Al-Tamimi (2003) found that banks with better ambience enhance customer satisfaction in a better way.

H1 (a). Tangibility has no significant effect on customer satisfaction in Zemen credit operation.

- A positive and significant relationship is found between empathy and customer satisfaction by Iglesias and Guillén (2004).

H1 (b). Empathy has no significant effect on customer satisfaction in Zemen credit operation.

- Responsiveness willingness or readiness of employees to provide service, timeliness of service such as mailing a transaction slip immediately, calling the customer back quickly, giving prompt service (Parasuraman et al., 1985).

H1 (c).Responsiveness has no significant effect on customer satisfaction in Zemen credit operation.

- Assurance has been identified as a significant dimension of service quality to customer satisfaction by Parasuraman et al. (1988)

H1 (d). Assurance has no significant effect on customer satisfaction in Zemen credit operation.

- Ibáñez et al. (2006) found a significant relationship between reliability of services on the satisfaction level of customers.

H1 (e).Reliability has no significant effect on customer satisfaction in Zemen credit operation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter pays attention to the methodology used for this study by providing the conceptual framework based on the literature review. This chapter gives details on the population, sample and sampling procedures and the instruments used in collecting data for the study. Data collection procedures and analysis are also discussed. Toward the end of the chapter, issues on validity and reliability were discussed.

3.2 Research Approach

Research approaches are plans and the procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation (Creswell, 2014). This plan involves several decisions of what should be used to study a topic.

As Denzin & Lincoln (2011) explained there are three types of research approaches which are qualitative, quantitative and mixed. Qualitative research emphasizes the process of discovering how the social meaning is constructed and stresses. Research using qualitative research referred to the meanings, concepts, definitions, characteristics, symbols and descriptions of things, while quantitative research is based on the measurement and the analysis of causal relationships between variables. Quantitative research referred to the measures and counts of things. Based on the suitability to answer the research question, quantitative approach was used.

According Creswell, (2014), it is also important to classify the research approach in terms of whether it is inductive or deductive. First, the deductive approach – known as testing a theory, in which the researcher develops a theory or hypotheses and designs a research strategy to test the formula ted theory, second, the inductive approach – known as building a theory in which the researcher starts with collecting data in an attempt to develop a theory. In general (but not always), quantitative research methods are associated with deductive approaches (based on logic), while qualitative research methods are associated with inductive approaches (based on empirical evidence). In this study deductive approach was used because conclusion follows logically from premises (available facts) and based on theoretical background.

3.3 Research Design

As Creswell, 1994 Research design is the overall plan for connecting the conceptual research problems to the pertinent empirical research. It also reflects the purpose of the inquiry, which can be classified as exploration, description, explanation, prediction, evaluation and history.

The main aim of exploratory research is to identify the boundaries of the environment in which the problems, opportunities or situations of interest are likely to reside and to identify the salient factors or variables that might be found there and be of relevance to the research. The purpose of descriptive research is to provide an accurate and valid representation of the factors or variables that pertain/ are relevant to the research question while the main aim of explanatory research is to identify any casual links between the factors or variables that pertain to the research problem.

The overall design of the research is both exploratory and Descriptive research. The purpose in this research is to explore and give explanation to the research questions posed. Descriptive type of research was used because it involves investigation which provides detailed picture of the situation and detail description of the findings displayed in tables. The research adopted Cross-sectional research which involves the measurement of all variable(s) for all cases within a narrow time span so that the measurements may be viewed as of that period.

3.4 Population and Sample

3.4.1 Target population

The target population of the study was the credit customers of Zemen Bank S.C who are available in seven banking centers of Zemen which are located in (Kazanchis, Bole-Alem cinema, Bole Medhanialem, CMC, Piassa, Sar-bet and Gotera). The reason for focusing on credit department was that credit is both essential and sensitive service of any bank which means credit customers bring big business to the bank. The service provided during any stage of credit deliverance should be studied carefully so that any dissatisfaction regarding credit could be avoided. And also the reason for choosing Zemen Bank S.C as a population of the study was that customers in Zemen are very conscious of service quality which means they give high value on service issues so, making them happy and satisfied is one of any bank priorities.

3.4.2 Sampling Techniques

Purposive sampling method was used at seven banking centers of Zemen. Purposive sampling inherently is a non- probability sampling method. Purposive sampling was selected since, the aim of this study is to assess credit service quality it only involves customers who utilized and experienced credit.

3.4.3 Sample Size

The sample size has determined by the sampling calculation method Using Amin's (2005) formula, a sample size of 150 respondents were selected from the population and confidence level at 95%.

From 250 credit customers per contract 150 samples were drawn using this formula:

n= N/1+N (e2)   where n= sample size

N= population

e= 0.05

N= 250/1+0.625

= 153.84

The overall borrowers including personal, business and corporate are 250 per contract. However, 150 sets of questionnaires were distributed and there existed no non-response questionnaire. As a result, the 150 questionnaires were collected. All the 150 clients were contacted to take part in the study. According to the bank records, all these clients have their offices in Addis Ababa, thus, for the purpose of data collection all of them were contacted in their respective offices and also at branches conveniently.

3.5 Data Source and Types

Primary sources: A Questionnaire survey using SERVPERF instrument with 16 items was designed to collect primary data from sample identified.

