

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

DEPARTMENT OF MARKETING MANAGEMENT



**ASSESSMENT OF SERVICE QUALITY AND CUSTOMER
SATISFACTION IN CBE**

**A thesis submitted to the school of graduate studies of Addis Ababa
University in fulfillment of the requirements for the degree of MA in
Marketing Management in School of Commerce**

By

Tesfa Bisrat

Advisor: Kahsu Mebrahtu Areaya (Assistant Professor)

June, 2014

Addis Ababa, Ethiopia

Addis Ababa University School of Commerce Marketing Management Masters Program

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

SERVICE QUALITY AND CUSTOMER SATISFACTION IN CBE

APPROVED BY BOARD OF EXAMINERS

_____	_____	_____
Chairman of Graduate committee	Signature	Date

_____	_____	_____
Advisor	Signature	Date

_____	_____	_____
Internal examiner	Signature	Date

Declaration

I, Tesfa Bisrat, declared that this thesis is my original work and has not been presented for a degree in any other university, and that all the sources of materials used for the thesis have been properly acknowledged.

Declared by:

Name: Tesfa Bisrat Baruda

Date: _____

Signature: _____

Confirmed by Advisor:

Name: _____

Date: _____

Signature: _____

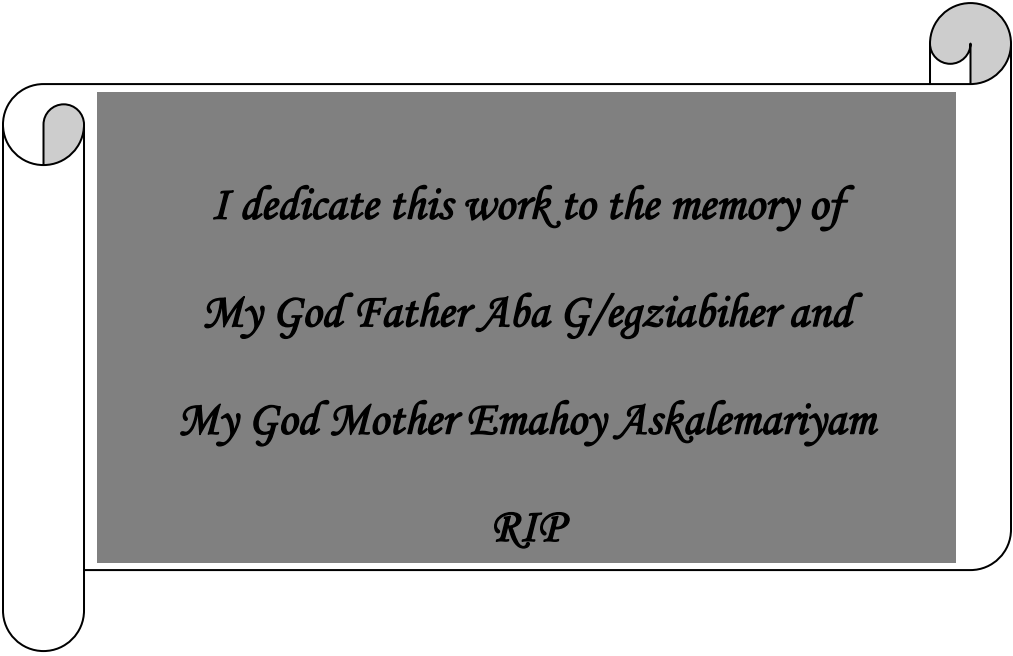
Examiner:

Name: _____

Date: _____

Signature: _____

DEDICATION



*I dedicate this work to the memory of
My God Father Aba G/egziabiher and
My God Mother Emahoy Askalemariyam
RIP*

List of Tables and Figures

Tables	Page
Table 2.1 Service Characteristics.....	14
Table 3.1 Sample Size of respondents from four branches.....	37
Table 4.1 Profile of Respondents.....	41
Table 4.2 Reliability Statistics.....	42
Table 4.3 Questions Statistics.....	45
Table 4.4 Overall customer satisfaction level.....	47
Table 4.5 Customer Satisfaction of Tangibility.....	48
Table 4.6 Customer Satisfaction of Reliability.....	48
Table 4.7 Customer Satisfaction of Responsiveness.....	48
Table 4.8 Customer Satisfaction of Assurance.....	49
Table 4.9 Customer Satisfaction of Empathy.....	50
Table 4.10 Overall Mean Score of CS and SQ and the Gap between Customers' expectation and perception.....	51
Table 4.11 Correlation between SQ and CS.....	53
Table 4.12 Model Summary.....	55
Table 4.13 Regression Analysis Result with Customer Satisfaction as Dependent Variable....	55
Figure 2.1 Gap Model.....	30
Figure 2.2 Conceptual Framework.....	31

ACKNOWLEDGMENT

First of all, my all praise be to my God the one and only, for blessing me with good health and for giving me the strength, patience and guidance to endure and complete this thesis. I would like to thank my advisor Professor Kahsu Mebrhtu for giving me constructive guidance, feedbacks and patience during the process of this thesis.

Secondly, I would like to extend my gratitude to my family, my wife Mekedes Leul, and friends who supported me from the starting to the completion of this thesis and this program in general.

My gratitude also goes to the respondents at the case company who took their time to provide information. Without their cooperation this thesis would not have been possible.

Last but not least, I wish to take this golden opportunity to express my thanks to Addis Ababa Mayor's Office for giving me the chance to attend this program and CBE for giving me support during my work.

Acronyms

CBE: Commercial Bank of Ethiopia

CS: Customer Satisfaction

SQ: Service Quality

SERVQUAL: Service Quality

SERPERF: Service Performance

P: Perception

E: Expectation

CSA: Central Statistics Authority

Abstract

Service quality and customer satisfaction are very important concepts that organizations must understand in order to remain competitive in business and hence grow. Service quality is considered very important because it leads to higher customer satisfaction and retention. The general objective of the research is assessing the service quality and customer satisfaction in Commercial Bank of Ethiopia and also determining the relationship between service quality dimensions and customer satisfaction. At the same time it assessed customers' expectation and perception about service quality of the bank.

The student researcher used quantitative research approach, survey research design as a research design and it also used non-probability sampling as a sampling design. The researcher analyzed data by using correlation and descriptive analysis.

In the research the SERVQUAL instrument developed by Parasuraman (1985) has been applied in designing the questionnaire by using five dimensions of service quality; tangibility, reliability, responsiveness, assurance and empathy with five point Likert scale from "1" strongly disagree to "5" of strongly agree. In the study 399 questionnaires were distributed to saving account customers in four selected branches of Commercial Bank of Ethiopia in Addis Ababa.

It was found that the overall service quality perceived by consumers was not satisfactory meaning expectations exceeded perceptions and all the dimensions showed higher expectations than perceptions of service. It also confirmed that there is a positive and strong correlation between the service quality and customer satisfaction. The findings suggest that the bank need to improve all the dimensions of service quality from the gap analysis carried out.

Key words: service quality, service quality dimensions, customer satisfaction, SERVQUAL, Bank, customer, Gap.

TABLE OF CONTENTS

CONTENTS	PAGE
LIST OF TABLES AND FIGURES.....	I
ACKNOWLEDGEMENT.....	II
ACRONYMS.....	III
ABSTRACT.....	IV
CHAPTER ONE-----	1
1. INTRODUCTION-----	1
1.1.BACKGROUND-----	1
1.2.STATEMENT OF THE PROBLEM-----	3
1.3.RESEARCH QUESTIONS-----	5
1.4.OBJECTIVES-----	6
1.4.1. GENERAL OBJECTIVES-----	6
1.4.2. SPECIFIC OBJECTIVES-----	6
1.5.SIGNIFICANCE OF THE STUDY-----	6
1.6.SCOPE OF THE STUDY-----	6
1.7.LIMITATIONS OF THE STUDY-----	7
1.8.OPERATIONAL DEFINATION OF TERMS-----	8
CHAPTER TWO-----	9
2. LITERATURE REVIEW-----	9
2.1. DEFINING SERVICES-----	9
2.2.SERVICE CHARACTERSTICS-----	9
2.3.QUALITY-----	15
2.4.SERVICE QUALITY-----	15
2.4.1. CUSTOMERS’ EXPECTATIONS OF SERVICE QUALITY-----	16
2.4.2. CUSTOMERS’ PERCEPTION OF SERVICE QUALITY-----	17
2.4.3. SERVICE QUALITY MODEL (SERVQUAL)-----	17
2.4.4. CRITICISMS OF SERVQUAL-----	20
2.4.5. SERVICE QUALITY IN BANKING-----	22
2.5.CUSTOMER SATISFACTION-----	24
2.5.1. WHAT IS CUSTOMER SATISFACTION-----	24
2.5.2. FACTORS THAT AFFECT CUSTOMER SATISFACTION-----	25
2.5.3. MEASURING CUSTOMER SATISFACTION-----	26
2.6.RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION-----	27
2.7.GAPS MODEL OF SERVICE QUALITY-----	28
2.8.CONCEPTUAL FRAMEWORK-----	31

CHAPTER THREE-----	32
3. METHODOLOGY-----	32
3.1.RESEARCH DESIGN AND RESEARCH APPROACH-----	32
3.2.RESEARCH APPROACH.....	32
3.3.RESEARCH DESIGN-----	33
3.4.SAMPLE DESIGN-----	34
3.4.1. TARGET POPULATION-----	34
3.4.2. SAMPLE SELECTION-----	35
3.5.DATA SOURCES AND DATA COLLECTION METHOD-----	37
3.6.METHODS OF DATA ANALYSIS-----	37
3.7.VALIDITY AND RELIABILITY OF INSTRUMENTS-----	38
3.7.1. VALIDITY-----	38
3.7.2. RELIABILITY-----	38
CHAPTER FOUR.....	40
4. RESULTS AND DISCUSSIONS.....	40
4.1.INTRODUCTION-----	40
4.2.DESRIPTIVE STATISTICS-----	40
4.2.1. PROFILE OF RESPONDENTS.....	40
4.2.2. RELIABILITY STATISTICS-----	42
4.2.3. DESCRIPTIONS INDICATING SERVICE QUALITY.....	44
4.2.4. LEVEL OF EXPECTATION AND PERCEPTION ON SQ IN CBE.....	44
4.2.5. RESPONSES OF THE PROPOSED STATEMENTS.....	45
4.2.6. EXPECTATIONS AND PERCEPTIONS DISCUSSED.....	46
4.3.GAP ANALYSIS.....	47
4.4.OVERALL SATISFACTION WITH SERVICE QUALITY.....	47
4.5.CORRELATION ANALYSIS.....	52
4.6.REGRESSION ANALYSIS-----	54
CHAPTER FIVE.....	57
5. CONCLUSIONS AND RECOMMENDATIONS.....	57
5.1.CONCLUSIONS.....	57
5.2.RECOMMENDATIONS.....	59
5.3.FUTURE RESEARCH-----	60
REFERENCES.....	61
ANNEXES.....	65

CHAPTER ONE

1. INTRODUCTION

1.1. Background

Consumers all over the world have become more quality conscious; hence there has been an increased customer demand for higher quality service. Service operations worldwide are affected by this new wave of quality awareness and emphasis Osei-poku (2012). Therefore service based companies like the banks are compelled to provide excellent services to their customers in order to have sustainable competitive advantage, especially in the current trend of intense competition and globalization. Due to globalization, companies now compete in markets all over the world. Foreign and domestic companies are realizing that profit can be achieved through customer satisfaction. To win the competition in a global market, delivering high quality services as to customers being better than others is vital. Service quality is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed Gronroos (1984); Parasuraman et al., (1985, 1988). A number of experts define service quality differently. Parasuraman et al. (1985) define it as the differences between customers, expectation of services and their perceived service. If the expectation is greater than the service performance, perceived quality is less than satisfactory and hence, customer dissatisfaction occurs.

According to Thomas O. Jones and W. Earl, (1995) customers experience various levels of satisfaction or dissatisfaction after each service experience according to the extent to which their expectations were met or exceeded. Because satisfaction is an emotional state, their post purchase reactions can involve anger, dissatisfaction, irritation, neutrality, pleasure, or delight. Obviously, angry or dissatisfied customers are troublesome because they may switch to another company and spread negative word of mouth. But is it sufficient just to satisfy a customer? After all, a firm might reason that products and services are rarely perfect and people are hard to please. Companies that take this approach may be asking for trouble because there is a lot of evidence that merely satisfying customers is not enough.

Jones and Sasser (1995) marginally satisfied or neutral customers can be lured away by competitors. A delighted customer, however, is more likely to remain loyal in spite of attractive competitive offerings. Customer satisfaction plays an especially critical role in highly competitive industries, where there is a tremendous difference between the loyalty of merely satisfied and completely satisfied or delighted customers.

To improve its customer satisfaction levels, a company must first find out how satisfied or dissatisfied its current customers actually are. 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. To assess customer satisfaction, gap model is appropriate and convenient. According to Gilmore (2003), Satisfaction is calculated as the difference between perceptions and expectations.

Customers' choice of a bank over another is based on several factors such as the location, interest rates, quality of service delivery and the bank's reputation. However, service quality is one of the key factors and thus received considerable attention by organizations. Financial services, particularly banks, compete in the market place with generally undifferentiated products; therefore, service quality becomes a primary competitive weapon. The banking industry is highly competitive; banks do not only compete among each other; but also with non-banks and other financial institutions.

Marginally satisfied or neutral customers can be taken away by competitors. A delighted customer, however, is more likely to remain loyal in spite of attractive competitive offerings. Customer satisfaction plays an especially critical role in highly competitive industries like banks, where there is a tremendous difference between the loyalty of merely satisfied and completely satisfied or delighted customers Lovelock (2001).

Commercial Bank of Ethiopia (CBE) was legally established and took its shape as a share company in 1963. CBE took over the commercial banking activity of the then state bank of Ethiopia which was originally founded in 1942. The state bank of Ethiopia had been responsibly engaged in performing the duties of both commercial and central banking CBE (2008/09).

Commercial Bank of Ethiopia is a state owned bank. CBE plays an important role in the country's economy and dominates the market in terms of asset, deposit, capital, and customer base and branch network. While CBE faces a growing competition in the banking industry from private banks, it still stands in the leading position with its long year bank service experience and branch networks CBE (2011/12).

The rich experience of the bank in the service market, its strong capital base and large branch network enabled CBE to attract and accommodate extremely high demand from both private and public companies and give the bank the opportunity to increase its revenue in a sustainable base CBE (2011/12).

Currently, the bank has 780 branches all over the country and it still takes the lead contributing bigger share in the country's economy than other private competitive banks (<http://www.combanketh.com>) / dd. 25.01.14).

In the intention to improve its services, retain and attract customers, CBE has introduced innovative measures like extended business hours, ATM services, internet banking, and improved banking hall facilities among others, all in the interest of enhancing customers' comfort. These efforts which aimed at bringing satisfaction to the customers seem to be still ineffective. Customers' preferences and expectations seem not to match up with the bank's initiatives. There is continuous complaint of long waiting at the banking hall, absence of parking lots, failure of network system, and Automatic Teller Machines; and defection to other banks.

Therefore, this study will focus on banking industry so as to identify basic service quality attributes, service delivery and customer satisfaction in banking sector.

1.2. Statement of the Problem

The unique characteristics of service contribute to the complexities involved in assessing and managing service quality. Since Quality can be several things at the same time and may have various meanings, depending on the person. This complicates both the consumer's assessment of service quality and the provider's ability to control it. Most services involve a direct contact between the customers and the service provider Mersha and Abdalsha (1990). This means that, in addition to task proficiency, interpersonal skills like courtesy, friendliness,

tolerance and pleasantness are important dimensions of quality, particularly in high contact service where front-line employees are the key to customer satisfactions Mersha and Abdalaha (1990). The customer is the judge of quality. Understanding customer needs, both current and future, and keeping pace with changing markets requires effective strategies for listening to and learning from customers, measuring their satisfaction relative to competitors, and building relationships, customer needs particularly differences among key customer groups must be linked closely to an organization's strategic planning, product design, process improvement, and workforce training activities.

A business can achieve success only by understanding and fulfilling the needs of customers. From a quality perspective, all strategic decisions a company makes are "customer-driven." In other words, the company must show constant sensitivity to emerging customer and market requirements. According to the study by Collart (2000), one of the determinants of success of a firm is how the customers perceive the resulting service quality, as this is the key driver of perceived value. It is the perceived value which determines customer satisfaction. Many firms including banking industries begin to track their customers' satisfaction through measuring their level of service quality perceived by their customers. The most widely used model to measure perceived service quality was developed by Parasuraman et al. (1985, 1988) known as SERVQUAL. According to this model, five dimensions of service quality are: Tangibles, Reliability, Responsiveness, Assurance and Empathy.

In Ethiopia, many customers voice concerns about inefficiency and lack of quality excellence in the banking sector. However, there are inadequate published studies which demonstrate if indeed the quality of banking service in Addis Ababa is poor. This study aims to examine the gap between customers' expectations and perceptions of banking service in Addis Ababa and in general in Ethiopia using the SERVQUAL model.

Thus a service provider must interact effectively with customers to create superior value during service encounters. As such, most banks now have developed a way to address customer problems. To provide quality service, employee needs ongoing training in the necessary

technical skills and knowledge to provide quality service. Employees also need training in interactive skills that allow them to provide courteous and responsive service.

It is desirable for service providers to uncover what attributes customers utilized in their assessment of overall service quality and satisfaction and which attributes are more important. It is important that the banks provide customers with high quality services to survive in the highly competitive business. For this, the banks first need to understand the attributes that consumers use to judge service quality, and monitor and enhance the service performance.

In the “age of customer” delivering quality service is considered an essential strategy for success and survival in today’s competitive environment Dawkins and Reichheld (1990); Parasuraman et al., (1985); Reichheld and Sasser, (1990); Zeithaml et al., (1990). What constitutes service quality has attracted the attention of researchers all over the world.

The emerging situation calls for the assessment of service quality in relation to customer expectation and service performance to help CBE to improve its service quality and enhance satisfaction so as to ensure customer retention and increase its’ profitability.

Keeping in mind the significance of service quality and customer satisfaction, the study was designed to examine the impact of service quality as an independent variable on dependent variable i.e. customer satisfaction.

1.3. Research Questions

Based on the problem analysis and the above explanation about service quality and customer’s satisfaction, at the end the study will answer the following basic questions:

- What is the level of service quality provided by CBE?
- What is the level of satisfaction customers drive from CBE?
- What is the most important service quality dimension from the view point of customer’s?
- What are the expectations and perceptions of customers on services delivered by CBE?
- Is there any relationship between service quality and customer satisfaction?

1.4. Objective of the study

1.4.1. General objective of the study

The main objective of the study was to assess the perception of service quality delivery and customer satisfaction at Commercial Bank of Ethiopia in Addis Ababa.

1.4.2. Specific objectives of the study were to:

1. To examine the perception of customers towards the bank's service quality
2. To identify the most important service quality dimensions that influence customer satisfaction and
3. To investigate the nature of relationships between service quality and customer satisfaction

1.5. Significance of the study

The study identified service quality dimensions and customers perception of service quality of Commercial Bank of Ethiopia to enable the bank to develop strategies to improve the quality of service delivery. Findings from this study will provide the bank with valuable insight in ways of enhancing service quality to induce greater customer satisfaction.

In addition to this, the study will be informative to add up the existing knowledge as it raises different issues related to the relation between the three states i.e. service quality , services quality dimensions and customer satisfaction in the case of CBE.

Last but not least, the study will serve as a guideline for further investigation in the banking industry or related fields in Ethiopia.