Secondary sources: Secondary data was collected from journals, magazines, web sites and from other relevant publications.

3.6 Data collection Procedures

Parasuraman et al., (1985) indicates that service quality consists of eleven dimensions: reliability, competence, responsiveness, access, courtesy, communication, credibility, security, competence, tangibles, and understanding of customer. For present investigation five dimensions: Tangibility, empathy, Reliability, Responsiveness and Assurance were used. In order to measure service quality regarding credit service, SERVPERF instrument proposed by Cronin and Taylor (1992) was used to measure the service quality. The perceived quality model postulates that an individual's perception of the quality is only a function of its performance. Considering 16 performance items related to credit adequately define the domain of service quality and adjusted to fit with credit services of the bank.

The questionnaire has three parts. The first part of the questionnaire consists of issues related to general information of the respondent. The second part is concerned with the respondent's profile and the third part focused on questions used to assess service quality of the private banks. The adapted questionnaire includes three items correspond to the tangibles dimension; three items correspond to the empathy dimension, three items correspond to the responsiveness dimensions, four items to the assurance dimension, three items to reliability dimension and two items to the customer satisfaction. Respondents were asked to indicate their degree of agreement with each of the items on five point Likert scale. Respondent's perception were measured by requesting respondents to indicate, on a five-point Likert- scales, anchored on''1 = strongly disagree''2 = disagre''3 = neutral''4 = agree''5 = strongly agree.

3.7 Validity

As Creswell (2014) explained Validity is the extent to which research results can be correctly interpreted and generalized to other populations. The following steps were taken to ensure the validity of the study:

- Data was collected using SERVPERF 'as it is' with closed-ended questions.
- Validity was ensured through the use of credit experts who are the managers and senior officers of credit department. The questionnaires were given to two managers and two senior officers to evaluate the questionnaires and asked if each item is in relation to the objectives, and they proposed that six items of the questionnaires should be removed because there is no relevant with credit. The researcher as per their suggestions removed 6 items from the questionnaire.

3.8 Reliability

Creswell, (2014), Reliability is known as to what extent the research findings can be replicated, if another study is undertaken using the same research methods. Reliability coefficients (Cronbach alpha), which is based on the internal consistency of the items pertaining to the different service dimensions, were computed separately for the five dimensions on the SERVPERF instrument. A value of Cronbach alpha was above 0.70 can be used as a reasonable test of scale reliability. (Gaur A. and Gaur S., 2009) and the alpha score for this study is 0.895 is considered as an acceptable value and reflects reasonable degree of reliability.

Table 1: Reliability result

Dimension	Cronbach's alpha
Tangibility	0.840
Empathy	0.810
Responsiveness	0.701
Assurance	0.844
Reliability	0.787
Customer satisfaction	0.837
Overall scale	0.895

3.9 Data Analysis

In order to meet the research objectives of this study, the data collected was edited, coded, tabulated, and presented for analysis. An analysis of the survey data was performed using SPSS 20. All the responses were assessed using of statistical techniques which are Descriptive statistics and inferential method which was used to interpret the data in general and for testing hypothesis and investigating research objectives respectively. The data analysis technique used was correlation and regression analysis. Pearson correlation analysis was conducted to determine the direction, strength, of the relationships between service quality dimensions and customer satisfaction. Regression analysis was used to determine the prediction power of independent variables (tangibility, empathy, reliability, assurance, responsiveness) on dependent variable which is customer satisfaction.

3.10 Ethical Considerations

Questionnaires were distributed to 150credit customers who were willing to participate in the research. Respondents were asked and informed to fill the questionnaire without any fear and their identity will be kept highly confidential.

CHAPTER FOUR

RESULTS AND DISSCUSION

4.1 Introduction

In this chapter result of respondents demographic were presented. Furthermore, descriptive analysis, Pearson correlation, linear regression analysis and hypotheses testing were undertaken.

4.2 Demographic Variable Analysis

The demographic characteristics of the respondents analyzed include gender, education level, position, type of industry, business entity, years banked and types of loan.

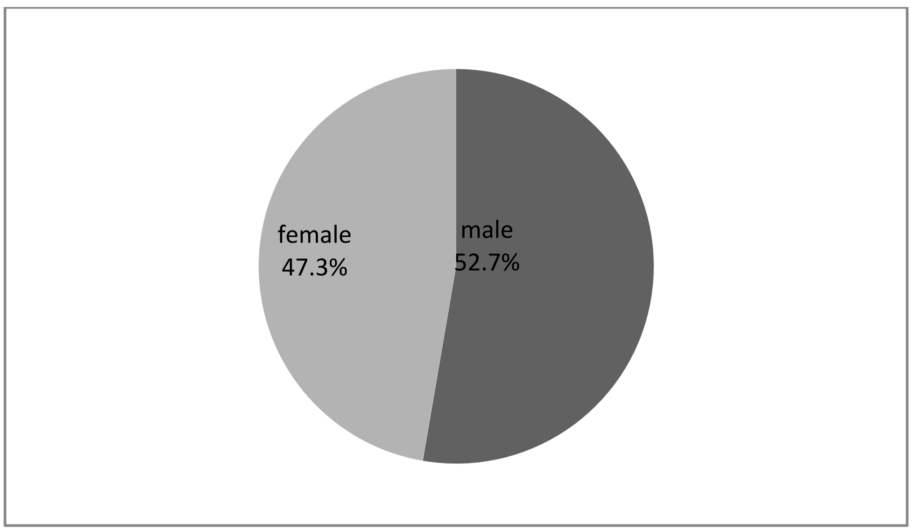

Figure 3: Gender distribution

Own survey, 2017

Out of the 150 respondents, 52.7% were male and 47.3% were female. This shows the number of male debtors is more than the female debtors.