1.6. Scope of the Study

Customer's satisfaction can be affected by many factors such as price, access, environmental factors, consumer behavior, quality and etc. But the study only emphasized on service quality and customer satisfaction by using SERVQUAL model since it is the main instrument to assess service quality in service marketing.

Even if CBE has many branches, the study has been restricted on four branches of CBE in Addis Ababa namely (Arada Ghiorgis, Mehal Ketema, Arat Killo and Kidist Mariyam branches) for obtaining the necessary information which helped to make the research meaningful and the sample has been selected from banks saving account customers.

The research had used SERVQUAL model and the research also employed survey research design as a research design.

1.7. Limitations of the Study

- The exclusion of customers of other branches from the sample survey which could have impact on inferring conclusion on the bank's service quality and customers' satisfaction throughout Addis Ababa and in Ethiopia.
- Lack of interest in filling the questioners by the respondents
- Difficulty of understanding questions of SERVQUAL each sides by the customers
- Not including employees of the bank

1.8. Operational Definition of Terms

- ❖ **Service quality:** Service quality is the delivery of excellent or superior service relative to customer expectations
- ❖ **Customer Satisfaction:** is customer's judgment of consumption experience formed through some kind of psychological process that involves some form of comparison of what was expected with what was received
- ❖ **Tangibles:** Appearance of physical facilities, equipment, personnel and written materials
- ❖ **Reliability:** Ability to perform the promised service dependably and accurately
- ❖ **Responsiveness:** Willingness to help and provide prompt service
- ❖ **Assurance:** employee's knowledge and courtesy and their ability to inspire trust and confidence.
- ❖ **Empathy:** caring, individualized attention given to customers
- ❖ **SERVQUAL:** Is an instrument consist of 22 statements covering the five service quality dimensions (4 questions on tangibles, 5 on reliability, 4 on responsiveness, 4 on assurance and 5 on empathy) i.e. a set of 22 statements covering expectations and a set of 22 corresponding statements covering perceptions.
- ❖ **Customer expectation:** means uncontrollable factors including past experience, personal needs, word of mouth, and external communication about bank service.
- ❖ **Customer perception:** means customer's feelings of pleasure / displeasure or the reaction of the customers in relation to the performance of the bank staff in satisfying / dissatisfying the services.
- ❖ **Customers:** saving account customers in CBE

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Definition of Services

A service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. The advance economies of the world are now dominated by services and virtually all companies view services as critical to retaining their customers today and in the future. Even manufacturing companies that, in the past, have depend on their physical goods for their existence but now they come to see and recognize that service provides one of their few sustainable competitive advantages Zeithaml& Bitner (2003). Different authors give different definitions for service.

Kotler (2003) defines services as follows:

“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. Its production may or may not be tied to a physical product”.

Gronroos (1983) defines service as:

"An activity or series of activities of more or less intangibles nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and / or systems of service provider, which are provided as solutions to customer problems".

2.2. Service Characteristics

Glimore (2003) in his book called service marketing and management noted that, central to the debate about marketing tools for services are the characteristics of services, how these characteristics can be refined for different contexts (for example retailing services or not-for-profit services), the tangible and intangible aspects of the service offering and whether there is a difference between services and goods marketing.

In 1963 Regan highlighted that a large and growing market for commodities existed in the development of service systems. In his early work he considered some definitions of services and their characteristics. He recognized that the potential development of the service revolution depended upon the recognition of markets for business expansion, the development of service technologies, consideration of limits and impersonalization of services, the ‘massification’ of taste and the proliferation of services. In this early work, Regan was forecasting how different market segments might, and indeed did, emerge for different types and levels of service.

Others such as Judd (1968) considered the characteristics of services marketing in a specific context. He studied the similarities and differences in product and service retailing by examining the marketing required in terms of product and service development, sales effort and pricing. He concluded that although there were substantial similarities between product and service retailing, the extent of differences between them could not be dismissed as unimportant.

There was also some development and discussion of how concepts and strategies more relevant to services than goods could be developed. Shostack’s (1977) article on “*breaking free from product marketing illustrated the differences between goods and service products*” by using a continuum to highlight the predominantly intangible nature of services. Shostack’s continuum illustrated the range of tangibility in different types of products and services from a tangible product such as salt, through fast food outlets, with both tangible and intangible components, to predominantly intangible services such as teaching.

In addition, Shostack’s work illustrated how some services could be standardized for efficient delivery by breaking down a service into separate tasks. Further development of this work led to the creation of a ‘blueprint’ to illustrate the different processes in delivering a simple service such as a shoeshine operation Shostack (1981). The blueprint is based on illustrating the different actions and the time involved for each action in delivering a shoeshine service. Each action in the service delivery has a model execution time allocated to it, with a certain amount of tolerance. For example, the whole shoe-shine operation should take two minutes, but may take up to three minutes longer if the service is not straightforward. There may be some variance in delivering

the service in some cases where shoes may need to be scraped clean of soil before brushing or where the wrong color of polish is used and has to be removed before applying polish again.

Inherent in all these earlier studies was the desire to reach a general agreement on the characteristics and component parts of a service. These characteristics are now widely agreed and cited in most service texts.

Thirty two years back Shostack developed a refined version of the goods–service continuum and it remains a valuable perspective for understanding the nature of services. The essence of the continuum is that tangibility decreases as one move from left to the right. Tangible entities are in evidence, such as equipment used by a nurse but, in general, they can't be owned or processed like salt or food. Every organization on the continuum delivers some degree of services as part of its total offer. However, it is the organizations to the right which deliver most in the way of service and can therefore truly bear the hallmark 'service organizations'. It is important to make a distinction between those for whom service is part of their total offer and those for whom service is the offer (such as banking). As the later exhibit particular characteristics are that need great attention Lovelock (2001)

For services marketing, the distinguishing features or characteristics of services are important in the design of an appropriate marketing mix. The identification of these characteristics was the concern of much of the earlier research and conceptual development of services marketing.

Muddle and Pirrie (2006), recognized service characteristics as intangibility, inseparability, perishability and heterogeneity. These are defined below.

A. Intangibility

This is the most basic and often quoted difference between goods and services. Unlike tangible goods, services cannot generally be seen, tasted, felt, heard or smelled before being consumed. The potential customer is often unable to perceive the service before (and sometimes during and after) the service delivery. For many customers of car repair, for example, the service is totally intangible – they frequently cannot see what is being done and many are unable to evaluate what has been done.

To help a customer picture a service prior to usage a service organization needs to provide something tangible, e.g. computerized representation of hairstyles or a university prospectus. Therefore, a bank that wants to convey the idea that its service is quick and efficient. It must make this positioning strategy tangible in every aspect of customer contact. The bank's physical setting must suggest quick and efficient service: its exterior and interior should have clean lines; internal traffic flow should be planned carefully; and waiting lines should seem short. The bank's staff should be busy and properly dressed. The equipments computers, copying machines, desks should look modern. The bank's advertisements and other communications should suggest efficiency, with clean and simple designs and carefully chosen words and photos that communicate the bank's positioning.

B. Inseparability (or simultaneous production and consumption)

There is a marked distinction between physical goods and services in terms of the sequence of production and consumption. Whereas goods are first produced, then stored and finally sold and consumed services are first sold, then produced and consumed simultaneously. For the production of many services (e.g. counseling, museums, hairdressing, rail travel, hotels) the customer must be physically present. Some services may be produced and delivered in circumstances where the customer's presence is optional, e.g. carpet cleaning, plumbing. Other services may rely more on written communication, e.g. distance learning course, or on technology, e.g. home banking. Whatever the nature and extent of contact, the potential for inseparability of production and consumption remains.

The involvement of the customer in the production and delivery of the service means that the service provider must exercise care in what is being produced and how it is produced. The latter task will be of particular significance. How bank tellers conduct themselves in the presence of the customer may determine the likelihood of repeat business.

Therefore, proper selection and training of customer contact personnel is necessary to ensure the delivery of quality Kotler and Armstrong (2006).

C. Variability (or heterogeneity)

An unavoidable consequence of simultaneous production and consumption is variability in performance of a service. The quality of the service may vary depending on who provides it, as well as when and how it is provided. One bank provides a fast efficient service and another, a short distance away, delivers a slow, inefficient service. Within a particular bank, one employee is courteous and helpful while another is arrogant and obstructive. Even within one employee there can be variations in performance over the course of a day.

Reducing variability involves determining the causes. It may be due to unsuitable personality traits in an employee which are very difficult to detect at the selection stage. There is nothing much that can be done about this except hope that the employee decides to terminate his/her employment. However, there may be good sound reasons for variations in performance. For example, it could be due to poor training and supervision, lack of communication and information, and generally a lack of regular support.

Some have argued for a replacement of labour with automation and a production line approach to service operations. This would mean a reduction in employee discretion and an increase in standardization of procedures.

Service firms can take several steps towards quality control. First, they can select and train their personnel carefully. Second, they can motivate staff by providing employee incentives that emphasize quality, such as bonuses based on customer feedback or can use 360 degree measurement methods. Third, they can make service employees more visible and accountable to consumers. A firm can check customer satisfaction regularly through suggestion and complaint systems, customer surveys and comparison shopping. When poor service is found, it is corrected. Fourth, service firms can increase the consistency of employee performance by substituting equipment for staff, and through heavy enforcement of standardized as well as detailed job procedures, Hoffman and Bateson (2006).

D. Perishability

Services cannot be stored for later sales or use. Hotel rooms not occupied and airline seats not purchased. As services are performances they cannot be stored. If demand far exceeds supply it

cannot be met, as in manufacturing, by taking goods from a warehouse. Equally, if capacity far exceeds demand, the revenue and/or value of that service is lost.

Fluctuations in demand characterize service organizations and may pose problems where these fluctuations are unpredictable. Strategies need to be developed for producing a better match between supply and demand. On the demand side, differential pricing that is, charging different prices at different times will shift some demand from peak periods to off peak periods. On the supply side, firms can hire part-time employees to serve peak demand. Peak-time demand can be handled more efficiently by rescheduling work so that employees do only essential tasks during peak periods Kotler and Keler (2012)

Table 2.1: Service Characteristics

No	Characteristics	Resulting implications
1.	Intangibility	<ul style="list-style-type: none"> • Service cannot be inventoried • Service cannot patented • Service can not readily displayed or recommended • Pricing is difficult
2.	Heterogeneous	<ul style="list-style-type: none"> • Service delivery and CS depend on employee action • Service Quality depends on many uncontrollable factors • There is no sure knowledge that the service delivered matches what was planned and promoted
3.	Inseparability	<ul style="list-style-type: none"> • Simultaneous production and consumption • Customers participate in and affect the transaction • Customers affect each other • Employees affect the service out come • Decentralization may be essential mass production is difficult
4.	Perishable	<ul style="list-style-type: none"> • It is difficult to synchronize supply and demand with service • Service cannot be returned or resold

Source: Zeithaml, and Bitner, 2003

2.3. Quality

Researchers have concluded that quality has become the key to competitive success and long-term survival. Empirical research has demonstrated a positive relationship between service quality and organizational performance Parasuman, et. al., (1988). Further, quality can be used as an effective strategy for raising return on investment, increasing market share, improving productivity, lowering costs, and achieving customer satisfaction (Anderson and Sullivan, 1993).

Quality is extremely difficult to define in a few words. At its most basic, quality has been defined as “*conforming to requirements*”. This implies that organizations must establish requirements and specifications; once these specifications are established, the quality goal of the various functions of an organization is to comply strictly with them. However, the questions remain whose requirements and whose specifications? Grönroos, C. (2001).

Thus, a second series of definitions states that quality is all about fitness for use. Such definitions are based primarily on satisfying customers` needs .These two definitions are in the concept of customer perceived quality: quality can be defined only by customers and occurs when an organization supplies goods or services to a specification that satisfies customer needs.

2.4. Service quality

Service quality is considered an important tool for a firm`s struggle to differentiate itself from its competitors Ladhari (2008). The relevance of service quality to companies is emphasized here especially the fact that it offers a competitive advantage to companies that strive to improve it and hence bring customer satisfaction.

Service quality has received a great deal of attention from both academicians and practitioners Negi, (2009). In order for a company`s offer to reach the customers there is a need for services. These services depend on the type of product and it differs in the various organizations.

Service can be defined in many ways depending on which area the term is being used.

An author defines service as “*any intangible act or performance that one party offers to another that does not result in the ownership of anything*” Kotler & Keller, (2009). In all, service can also be defined as an intangible offer by one party to another in exchange of money for pleasure.

Parasuraman et al. (1985) define service quality as:

'The difference between customers' expectation of services and their perceived service. If the expectation is greater than the service performance, perceived quality is less than satisfactory and hence customer dissatisfaction occurs'.

Parasuraman, Zeithaml and Berry (1985) described service quality as perceived by consumers starting from a comparison of how they feel firms should perform on this dimension with what they actually perceive. It is the gap between a customer's expectations and perceptions that determine service quality; the smaller the gap, the better the quality of service and the greater the customer satisfaction.

Quality is one of the things that consumers look for in an offer, which service happens to be one Solomon, (2009). Quality can also be defined as the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs Kotler et al., (2002). It is evident that quality is also related to the value of an offer, which could evoke satisfaction or dissatisfaction on the part of the user.

Service quality in the management and marketing literature is the extent to which customers' perceptions of service meet and/or exceed their expectations for example as defined by Zeithaml et al. (1990), cited in Bowen & David, (2005) Thus service quality can intend to be the way in which customers are served in an organization which could be good or poor. Parasuraman defines service quality as "the differences between customer expectations and perceptions of service" Parasuraman, (1988). They argued that measuring service quality as the difference between perceived and expected service was a valid way and could make management to identify gaps to what they offer as services.

2.4.1. Customers' Expectation of Service Quality

Customer expectations are beliefs about a service that serve as standards against which service performance is judged Zeithaml et al., (1993); which customer thinks a service provider should offer, rather than on what might be on offer Parasuraman et al., (1988). This is influenced by their personal needs, past experience, word-of-mouth and service provider's communications. Literatures explained expectation as predictions made by consumer about what is likely to happen from a transaction.

2.4.2. Customers' Perception of Service Quality

Customers' perception of performance is what they experienced Parasuraman et al., (1988). Literature maintains that customers' total perception of a service is based on their perception of the outcome and the process; where the outcome is either value added or quality and the process is the role undertaken by the customer Edvardsson (1998). The customer's perception of quality of service is based on the degree of agreement between expectations and experience Kandampully (1998).

The result of this comparison is perceived service quality Gronroos (1982, 1984); Takeuchi and Quelch, (1983); Parasuraman et al., (1985, 1988). Parasuraman et al, (1988) define perceived quality as a form of attitude, related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance. Therefore, having a better understanding of consumers attitudes will help know how they perceive service quality in banking operations.

The pivot to the concept of service quality is gap model, which stipulates that service quality is a function of the difference scores or gap between expectations and perceptions ($P - E$). The gap between expectation and performance can be positive (satisfactory), when performance exceeds expectations or negative (dissatisfaction), when performance falls short of expectations Anderson, (1973). Service quality is low, if what is perceived is below expectation, and is high, if what is perceived meets or exceeds expectation. The result of this comparison is perceived service quality Gronroos, (1982, 1984); Takeuchi and Quelch, (1983); Parasuraman et al., (1985, 1988).

2.4.3. Service Quality Model (SERVQUAL)

One of the most useful measurements of service quality is the dimensions from the SERVQUAL model. In the creation of this model for the very first time Parasuraman et al. (1985) identified 97 attributes which were condensed into ten dimensions; they were found to have an impact on service quality and were regarded as the criteria that were important to access customer's expectations and perceptions on delivered service Kumar et al., (2009).

The SERVQUAL scale which is also known as the gap model by Parasuraman, et al. (1988) has been proven to be one of the best ways to measure the quality of services provided to customers. This service evaluation method has been proven consistent and reliable by some authors Brown et al., (1993). They held that, when perceived or experienced service is less than the expected service; it implies less than satisfactory service quality; and when perceived service is more than expected service, the obvious inference is that service quality is more than satisfactory Jain et al., (2004). From the way this theory is presented, it seems the idea of SERVQUAL best fits the evaluation of service quality from the customer perspective. This is because when it is stated “perceived” and “expected” service, it is very clear that this goes to the person, who is going to or is consuming the service; who definitely is the consumer/customer.

The original study by Parasuraman et al., (1988) presented ten dimensions of service quality.

- **Tangibles:** the appearance of physical artifacts and staff members connected with the service (accommodation, equipment, staff uniforms, and so on).
- **Reliability:** the ability to deliver the promised service.
- **Responsiveness:** the readiness of staff members to help in a pleasant and effective way.
- **Competence:** the capability of staff members in executing the service.
- **Courtesy:** the respect, thoughtfulness, and politeness exhibited by staff members who are in contact with the customer.
- **Credibility:** the trustworthiness and honesty of the service provider.
- **Security:** the absence of doubt, economic risk, and physical danger.
- **Access:** the accessibility of the service provider.
- **Communication:** an understandable manner and use of language by the service provider.
- **Understanding the customer:** efforts by the service provider to know and understand the customer.

Further investigation led to the finding that, among these 10 dimensions, some were correlated. After refinement, these ten dimensions above were later reduced to five dimensions. Service quality dimensions represent how customers organize information about service quality in their minds Zeithaml and Bitner (2003). On the basis of exploratory and quantitative research, these five dimensions were found relevant for banking, insurance, appliance repair and maintenance.

Tangibility: physical facilities, equipment, and appearance of personnel

Reliability: ability to perform the promised service dependably and accurately

Responsiveness: willingness to help customers and provide prompt service

Assurance: knowledge and courtesy of employees and their ability to inspire trust and Confidence

Empathy: caring individualized attention the firm provides to its customers

The aggregated sum of difference between perceptions and expectations from the five dimensions forms the global perceive quality construct. Laroche, et al., (2004).

Following this view, customers' expectations were met through the **outcome dimension** (reliability) and exceed it by means of the **process dimension** (tangibility, assurance, responsiveness, and empathy).

To confirm the validity of SERVQUAL model in the evaluation of service quality, Zeithaml et al (2006), stated that “*service quality is a focused evaluation that reflects the customer’s perception of reliability, assurance, responsiveness, empathy, and tangibles*”. They added that among these dimensions, “reliability” has been shown consistently to be the most important dimension in service quality Zeithaml et al., (2006).

Other researchers saw the need of additional components of service expectations that is **functional and technical dimensions**. Grönroos, (1983.) The idea was that, consumers make service evaluations based on the technical dimension that is what is delivered and on the functional dimension that is how, why, who, and when it is delivered. Laroche et al., (2004), Grönroos, (1983)

Although the elements listed in SERVQUAL model have been proven to be the main method for evaluating service quality from the consumer’s perspective Brown et al., (1993), drawbacks in using SERVQUAL in measuring service quality has been the reason that the SERVPERF scale was proposed by Cronin & Taylor (1992), cited in Jain et al. (2004) after they called into question the conceptual basis of the SERVQUAL, having found it, led to confusion with service satisfaction. These researchers discarded the ‘E’ for ‘expectation’ claiming instead that ‘P’ for ‘performance’ alone should be used. They meant that higher perceived performance entails

higher quality service. Unfortunately, during this past century, customers have changed their behaviors in ways that do not suit organizational behavior. Till date, it is unclear as to which of SERVQUAL and SERVPERF is superior in measuring service quality Jain et al., (2004).