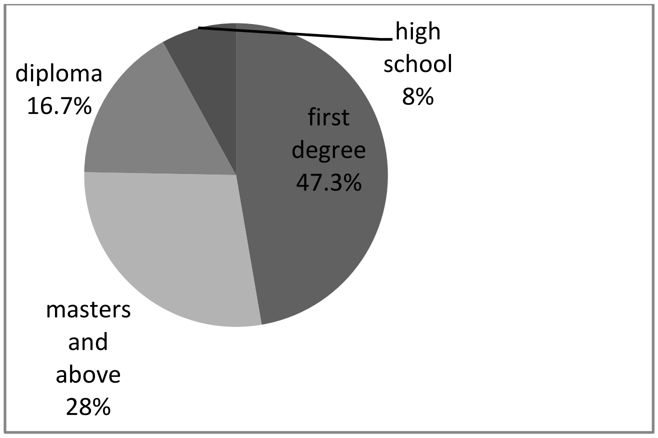

Figure 4: Education level

Own survey, 2017

The above table portrays with regard to educational level of respondents, the highest number have a first degree comprising 47.3% of the respondents, followed by 28% of the respondents who have masters and above, and 16.7% who have diploma, 8% of respondents who have finished high school.

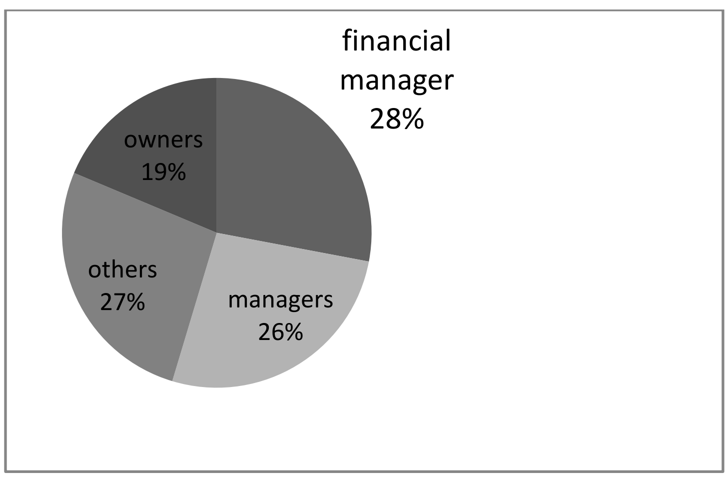

Figure 5: Position

Own survey, 2017

Out of 150 respondents, 28% were financial managers, managers and others (those who didn't specify) each had a representation of 26.7% and 18.7% were owners of their businesses.

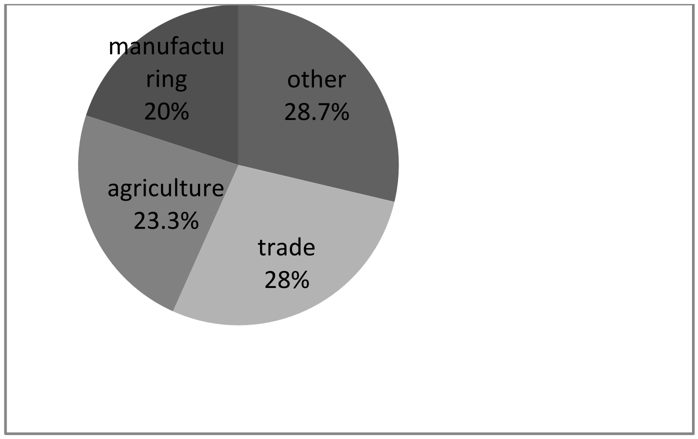

Figure 6: Type of industry

Own survey, 2017

Majority of the respondents stated others such as construction, service as their type of business which comprises 28.7%, proceed to 28% which are engaged in trade business, 23.3% respondents were from agriculture and 20% are engaged in manufacturing.

Fig 4.5 Business entity

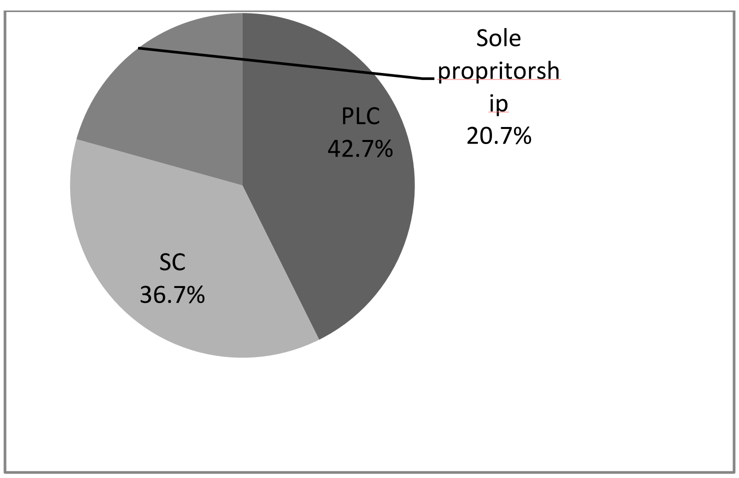

Figure 7: Business entity

Own survey, 2017

The highest percentage of respondents 42.7%, were from private limited company, followed by 36.7% Share Company and 20.7% were sole proprietorship.