2.4.4. Criticisms of SERVQUAL

Although SERVQUAL has been widely used in business-to-business and business-to-customer settings, this does not mean the scale has not been subject to constant re-examination and criticism Ograjenšek, I. (1999). the main objections to SERVQUAL are as follows:

- ❖ **Object of measurement.** It is not clear whether the scale measures service quality or customer satisfaction.
- ❖ **Length of the questionnaire.** The SERVQUAL questionnaire is too long. It could be shortened by elimination of expectation scores, elimination of certain items (those without the clear mode) and/or fusion of the interrelated dimensions of *reliability*, *responsiveness* and *assurance* into one dimension called *task-related receptiveness*.
- ❖ **Timing of questionnaire administration.** The main issue here is whether to distribute the questionnaire before or after the service experience. In other words, should expectations be solicited before the service experience or away from the actual point of service delivery and unrelated to an encounter? Some researchers compromise by collecting their data after the service experience at the actual point of service delivery. Consequently, they fear that this might have loaded their results towards performance, while those of other researchers might have been loaded towards expectations.
- ❖ **Use of the Likert scale.** The issues such as the number and labeling of points or the inclusion of a middle alternative in the scale are very important. SERVQUAL authors use a seven-point scale, while in many replication studies a five-point scale is adopted to increase response rate and response quality.

Another problem is the equality of distances between points on the Likert scale as perceived by the respondent. It should be noted that one person's 'complete satisfaction' might be less than another's 'partial satisfaction'. Duffy, J. and Ketchard A. (1998).

Furthermore, once the respondents have marked the extreme point and want to express an even stronger opinion on the next item, this can no longer be reflected in the answer, since the maximum score has already been given.

While some authors argue that none of these problems matter as long as the answers are normally distributed, others point out that in practice the majority of service quality surveys tend to result in highly skewed customer responses.

This is why an average rating based on the arithmetic mean of the customer responses is likely to be a poor measure of central tendency, and may not be the best indicator of service quality.

Some researchers suggest that it might be better not to use difference scores since the factor structure of the answers given to the questions about expectations and perceptions, and the resulting difference scores, are not always identical. Additionally, research shows that performance perception scores alone give a good quality indication.

Therefore a modified SERVQUAL scale using only performance perceptions to measure service quality (called SERVICE PERFORMANCE or SERVPERF) has been proposed. Cronin & Taylor (1994).

A three-component measurement model including perceptions, expectations and perceived importance ratings or weights of service attributes was also suggested. A rationale for this model is the following: while customers might expect excellent service on each attribute, all of the attributes involved may not be equally important to them.

- ❖ **Generalization of service quality dimensions.** The empirically identified five factor structure cannot be found in all service industries. Only the existence of the *tangibles* dimension is confirmed in all replication studies, in which the number of distinct service quality dimensions otherwise varies from one to nine. It seems that the dimensionality of service quality might be determined by the type of service a researcher deals with. That is why many versions of the questionnaire have been suggested for instance Parasuraman et al (1988, 1991) used a 22-item version for banks, credit card companies, repair and maintenance companies and telephone companies. Carman (1990) used a 16-item

questionnaire for a dental clinic, a 32-item one for a placement centre, a 21-item one for a tyre store and a 26-item one for a hospital.

- ❖ **The static nature of the model.** There exist a number of long-term service processes (such as education) where both perceptions and expectations (and consequently quality evaluations) change in time. For these service processes, a dynamic model of service quality should be developed.
- ❖ **Inclusion of price** While being widely applied, the SERVQUAL model has also received criticism for not including prices in the assessment. Brown, S. and Swartz, T. (1989).

2.4.5. Service Quality in Banking

Service quality is gaining more importance in the banking industry and the value of improving service quality should be determined. Riadh et al., (2011) suggest that developing strong relationships between customers and financial institutions serve as incentives for customers to remain loyal and thus provide financial institutions with a source of differential advantage. Similarly Siddiqi (2010) finds that a centrally important aspect of a commercial customer's dealing with a bank is the quality of the long-term relationship that develops with the bank.

The results of their research indicate four potentially important aspects of the retail bank service delivery systems, general bank personal service, teller personal service, reaction capacity, and location convenience. The research results support the hypotheses that retail bank customer's perceptions of these issues may be related to customer satisfaction and intentions to do business with the bank in future. These include intentions to purchase additional products and intentions to give the bank a larger percentage of the customer business. LeBlanc, & Nguyen (1988) as cited in Siddiqi (2010) focused on service quality in financial institutions and discussed six factors that explain perceived service quality, (a) degree of customer satisfaction, (b) contract personnel, (c) internal organization, (d) physical environment and instruments, (e) corporate image, and (f) personnel-customer interaction during the service encounter, contribute to service quality.

In addition to the above explanations, good quality of service provides numerous benefits to banking industry like better corporate image, enhancement in customer satisfaction, cross selling opportunities, decreased customers defection, increased chances of word to mouth

recommendation and facilitates the maintenance of long term and good customer relationships Bauman et al. (2007); Ehigie (2006); Hawke and Heffernan (2006); Wang et al. (2003). In modern banking system maintaining and developing long term customer relationships is essential for competitive business Camarero (2007).

SERVQUAL is a well-known research instrument for evaluating service quality in banking industry. SERVQUAL perfectly covers the dimensions that are considered by a customer in evaluating quality of service in a bank. SERVQUAL can generally be applied for evaluating service quality in any service sector Parasuraman et al. (1988). Most of the studies have utilized SERVQUAL for evaluating service quality of banking industry Arasli et al. (2005); Zhou (2004); Chi Cui et al. (2003); Lam (2002); Zhou et al. (2002); Othman and Owen, (2001). Many alternative instruments to SERVQUAL have also been applied in banking sector Guo et al. (2008); Karapte et al. (2005); Jabnoun and Al-Tamimi, (2003); Aldlaigan and Buttle, (2002); Bahia and Nantel (2000)

The SERVQUAL questionnaire covers these five service quality dimensions using two portions. One portion is comprised of expectations of customer and other is based on received service quality perception. Each portion has 22 items. The use of SERVQUAL instrument has already been validated in assessing service quality of repair and maintenance service providing firm, long-distance telephone corporation, telecommunication, Credit Card Company, information system, libraries, insurance, restaurant, health care and retail chains as cited in Ilyas et.al., (2013) Parasuraman et al. (1988); Vander Wal et al. (2002); Kilbourne et al. (2004); Lee and Ulgado (1997); Mels et al. (1997); Parasuraman et al. (1985); Jiang et al. (2000); Cook and Thompson (2001).

The applicability of SERVQUAL in banking sector has revealed various results. SERVQUAL application in Cyprus banking industry has identified three dimensions influencing the service quality i.e. tangibles, reliability, and responsiveness-empathy. Assurance has been eliminated due to inadequate factor loadings Arasli et al., (2005). Use of SERVQUAL in Chinese banking sector have revealed six dimensions of service quality i.e. tangibles, reliability, responsiveness, assurance, empathy 1 (understanding of needs) and empathy 2 (convenient operating hours) Lam (2002).

2.5. Customer Satisfaction

2.5.1. What is customer satisfaction?

Customers experience various levels of satisfaction or dissatisfaction after each service experience according to the extent to which their expectations were met or exceeded. Because satisfaction is an emotional state, their post purchase reactions can involve anger, dissatisfaction, irritation, neutrality, pleasure, or delight Lovelock (2001).

Kotler and Keller (2012) define satisfaction as follows:

“Satisfaction reflects a person’s judgment of a product’s perceived performance in relationship to expectations. If the performance falls short of expectations, the customer is disappointed. If it matches expectations, the customer is satisfied. If it exceeds them, the customer is delighted.”

Obviously, angry or dissatisfied customers are troublesome because they may switch to another company and spread negative word of mouth. But is it sufficient just to satisfy a customer? After all, a firm might reason that products and services are rarely perfect and people are hard to please. Companies that take this approach may be asking for trouble because there is a lot of evidence that merely satisfying customers is not enough. Marginally satisfied or neutral customers can be taken away by competitors. A delighted customer, however, is more likely to remain loyal in spite of attractive competitive offerings. Customer satisfaction plays an especially critical role in highly competitive industries, where there is a tremendous difference between the loyalty of merely satisfied and completely satisfied or delighted customers Hoffman and Bateson (2006).

Although a variety of alternative definitions exist, the most popular definition of customer satisfaction or dissatisfaction is that it is a comparison of customer expectations to perceptions regarding the actual service encounter. Comparing customer expectations with their perceptions is based on what marketers refer to as the expectancy disconfirmation model. Simply stated, if customer perceptions meet expectations, the expectations are said to be confirmed and the customer is satisfied. If perceptions and expectations are not equal, then the expectation is said to be disconfirmed Hoffman and Bateson (2006).

According to Hoffman and Bateson (2006) the term disconfirmation sounds like a negative experience, it is not necessarily so. There are two types of disconfirmations. If actual perceptions were less than what was expected, the result is a negative disconfirmation, which results in customer dissatisfaction and may lead to negative word-of-mouth publicity and/or customer defection. In contrast, a positive disconfirmation exists when perceptions exceed expectations, thereby resulting in customer satisfaction, positive word-of-mouth publicity, and customer retention.

2.5.2. Factors that Affect Customer Satisfaction

Matzler et al., (2002), went a step forward to classify factors that affect customers' satisfaction into three factor structures;

- ❖ **Basic factors:** these are the minimum requirements that are required in a product to prevent the customer from being dissatisfied. They do not necessarily cause satisfaction but lead to dissatisfaction if absent. These are those factors that lead to the fulfillment of the basic requirement for which the product is produced. These constitute the basic attributes of the product or service. They thus have a low impact on satisfaction even though they are a prerequisite for satisfaction. In a nutshell competence and accessibility
- ❖ **Performance factors:** these are the factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled. These include reliability and friendliness.
- ❖ **Excitement factors:** these are factors that increase customers' satisfaction if fulfilled but does not cause dissatisfaction if not fulfilled which include project management.

Similarly Zeithaml and Bitner (2003) stated determinants of customer satisfaction are: **Product and Service Features:** Customer satisfaction with a product or service is influenced significantly by the customer's evaluation of the product or service features. In conducting satisfaction studies, most firms will determine through some means (often focus groups) what the important features as well as over all service satisfaction.

Customer Emotion: Customers' emotions can also affect their perceptions of satisfaction with products and services. These emotions can be stable, preexisting emotions-example: mood state or life satisfaction.

Attributions for Service Success or Failure: Attributions are the perceived causes of events, influence perceptions of satisfaction as well. When they have been surprised by an outcome (the service is either much better or worse than expected), customers tend to look for the reasons and their assessment of the reasons can influence their satisfaction.

Perceptions of Equity or Fairness: Customers ask themselves: have I been treated fairly compared with other customers? Did other customers get better treatment, better prices, or better quality services? Did I pay a fair price for the service? Notion of fairness are central to customers' perceptions of satisfaction with products/services.

Other consumers, family members, and coworkers: In addition to products and service features one's own individual feelings and beliefs, consumer satisfaction is often influenced by other people.

2.5.3. Measuring Customer Satisfaction

According to Hoffman and Bateson (2006) and Zeithaml et.al. (2009), customer satisfaction is often measured by direct and indirect measures. Direct measures relate to the data obtained from customer satisfaction surveys. Indirect measures refer to tracking and monitoring sales records, profits and customer complaints.

Customer satisfaction ratings are usually fairly high. The various confounding factors that occur during the data collection process such as genuine satisfaction of customers, response bias, method of data collection, issues relating to the questions in the form, timing, context, social desirability bias and mood of the customer commonly influence ratings. In fact, satisfaction surveys might increase customer satisfaction regardless of the good or service being evaluated. More feedback is provided to the services organization in a meaningful manner by setting standards using past satisfaction measures and comparisons with competition Hoffman and Bateson (2006).

Services marketers should promise customers only enough to attract them and then provide them with more than they expect. In this case a service organization has a better chance of delighting their customers rather than trying to attract them by advertising service as ‘the best’ or highest quality. Even if that were true, claiming so undermines the chance of delighting a customer and so the chance of positive word of mouth promotion for a service organization Lovelock (2004).

2.6. Relationship Between Service Quality and Customer Satisfaction

According to Sureshchandar et al., (2002), customer satisfaction should be seen as a multi dimensional construct, just as service quality it can occur at multi levels in an organization and it should be operationalised along the same factors on which service quality is operationalised.

Satisfaction is the state felt by a person who has experienced a performance or outcome that has fulfilled his or her expectations. Satisfaction is thus a function of relative levels of expectation and perceived performance. Expectations are formed on the basis of past experiences with the same or similar situations, statements made by friends and other associates, and statements made by the supplying organization. Customer satisfaction can be defined as when the customer’s expectation of the service provided matches his perception of the actual service received. Customers judge the services provided or the product delivered by making a very subjective value judgment which many times do not reflect reality Cronin & Taylor (1992)

Customer satisfaction is conceptualized as been transaction-specific meaning, it is based on the customer’s experience on a particular service encounter, Cronin & Taylor (1992) and also some think customer satisfaction is cumulative based on the overall evaluation of service experience Jones & Suh (2000).

These highlight the fact that customer satisfaction is based on experience with service provider and also the outcome of service. Parasuraman et al., (1985) suggested that when perceived service quality is high, then it will lead to increase in customer satisfaction.

He supports the fact that service quality leads to customer satisfaction and this is in line with Saravana & Rao (2007) and Lee et al., (2000) who acknowledge that customer satisfaction is based upon the level of service quality provided by the service provider.

The causal order of relationship between service quality and consumer satisfaction has been a matter of considerable debate within the marketing literature. Different positions have been advanced. First, service quality has been identified as an antecedent to satisfaction.

Within this causal ordering, satisfaction is described as a “post consumption evaluation of perceived quality” Anderson and Fornell (1994). Rust and Oliver (1994), offer support for this position in their suggestion that quality is “one of the service dimensions factored into the consumers’ satisfaction judgment” as Parasuman did who specifically suggest that service quality is an antecedent of customer satisfaction Brady *et. al.*, (2001).

However, some researchers argue that satisfaction is antecedent to service quality. Bitner (1990), borrowing from Oliver’s (1980) conceptualization of the relationship between satisfaction, service quality, and consumer behavior toward the firm, suggests that service encounter is an antecedent of service quality. Finally, Bitner and Hubert (1994) advocate this satisfaction service quality causal order based on the premise that service quality is akin to a global attitude and therefore encompasses the more transient satisfaction assessment. Cronin and Taylor (1992) propose a structural model that empirically supports a non-recursive relationship between two constructs.

2.7. Gaps Model of Service Quality

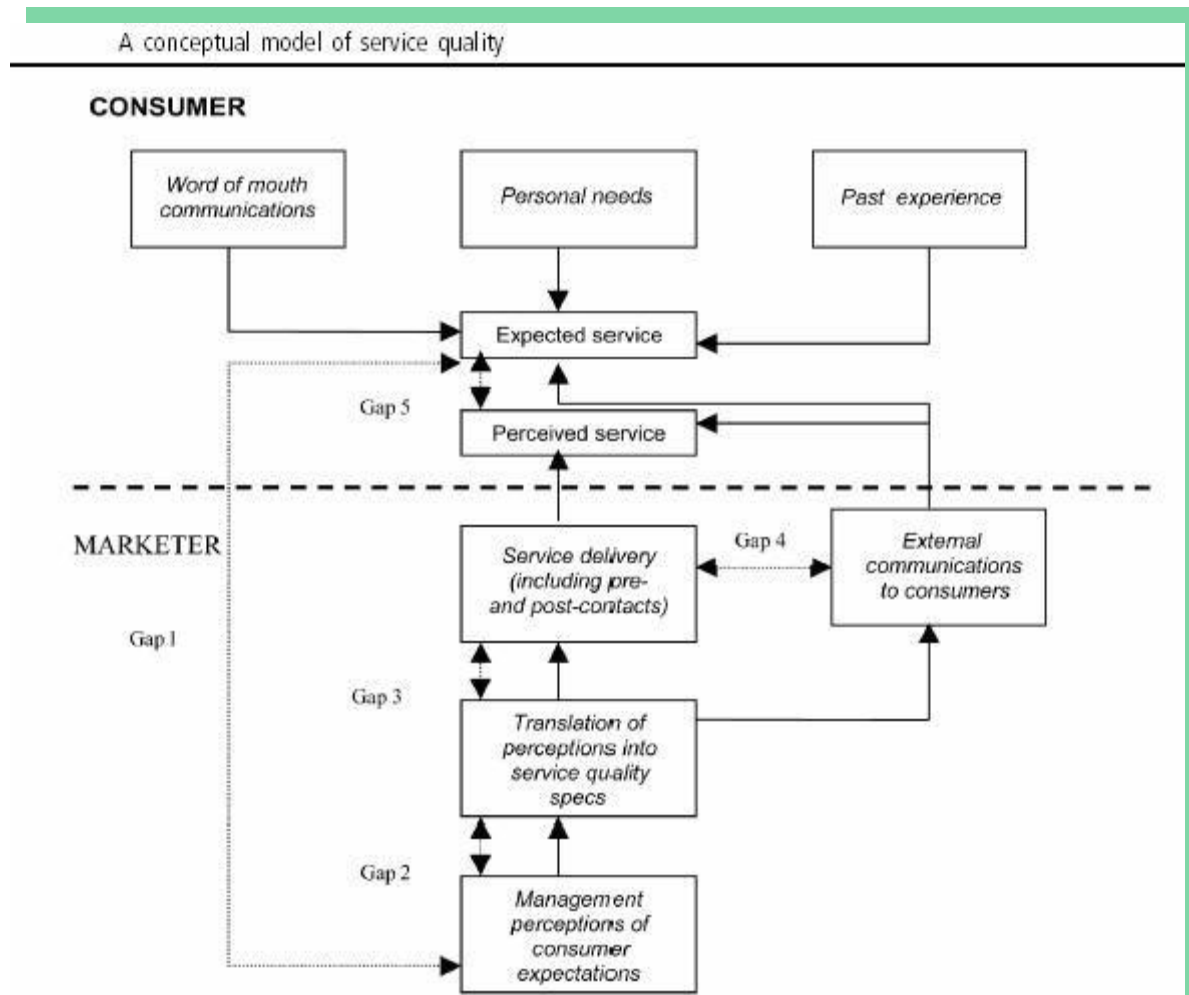
Implementing and evaluating service quality is a difficult task. In the first place, perceptions of quality tend to rely on a repeated comparison of the customer’s expectation about a particular service. If a service, no matter how good, fails repeatedly to meet a customer’s expectations, the customer will perceive the service to be of poor quality. Second, unlike goods marketing, where customers evaluate the finished product alone, in services, the customer evaluates the process of the service as well as its outcome. A customer visiting a physician, for example, will evaluate service not only on the basis of whether he or she experienced a positive outcome (e.g., feeling better), but also on whether the physician was friendly, competent, and caring.

In the hopes of better understanding how a firm can improve its overall service quality, the service quality process can be examined in terms of five gaps between expectations and perceptions on the part of management, employees, and customers Parasuraman et al., (1985)

The most important gap, the **service gap**/Gap 5, describes the distance between customers' expectations of service and their perception of the service actually delivered. Ultimately, the goal of the service firm is to close the service gap, or at least narrow it as much as possible. However, service quality focuses on the customer's cumulative satisfaction toward the firm, which is collected by the consumer from a number of successful or unsuccessful service experiences.

A service performance that surprises and delights customers by falling above their desired service levels will be seen as superior in quality. If service delivery falls within their zone of tolerance, they will feel that it's adequate. But if perceived quality falls below the adequate service level expected by customers, a discrepancy or quality gap has occurred between the service provider's performance and customer expectations Lovelock (2001).

Figure: 2.1. The Gap Model



Source: Parasuraman et al, 1985

Gap1: Consumer expectations _management perceptions of consumer expectations.

Gap 2: Management perceptions of consumer expectations service quality specifications actually set.

Gap 3: Service quality specifications actual service delivery.

Gap 4: Actual service delivery external communications about service.