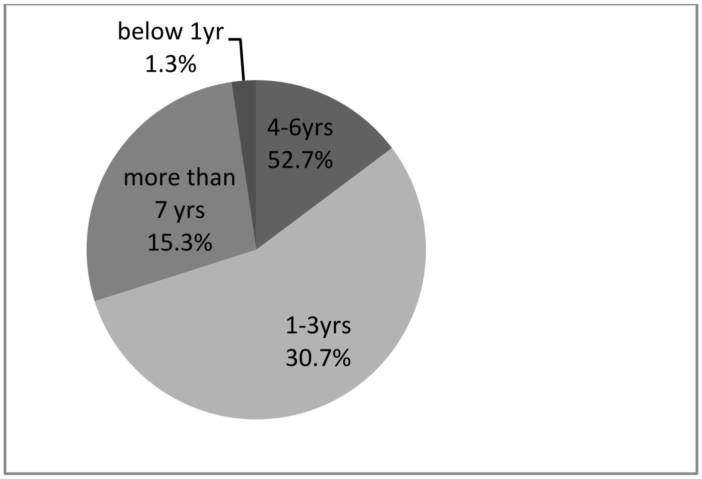

Figure 8: Attachment with the bank

Own survey, 2017

Majority of the respondents had banked with Zemen for 4-6 years which are 52.7% of the respondents. Those banked from 1-3years represented are 30.7% of the respondents. Those banked for more than 7years represent 15.3% and finally those who attached with the bank below 1 year were least represented 1.3%.

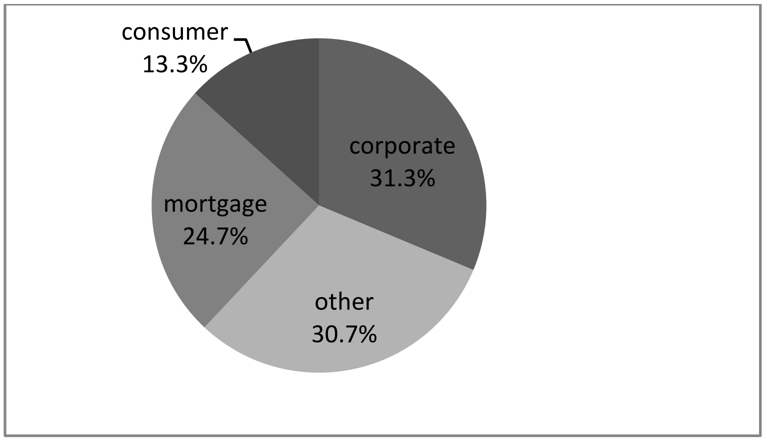

Figure 9: Type of loan

Own survey, 2017

Most of the respondents that are 31.3% utilized corporate loan, 30.7% of the respondents utilized other loans like merchandise loan, construction loan while 24.7% utilized mortgage loan and consumer loan with 13.3%.

4.5 Normality test

Table 2: Normality testing

	Skewness		Kurtosis	
	statistics	Standard error	statistic	Standard error
Tangibility	-0.027	0.198	-1.470	0.394
Empathy	-0.70	0.198	-0.677	0.394
Responsiveness	-0.357	0.198	-0.322	0.394
Assurance	-1.041	0.198	-2.206	0.394
Reliability	-0.627	0.198	-0.254	0.394
Customer Satisfaction	-0.069	0.198	-0.748	0.394

Own survey, 2017

According to (field, 2009) calculation summary statistics measured Skewness and Kurtosis which are two measures of the normality of distributions of scores that the tests create. A positive Skewness value indicates positive (right) skew; a negative value indicates negative (left) skew. Similarly, a positive Kurtosis value indicates positive kurtosis; a negative value negative Kurtosis. In this study Skewness and Kurtosis are both negative, indicating that the data are left-skewed. According to (Field, 2013), applying the rule of thumb of which is skewness is inacceptable range when it is below +\- 2 and kurtosis when it is below +\- 6. In this study the respondents are in the acceptable range.

4.6 Descriptive analysis of respondents

Table 3: Respondent's perception towards Tangibility

Tangibility		SD	D	N	A	SA
T1	Freq	-	-	1	75	74
	%	-	-	0.7	50	49.3
T2	Freq	-	-	2	81	67
	%	-	-	1.3	54	44.7
T3	Freq	-	-	8	73	69
	%	-	-	5.3	48.7	46

Own survey, 2017

The tangibility, findings indicated that 50% of the respondents agree to the modern looking office set up of the bank while 49.3% strongly agree.0.7% of the respondents respond neutral. Accordingly, 54% of the respondents agree to the bank's physical visually appealing in delivering credit service while 44.7% strongly agree and 1.3% neutral. The attribute of formal dress and present ability ranked 48.7% agree, 46% strongly agree and 5.3% neutral.