Gap 5: The final gap is the result of the four other gaps.

2.8. Conceptual Framework

The study assessed how service quality and its dimensions affect customers' satisfaction. Customers' satisfaction is dependent variable which depends on many factors in the service giving organization. From these several factors service quality and its five dimensions possess the lion share to satisfy customers. Therefore, the study has been entitled with these major factors as independent variables and the dependent variable customer satisfaction. The services given by the bank will affect the banks satisfaction and its performance level.

If the bank matches customers' expectation with the customers' perception, customers will be satisfied. This in turn leads the customers as a walking advertiser. However, if customers expectation higher than actual performance or perception, they are ready to switch from the bank and go to competitors bank which will give them a superior service. So that, as demonstrated in the figure below variables in the study interacted accordingly.

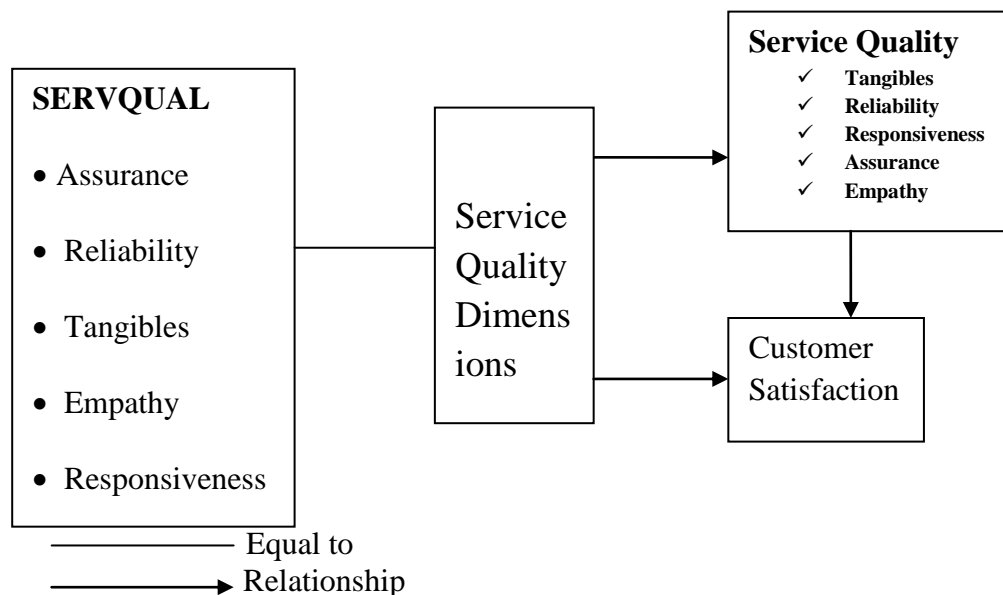


Figure 2: the impact of service quality and the relationship between service quality and customer satisfaction

Source: Adopted from *Agbor (2011)*

CHAPTER THREE

3. METHODOLOGY

3.1. Research Design and Research Approach

This part of the research presents research design, research strategy, describes the research methods, sampling techniques and the instruments were employed in the data gathering. There are different researches designs that were employed in different researches based on the purpose of the research. The most popular are **experimental, quasi-experimental and non experimental or qualitative designs**, Geoffrey M., David D. and David F., (2005). From the above mentioned research designs non experimental design further classified into different sub designs these are **case studies, naturalistic observations, surveys and focus groups**. According to Geoffrey M., David D. and David F., (2005), survey research studies ask large numbers of people questions about their behaviors, attitudes, and opinions. Some surveys merely describe what people say they think and do. Others survey studies attempt to find relationships between the characteristics of the respondents and their reported behaviors and opinions. When surveys are conducted to determine relationships, they are referred to as correlation studies. Campbell and Katona (1953) cited in Geoffrey M., David D. and David F., (2005) stated there are nine general steps to conduct survey study. These are general objectives, specific objectives, sample, questionnaire (open ended, closed ended and Likert scales), field work, content analysis, analysis plan, tabulation, and analysis and reporting. The purpose of this research design was to assess the correlation between service quality and customer satisfaction and service quality dimensions and customer satisfaction. Therefore, the research used descriptive research design and survey research method to assess service quality and customer satisfaction of CBE.

3.2. Research Approach

There are three research approaches that are used in different researches. These are quantitative, qualitative and mixed methods Creswell (2003). Qualitative research approach to research is concerned with subjective assessment of attitudes, opinions and behavior Kothari, (2004). Such an approach to research generates results either in non-quantitative form or in the form which are not subjected to rigorous quantitative analysis. Generally, the techniques of focus group

interviews, projective techniques and in-depth interviews are used. In addition, the purpose of qualitative research is to gain a deeper understanding and describe a problem. On the other hand quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity Kothari (2004). The purpose of quantitative research is to gather, analyze, and measure statistical data. In a quantitative research approach a number of objects are selected and studied in order to increase the ability to draw general conclusions.

Based on the above explanation, the student researcher used quantitative research approach in the study in order to assess the service quality and customer satisfaction in CBE. Since the service provision of the bank affects customer satisfaction, the researcher used questionnaire of Likert scales type with five service quality dimensions (quantitative approach) to know customers' expectations and perceptions about the CBE. The primary data was collected through questionnaire from the selected area banks' customers.

3.3. Research design

The goals of scientific research, in broad terms, are to answer questions and acquire new knowledge Geoffrey M., David D. and David F., (2005). This is typically accomplished by conducting research that permits drawing valid conclusions about the relationship between two or more variables. Most researchers agree that the two general goals of scientific research are description, and understanding/explanation.

Explanatory being able to describe something and having the ability to predict one thing based on knowledge of another are important goals of scientific research, but they do not provide researchers with a true understanding of a phenomenon Geoffrey M., David D. and David F., (2005). One could argue that true understanding of a phenomenon is achieved only when researchers successfully identify the cause or causes of the phenomenon.

Descriptive: description refers to the process of defining, classifying, or categorizing phenomena of interest. Descriptive research is useful because it can provide important information regarding the average member of a group Geoffrey M., David D. and David F., (2005). Specifically, by gathering data on a large enough groups of people, a researcher can

describe the average member, or the average performance of a member, of the particular group being studied.

One of the common problems is that descriptive designs do not provide direct cause and effect relationships Shukla, (2008). On the other hand, managers continually make decisions based on assumed relationships. As these assumptions are based on intuitions, they are hardly justifiable and validity of such causation should be examined with causal decisions. Thus, causal design provides answers to such questions by explaining which variables are the cause (independent variable) and which are the effect (dependent variable).

Therefore, the purpose of the research is mainly descriptive and explanatory. It is descriptive because descriptive data were collected through structured questionnaire from customers and also explanatory since the researcher explained the relationship between the service quality variables and customer satisfaction and how these dimensions affect customer satisfaction. The emphasis here is on studying a situation or a problem in order to explain the relationship between variables. The objective with this kind of research is to analyze cause-effect relationship, explaining what cause produces what effect.

3.4. Sample Design

3.4.1. Target Population

Target population is a population can be defined as all people or items (unit of analysis) with the characteristics that one wishes to study. The unit of analysis may be a person, group, organization, country, object, or any other entity that the researchers wish to draw scientific inferences about Bhattacharjee, (2012). The target populations of the study were saving account customers of CBE in Addis Ababa more specifically, saving account customers of four branches of CBE. From more than 126 branches of CBE in Addis Ababa the four branches were selected because of their convenience. The sample of the study selected from four branches of CBE in Addis Ababa by using non probability sampling of four branches these are Arada Ghiorgis, Mehal Ketema, Arat kilo and Kidist Mariyam branches of which have 80,068, 40,374, 106,002 and 34,289 saving account customers respectively *CBE MIS raw data as that of(December 31, 2013)*. The sampling units were saving account customers of the selected branches.

3.4.2. Sample Selection

There are several ways in which potential participants can be selected for inclusion in a research study, and the manner in which participants will be selected is determined by several factors, including the research question being investigated, the research design being used, and the availability of appropriate numbers and types of study participants Geoffrey M., David D. and David F., (2005). It is typically not practical to include every member of the population of interest in a research study. Time, money, and resources are three limiting factors that make this unlikely. Therefore, most researchers are forced to study a representative subset a **sample** of the population of interest.

Israel (2003) as cited in Hussein (2012) summarized that there are four strategies to decide sample size including (1) census for small populations, (2) imitating a sample size of similar studies, (3) applying formulas to calculate a sample size, and (4) using published tables. The first strategy 'census' is appropriate for the population of 200 or less. It allows collecting data from all subjects, thus eliminating sampling error that will occur because only a part of the population is directly contacted. This strategy, however, is impossible when conducting research on a larger population and when cost is a factor. Secondly, imitating a sample size of similar studies will save time for the research. However, the major drawback is the risk of repeating errors that are made in determining the sample size for another study; however, if the procedure are convincing, they will be included. Thirdly, applying the calculation methods for determining a sample size allow the researcher to achieve the necessary sample size for a different combination of levels of precision, confidence, and variability of a particular study. Fourthly, using published tables will save time for the researcher because calculating a number of sample sizes for different given set of criteria will make available.

Coming to the appropriate number of participants, identifying a sufficient sample size is important. Larger sample sizes are desirable as they are more representative of the population and inversely proportional to sampling error.

According to Yamane (1967 cited in Israel 2003) cited in Hussein, (2012), there are three criteria usually need to be specified to determine appropriate sample size ; level of precision, level of

confidence, and degree of variability. So that given these three criteria, the sample size had been determined based on the following simplified formula:

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

Where, n is sample size, N is the population size and e is the level of precision. A 95% confidence level and e = 0.05, will assume for the purpose of determining sample size for this study. Accordingly, the sample size for the study is calculated as follows.

$$n = \frac{260,733}{1 + 260,733(0.05)^2}$$

$$n=399 \text{ customers}$$

Therefore, the researcher had selected 399 respondents from four branches of the bank and had distributed one self-administered questionnaires for each respondent. The number of customers who included in the survey from each branch had determined by using proportional quota sampling based on the number of customers they have. The number of customers from each branch will be explained in the following table.