Table 4: Respondent's perception towards Empathy

Empathy		SD	D	N	A	SA
E1	Freq	-	3	8	72	67
	%	-	2	5.3	48	44.7
E2	Freq	-	1	9	72	68
	%	-	0.7	6	48	45.3
E3	Freq	-	1	4	77	68
	%	-	0.7	2.7	51.3	45.3

Own survey, 2017

On empathy regarding the bank gives individual attention, 48% of the respondents agree, 44.7% strongly agree, 5.3% neutral and 2% disagree. In the attribute of the bank has customer in giving loan, 48% agree, 45.3% strongly agree, 6% neutral, and 0.7% disagree. And also on the issue of the bank understands specific need of the credit customer resulted in 51.3% agree, 45.3% strongly agree, 2.7% neutral, 0.7% of the respondents disagree.

Table 5: Respondent's perception towards Responsiveness

Responsiveness		SD	D	N	A	SA
Res1	Freq	-	2	21	78	49
	%	-	1.3	14	52	32.7
Res2	Freq	-	-	6	72	72
	%	-	-	4	48	48
Res3	Freq	-	2	9	75	64
	%	-	1.3	6	50	42.7

Own survey, 2017

On responsiveness, attributes of employees' inform the exact time the loan will be dispersed, 52% of the respondents agree, 32.7 strongly agree, 14% and 1.3% neutral and disagree, respectively. Regarding on providing prompt credit service, 48% of the respondents each agree and disagree and 4% respond neutral. On the attributes of employee's willing to assist credit customers, 50% of the respondents agree while 42.7% strongly agree, 6% and 1.3% of the respondents respond neutral and disagree respectively.

Table 6: Respondent's perception towards Assurance

Assurance		SD	D	N	A	SA
A1	Freq	-	2	11	77	60
	%	-	1.3	7.3	51.3	40
A2	Freq	-	3	2	73	72
	%	-	2	1.3	48.7	48
A3	Freq	-	3	5	75	67
	%	-	2	3.3	50	44.7
A4	Freq	-	3	7	73	67
	%	-	2	4.7	48.7	44.7

Own survey, 2017

On assurance, findings revealed that 51.3% agree, 40% strongly agree, 7.3% neutral and 1.3% disagree on the attributes of employees instill confidence in credit customers. On the issue of employee's ability to perform their service resulted in 48.7%agree, 48% strongly agree, 2% and 1.3% disagree and neutral respectively. Regarding on employee's knowledge to answer credit questions to credit customers, 50% of the respondents agree while 44.7% strongly agree and 3.3% and 2% of the respondents respond neutral and disagree respectively. Customers feeling of safe in their transaction resulted in 48.7% agree, 44.7%strongly agree, 4.7% neutral and 2% disagree.

Table 7: Respondent's perception towards Reliability

Reliability		SD	D	N	A	SA
Rel1	Freq	-	4	14	74	58
	%	-	2.7	9.3	49.3	38.7
Rel2	Freq	-	4	16	75	55
	%	-	2.7	10.7	50	36.7
Rel3	Freq	-	2	9	73	66
	%	-	1.3	6	48.7	44

Own survey, 2017

On reliability, 49.3% of the respondents agree on the issue regarding on bank's ability to provide the service at promised time. Similarly, 38.7% strongly agree, 9.3% neutral and 2.7% disagree. Bank's ability to respond consistently within promised time frames got result 50% agree, 36.7% strongly agree, 10.7% neutral and 2.7% disagree. On the attribute of sincere interest in solving credit customer's problems result in 48.7% agree, 44% strongly agree, 6% neutral and 1.3% disagree.

Table 8: Respondent's perception towards Customer Satisfaction

Customer satisfaction		SD	D	N	A	SA
Cust.sat1	Freq	-	-	2	88	60
	%	-	-	1.3	58.7	40
Cust.sat2	Freq	-	2	5	83	60
	%	-	1.3	3.3	55.3	40

Own survey, 2017

Regarding the overall credit service quality which is provided by Zemen Bank S.C is excellent, 58.7% agree, 40% strongly agree and 1.3% neutral. Similarly, the response for the question of satisfaction, 55.3% and 40% of the respondents agree and strongly agree respectively, that they are satisfied with the credit service. 3.3% and 1.3% of the respondents responded neutral and dissatisfied respectively.

4.7 Descriptive statistics of Service quality dimensions

The SERVPERF scores on tangibility, empathy, responsiveness, assurance, reliability have been calculated by the mean of service quality variables in each factor among the respondents.

Table 9: Summary of descriptive statistics

	Mean	Std. deviation
Tangibility	4.4422	0.47377
Empathy	4.3822	0.53705
Responsiveness	4.3133	0.49037
Assurance	4.3650	0.53848
Reliability	4.2667	0.59328
Customer satisfaction	4.3633	0.52423

Own survey, 2017

All dimensions have a score of greater than four. The segment trend in the tangibility dimension indicated the highest mean of 4.4422, followed by Empathy 4.3822, Assurance 4.3650, and Responsiveness 4.3133 & Reliability 4.2667. With this mean result of this analysis, each variables of the service quality has an impact on customer satisfaction during the delivery of credit service.

4.8 Correlation Analysis

The table below shows the Pearson's correlation coefficient between the five service quality dimensions and customer satisfaction which is found using the SPSS 20. According to (Field, 2009) the classification of the correlation efficient (r) is as follows: 0.1 – 0.29 is weak; 0.3 – 0.49 is moderate; and > 0.5 is strong. Strong positive value of coefficient of correlation shows that that there is correlation between credit service quality and customer satisfaction. Positive values of correlation coefficient indicate that increase in one variable causes increase in other variable and decrease in one variable causes decrease in the other.

Table 10: Correlation between dependent and independent variables

Dimensions	Tangibility	Empathy	Responsiveness	Assurance	Reliability
Tangibility	1				
Empathy	0.436**	1			
Responsiveness	0.350**	0.451**	1		
Assurance	0.341**	0.371**	0.54**	1	
Reliability	0.151	0.411**	0.493**	0.373**	1
Customer satisfaction	0.308**	0.445**	0.542**	0.436**	0.693**

Correlation is significant at the 0.01 level (2-tailed) Own survey, 2017

The results indicated that all the service quality indicators have positive correlation effect on customer satisfactions though there degree of effect varies. Therefore when the bank makes changes to one service quality dimension there is likely to positively raise customer satisfaction.

The Reliability dimension yielded the highest positive relationship with customer satisfaction. Coefficient of (r= 0.693)

The Responsiveness dimension was the second highest positive regarding its association with customer satisfaction r = 0.542.

Empathy also provided positive correlation coefficient regarding customer satisfaction which is r=0.445.

The Assurance dimension have positive correlation coefficient with customer satisfaction i.e. r=0.436.

The last dimension which is tangibles showed the weakest correlation effect among other service quality variables with r= 0.308

4.9 Regression Analysis

According to (Greene, 2000), multi collinearity is a high degree of correlation among several independent variables. This test was performed concerned on two values—Tolerance and VIF. In social sciences research, a VIF value as high as 10 and tolerance above 0.02 is considered to be acceptable (Field, 2009) Therefore, variables like Tangibility, empathy, Responsiveness, assurance, reliability were checked and tolerance resulted 0.75, 0.654, 0.565, 0.662, 0.691 respectively which indicates that the variables are highly predicted. And VIF result is 1.334, 1.529, 1.770, 1.511 and 1.446 respectively which indicate a high degree of collinearity among the independent variable.

Regression analysis was used to measure the degree of relationship between Service Quality and Customer Satisfaction. In this study customer satisfaction was taken as dependent variable and tangibility, empathy, responsiveness, assurance and reliability were taken as independent variables.

Value of adjusted r2 is 0.547 for Service quality which shows that 54.7% change in Customer satisfaction is due to Quality credit Services and 0.453 which shows that 45.3% of change in Customer satisfaction is due to other factors.

Table 11: Regression analysis

Standardized coefficient				Collinearity statistics	
	Beta	t	Sig	Tolerance	VIF
Tangibility	0.110	1.732	0.085	0.750	1.334
Empathy	0.073	1.069	0.287	0.654	1.529
Responsiveness	0.160	2.183	0.031	0.565	1.770
Assurance	0.086	1.263	0.209	0.662	1.511
Reliability	0.536	8.086	0.000	0.691	1.446

Own survey, 2017

see annex (Note: Adj R square=0.547, F=36.992, sig=0.000)

The above table provides the results of the model predicting customer satisfaction through the variables of, tangibles, empathy, responsiveness, assurance and reliability. All the variables have a positive and significant relationship with customer satisfaction. These results are in confirmation with the correlation analysis explained above reliability and responsiveness with sig level 0.000 and 0.031 respectively following Tangibility, Assurance and Empathy with 0.085, 0.209, and 0.287 respectively.

4.10 Hypothesis Testing/ results

Table 12: Summary of hypothesis testing

Hypothesis	Approach used	Result
Tangibility has no significant effect on customer satisfaction.	Multiple regression	Failed to reject
Empathy has no significant effect on customer satisfaction.	Multiple regression	Failed to reject
Responsiveness has no significant effect on customer satisfaction.	Multiple regression	Rejected
Assurance has no significant effect on customer satisfaction.	Multiple regression	Failed to reject
Reliability has no significant effect on customer satisfaction.	Multiple regression	Rejected

- For Responsiveness and Reliability sig at $p<0.05$

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The specific objectives of this study were to assess each credit service quality on customer satisfaction using SERVPERF dimensions, in Zemen bank S.C. The data collated led to the following Summary, conclusions and recommendations on those objectives.

5.2 Summary

This study sought to assess the effect of credit service quality on customer satisfactions in Zemen bank Ethiopia.

As the first specific objective of this paper was to examine the relationship between tangibility and customer satisfaction in credit service, the findings of the correlation analysis regarding tangibility revealed that (r= 0.38) it has a positive and moderate relationship with credit customer satisfaction. And in the regression analysis resulted (sig= 0.085) indicated that the tangibility dimension of service quality predicts credit customer satisfaction is somewhat insignificance relative to other dimensions.

The second objective was to assess the effect of empathy on customer satisfaction in credit service. Correlation analysis resulted (r= 0.445) which is positive and has a moderate relationship with credit customer satisfaction. And in the regression analysis empathy with sig= 0.287 indicated that empathy is insignificant to predict credit satisfaction.

The third objective of this study is to identify the relationship between responsiveness and customer satisfaction in credit service. Responsiveness which refers to the willingness to help customers and provide prompt service resulted in correlation analysis (r=0.542) shows that responsiveness has a positive and strong relationship with credit customer satisfaction. And also in regression analysis responsiveness has (sig= 0.031) which entails high predictor of credit customer satisfaction. This indicates that willingness to help and provide prompt service has affect customer satisfaction in the delivery of credit.

Fourth objective which is to assess the association between assurance and customer satisfaction in credit service, that is concerned with employee's knowledge, courtesy and ability to convey trust and confidence (r=0.436) results in correlation analysis. And (sig=0.209) in regression analysis discovered that the ability to convey trust, confidence, trust predicts credit customer satisfaction is insignificant.

The fifth and last objective was to identify the relationship between reliability and customer satisfaction in credit service. The correlation analysis regarding the ability to perform the service dependably and accurately resulted in (r=0.693) which is the highest score that shows a positive value and a strong relationship with credit customer satisfaction. The regression result also shows that reliability highly predicts customer satisfaction with significance level of 0.000.

5.3 Conclusion

Tangibles encompass the appearance of the company representatives, facilities, materials, and equipment. This research shows that it has positive correlation but insignificant with customer satisfaction. This result is supported by Jabnoun and Al-Tamimi (2003) indicated in the empirical literature. Although the appearances, office arrangement, materials available have positive association with customer satisfaction it doesn't predict customer satisfaction during the process and deliverance of credit. This result leads to accept H1.

The results of the research suggest that there is a positive but no significant relationship between empathy and customer satisfaction. This result is supported by Juneja (2011) indicated in the empirical literature. Although most of the customers would like to use personal contact regarding any credit discussion, empathy doesn't count for their satisfaction. This result leads to accept H2.

Responsiveness is the timely reaction towards the customers' needs. Responses to this research suggest that responsiveness has a high positive relationship and it has significant effect on customer satisfaction. We can conclude that responsiveness is a need in providing quality service. This result leads to reject H3.

Based on the finding, Assurance has positive relationship with Customer Satisfaction, but without significant effect. Assurance is a means of being safe; the responses state that customers do not feel assurance is being important for their satisfaction. There is a possibility that most customers started to take it as granted that there is no safety problem in dealing with the bank. This leads to accept H4.

Reliability is about the accuracy and timeliness in the service provided. Responses to this research, Reliability have a significant impact and can predict customer satisfaction. Customers do concern about the reliability level in customer service since the nature of credit need be on the time it is needed. Customers have higher demand in the human reliability when dealing with the bank regarding credit. This result leads to reject H5.

5.4 Recommendation

This study has shown that, the effect of credit service quality dimensions and customer satisfaction of Zemen Bank S.C. Since the study confirms the five dimensions of service quality are positively correlated with customer satisfaction, the bank should give strong emphasis to all the service quality dimensions in maintaining customer satisfaction.

However, among these service quality dimensions, responsiveness and reliability shows the highest positive association and the highest predictors of customer satisfaction.

Regarding on Responsiveness, Zemen can do more on these few points:

- While human responsiveness sometimes can be affected by emotions which can cause mistreatments of customers, this dimension should be seen thoroughly by supervisors of credit department.

- It is recommended that regular training must be organized for the employees concerning services quality as to how to have good personal contact with customers and also have some competence in the work. This will enable them to work effectively and efficiently to get customers all the time satisfied.

Regarding on Reliability, Zemen can do more on these few points:

- The bank should design systems which enable to respond to client's need at the promised time frame.

- The bank should always avail itself to solve credit customer's problem, this could be possible if the bank innovate or develop some kind of a credit scheme that will help the customers.

- The bank should also look at all the other dimensions along with their respective measurement indicators to improve and work on the current level of customer satisfaction.

5.5 Suggestion for Future Study

This study focuses only on Zemen Bank but further studies on other banks regarding credit service could be significant. Because, every banks in Ethiopia provide various credit service and it is essential to study on how the banks provide those different credits.

The sample size of 150 respondents is small to assess credit service quality and customer satisfaction. Another study may be designed with a larger sample size that can better generalize the sample.

Further research should be conducted to determine the other factors that actually contribute to credit customer satisfaction.

During literature survey, it was found that different other methods and models have been used to evaluate the service quality of banks. Studies using other than SERVPERF model could be important in assessing customer satisfaction.

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Annual Report of National Bank of Ethiopia (2016)

Annual Report of Zemen Bank (2016)

Appendixes

Appendix –I

Addis Ababa University

School of Commerce

Regular Marketing Management

Dear respondent,

This questionnaire is prepared by the researcher in the post graduate program of the Addis Ababa University, school of commerce on the topic: **The assessment of credit service quality on customer satisfaction in Zemen bank S.C**. This questionnaire is, therefore, designed to collect firsthand information/data on the topic under caption. Since, it is for academic research purpose all the responses will be treated in strict confidentiality. This is, therefore, to kindly request you to take a few minutes to fill out the questionnaire as genuinely and completely as possible.

I thank you very much for your time.

Part I: General information of the respondents.

1. Gender
   A. Male B. Female
2. Academic qualification
   a. Less than high school
   b. High school
   c. Diploma
   d. First degree
   e. Masters and above

Part II: Business profile

1. Position:
   A. owner C. finance manager
   B. Manager D. other________________(specify)
2. Type of industry:
   A. manufacturing C. Trading (import/ export)
   B. agriculture D. Other______________(specify)
3. Business entity:
   A. Sole proprietorship C. Share Company
   B. Private limited company D. Other__________________(specify)

4. Since how long you are associated with the bank?
   A. Below 1 yr C. 4-6 yrs
   B. 1-3 yrs D. above 7 yrs
5. Types of loan
   A. Consumer loan C. Corporate loan

B. Mortgage loan D. Other_________________(specify)

Part III: The following statements relate to service quality experiences with the bank. Please show the extent to which you believe Zemen bank has the feature described in the following statement. Here, the researcher is interested in a number from 1 to 5 that shows your level of satisfaction on the credit service quality. Please put a " √ " mark in the appropriate space to indicate your answer.

1. Strongly disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly agree

A. Tangibility: physical appearance of credit staffs and their equipment.

Statement criteria		1	2	3	4	5
1.	The bank has modern looking office set-up.					
2.	The bank's physical features are visually appealing in delivering credit service.					
3.	Employees are formally dressed and are presentable in delivering credit service.					

B. Empathy: caring and individualized attention by credit staffs.

Statement criteria		1	2	3	4	5
1.	The bank gives individual attention when providing loan.					
2.	The bank has customer interest in giving loan.					
3.	The bank understands specific need of the credit customer.					

C. Responsiveness: willingness to help and provide prompt service.

Statement criteria		1	2	3	4	5
1.	Employees in the bank inform the exact time the loan will be dispersed.					
2.	Employees in the bank give prompt credit service.					
3.	The bank is always willing to help and assist credit customers.					

D. Assurance: credit staff's knowledge and courtesy.

Statement criteria		1	2	3	4	5
1.	The behaviors of employees in the bank instill confidence in the credit customers.					

2.	Credit staffs have the required skills to perform their service.					
3.	Credit staffs have the required knowledge to answer your question.					
4.	Customers feel safe in their loan transaction					

E. Reliability: ability to perform credit services dependably and accurately.

Statement criteria		1	2	3	4	5
1.	The bank provides the service at the time they promise to do so.					
2.	The bank consistently responds within promised time frames.					
3.	The bank shows a sincere interest in solving the credit customer's problems.					

PART IV: Satisfaction and overall quality.

Statement criteria		1	2	3	4	5
1.	I assess the overall quality of credit service provided by Zemen bank S.C as excellent.					
2.	I am highly satisfied with the current credit service provided by Zemen bank S.C.					

Comment or additional information

- Please use the space below for additional comment or additional information.

Appendix -II

Reliability Statistics

Cronbach's Alpha	N of Items
.895	18

Correlation

		tangibility	empathy	responsivness	assurance	reliability	customersatisfaction
Tangibility	Pearson Correlation	1	.436**	.350**	.341**	.151	.308**
	Sig. (2-tailed)		.000	.000	.000	.066	.000
	N	150	150	150	150	150	150
Empathy	Pearson Correlation	.436**	1	.451**	.371**	.411**	.445**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	150	150	150	150	150	150
Responsiveness	Pearson Correlation	.350**	.451**	1	.540**	.493**	.542**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	150	150	150	150	150	150

Assurance	Pearson Correlation	.341**	.371**	.540**	1	.373**	.436**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	150	150	150	150	150	150
Reliability	Pearson Correlation	.151	.411**	.493**	.373**	1	.693**
	Sig. (2-tailed)	.066	.000	.000	.000		.000
	N	150	150	150	150	150	150
Customersatisfaction	Pearson Correlation	.308**	.445**	.542**	.436**	.693**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	150	150	150	150	150	150

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

Normality Result

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
	150	3.33	5.00	4.4422	.47377	-.027	.198	-1.470	.394
Empathy	150	2.33	5.00	4.3822	.53705	-.700	.198	.677	.394
Responsiveness	150	3.00	5.00	4.3133	.49037	-.357	.198	-.322	.394
Assurance	150	2.25	5.00	4.3650	.53848	-1.041	.198	2.206	.394
Reliability	150	2.33	5.00	4.2667	.59328	-.627	.198	.254	.394
Customersatisfaction	150	3.00	5.00	4.3633	.52423	-.069	.198	-.748	.394
Valid N (listwise)	150								

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.750[a]	.562	.547	.35281

a. Predictors: (Constant), reliability, tangibility, assurance, empathy, responsiveness

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.024	5	4.605	36.992	.000[b]
	Residual	17.925	144	.124		
	Total	40.948	149			

a. Dependent Variable: customersatisfaction

b. Predictors: (Constant), reliability, tangibility, assurance, empathy, responsivness

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.386	.346		1.117	.266		
	Tangibility	.122	.070	.110	1.732	.085	.750	1.334
	Empathy	.071	.067	.073	1.069	.287	.654	1.529
	responsivness	.171	.078	.160	2.183	.031	.565	1.770
	Assurance	.083	.066	.086	1.263	.209	.662	1.511
	Reliability	.474	.059	.536	8.086	.000	.691	1.446

a. Dependent Variable: customersatisfaction