Hence the samples selected from four branches of CBE the proportionate customers selected by using the following formula:

$$ni = \frac{n * Ni}{N}$$

Where, ni is quota of branch i, n is total sample size selected, Ni is population of the i branch and N is total population of the four branches.

Table 3.1: proportionate sample size from each branch

S.N.	Branch Name	Number of customers	proportion of total population	Number of customers for each branch
1	Arada Giorgis	80,068	30.7	122
2	Mehal Ketema	40,374	15.5	62
3	Arat Kilo	106,002	40.66	162
4	Kidist Mariyam	34,289	13	53
Total		260,733	100	399

3.5. Data sources and Data collection method

The study made use of primary and secondary data sources in order to gather relevant information for the study. The primary data were collected from the selected respondents of the bank understudy and MIS office of the bank. The study employed mainly questionnaire in collecting the primary data and the analysis was substantially based on primary data. The secondary data which were collected from existing literature formed the literature review of the study. The sources of the secondary data included books, journals, articles obtained from library and internet sources from.

In business research, it is hardly possible to control or manipulate a variable which is a good reason to count on social survey. Variables like gender, age, and social background are given and cannot be amended Bryman & Bell (2007) as cited in Hussein (2012). This makes it totally infeasible to use the experimental design and the student researcher resort to survey.

3.6. Methods of Data Analysis

The dimensions of the SERVQUAL model used for measuring service quality Parasuraman et al., (1988) had efficiently exploited when the researcher carry out survey, since it deals with expectations and perceptions of individuals about services offered by the bank. For the researcher to know how customers perceive service quality, it is appropriate to use self complete

questionnaires which give the respondents a chance to independently and anonymously give answers that reflect their expectations and perceptions. The questionnaire developed from the SERVQUAL model and this made it objective and not biased.

After all the data have been collected the process of data analysis was undertaken. To summarize and rearrange the data several interrelated procedures performed during the data analysis stage. The demographic characteristics has been summarized by using frequencies and percentages for all variables including age and sex; data that collected from customers through questionnaire has been analyzed by using descriptive statistics, regression and correlation data analysis techniques. To undertake statistical analysis the student researcher used MS-Excel and SPSS as helping tool.

3.7. Validity and Reliability of Instruments

3.7.1. Validity

Hair *et al.* (2007) as cited in Siddiqi (2010) defined the validity as “the degree to which a measure accurately represents what it is supposed to”. Validity is concerned with how well the concept is defined by the measure(s).

He also mentioned about three types of validity: content validity, Predictive validity, and Construct validity. Duggirala *et al.* (2008) as cited in Siddiqi (2010) defined the content validity as the assessment of the correspondence between the individual items and concept. The study addresses content validity through the review of literature and adapting instruments used in previous research which is SERVQUAL questionnaire repeatedly refined and corrected in different field works.

3.7.2. Reliability

Extents to which a variable or set of variables is consistent in what it is intended to measure Hair *et al.*, (2007). It differs from validity in that it relates not to what should be measured, but instead to how it is measured. Several measures have been used to establish the reliability of the instrument, for example, split-halves, test-retest, equivalent forms and internal consistency method. The study used multiple items in all constructs except customer satisfaction. So the internal consistency method should be applied in the current study. Hair *et al.* (2007) mentioned

that the rationale for internal consistency is that the individual items or indicators of the scale should all be measuring the same construct and thus be highly inter-correlated. Fujun *et al.* (2007) pointed out Siddiqi, (2010) that the Cronbach alpha with acceptable cut off point 0.70 demonstrates that all attributes are internally consistent.

CHAPTER FOUR

4. RESULTS AND DISCUSSIONS

4.1. INTRODUCTION

The objective of the analysis of data collected from survey as presented in methodology chapter is to answer the research questions which include finding out how consumers perceive service quality in CBE and whether they are satisfied with the service quality in the bank and also finding out the relationship between service quality and customer satisfaction. This will enable the researcher to attain the objectives of the study which are mainly describing perceived quality and finding out relationship. To find out perceived quality and relationship the researcher employed descriptive and correlation analysis and also analyze customer satisfaction by using gap model.

4.2. Descriptive Statistics

4.2.1. PROFILE OF RESPONDENTS

The demographic backgrounds of the sample respondents are presented in the table presented below to understand the customer profiles. Table one describes the customers profile and the nationality of customers who are transacting with the bank. Based on the questionnaires collected from 296 customers, it is evident that the percentage of male and female respondents are 69.93 % and 30.07%, respectively, which shows the male dominance of the bank customer. All the respondents fall in different age groups and 32.79% of the respondents fall in the age range of 18-29 and 40.98% fall in the range of 29-49, whereas, the remaining percentage of the respondents i.e.26.23% fall in the age group of more than 49.

Taking into account the education level of the respondents', degree holders dominate the sample with the percentage of 36.82%. Masters and above and diploma holders account 26.69% and 19.93% respectively: while others account of 16.55% of the total sample.

Table 4.1 Profile of Respondents

Variables		Total Respondents	Percentage
		Frequency (No of Respondents per option)	
Gender	Male	207	69.93
	Female	89	30.07
	Total	296	100
Age	18-29	97	32.79
	29-49	121	40.98
	>49	78	26.23
Education Level	Below High School	22	7.43
	High School Completed	27	9.12
	Diploma	59	19.93
	Degree	109	36.82
	Masters and Above	79	26.69
	Total	296	100
Nationality	Ethiopian	296	100
	Non Ethiopian	0	0
	Total	296	100

4.2.2. Reliability Statistics

Table 4.2 Reliability Coefficient (Cronbache's alphas)

Dimension	Number of items	Cronbache's alpha for dimensions	Cronbache's alpha if item deleted	Items
Tangibles	4	0.831	0.783	TAN1
			0.805	TAN2
			0.802	TAN3
			0.815	TAN4
Reliability	5	0.636	0.603	REL1
			0.544	REL2
			0.513	REL3
			0.592	REL4
			0.601	REL5
Responsiveness	4	0.760	0.678	RES1
			0.717	RES2
			0.674	RES3
			0.738	RES4
Assurance	5	0.755	0.688	ASU1
			0.808	ASU2
			0.661	ASU3
			0.734	ASU4
			0.648	ASU5
Empathy	4	0.694	0.705	EMP1
			0.573	EMP2
			0.587	EMP3
			0.638	EMP4

Extents to which a variable or set of variables is consistent in what it is intended to measure Hair *et al.*, (2007). It differs from validity in that it relates not to what should be measured, but instead to how it is measured. Several measures have been used to establish the reliability of the instrument, for example, split-halves, test-retest, equivalent forms and internal consistency method. The current study uses multiple items in all constructs except customer satisfaction and loyalty. So the internal consistency method should be applied in the current study. Hair *et al.* (2007) mentioned that the rationale for internal consistency is that the individual items or indicators of the scale should all be measuring the same construct and thus be highly inter-correlated. Fujun *et al.* (2007) pointed out cited in Siddiqi (2010) that the Cronbach alpha with acceptable cut off point 0.70 demonstrates that all attributes are internally consistent.

This reliability value for our study is substantial considering the fact that the highest reliability that can be obtained is 1.0 and this is an indication that the items of the five dimensions of SERVQUAL model are accepted for analysis.

Table 4.1 above shows the reliability scale for all five dimensions and also, the reliability scale for each dimension calculated when each item is deleted from the dimension in order to see if the deleted item is genuine or not. In case cronbach's alpha for a dimension increases when an item is deleted it shows that item is not genuine in that dimension. From table 4.1 above, it can be realized almost all the items showed a lower value of reliability when deleted except EM2 and had a higher value showing it is not a true measure under that dimension.

Looking at the reliability coefficients of all five dimensions on table 4.1, some dimensions have coefficients slightly below 0.7, reliability (0.636) and empathy (0.694). This could as a result that some items under each dimension seemed too similar.

The dimension, reliability had low reliability coefficient, 0.636 whereas other dimensions, tangibility, responsiveness, assurance and empathy showed coefficients higher than 0.7, meaning these dimensions comprising of various items show a true measure of service quality.

4.2.3. Descriptions Indicating Service Quality

After the collection of the questionnaires from the respondents, the student researcher assessed the level of customers' expectation and perception towards service quality of the bank in five areas: tangibility, reliability, responsiveness, assurance and empathy.

Instead of using descriptive statistics of means and standard deviations, gap analysis was used in comparing means between expectation score and perception score of the respondents.

Descriptive analysis was performed in order to examine respondent perceived satisfaction on observed variable, overall satisfaction and specific service quality attribute.

4.2.4. Level of Customers' Expectation and Perception on Service Quality in CBE.

This section presents the customers' expectation and perception towards service quality of CBE. Service quality is composed of tangibility, reliability, responsiveness, assurance, and empathy. The respondents were asked to rate each statement concerning their expectation and perception of service quality of the CBE.

As stated in the research methodology, Likert scale was used to measure the contribution of service quality dimensions for building customer satisfaction. The researcher has assessed customers' expectation and perception levels towards service quality of the bank. The degree of satisfaction towards service quality of the bank is set from 1 to 5 (5 is from the highest expectation/satisfaction, whereas, 1 is the lowest expectation/satisfaction).

The translation of level ranking is analyzed based on the following criteria of customers' satisfaction designed by Best (1977) as cited in Subha and Archana (2013).

The score between 1.00-1.80 mean lowest satisfaction (Lowest)

The score between 1.81-2.61 mean low satisfaction (low)

The score between 2.62-3.41 mean average satisfaction (Average or Medium)

The score between 3.42-4.21 mean good satisfaction (High)

The score between 4.22-5.00 mean very good satisfaction (Highest)

4.2.5. Responses of the Proposed Statements

The average perceptions and expectations (on the scale from 1 to 5) of the proposed 22 service quality issues are rated by the respondents. Table 4.2 presents the questions statistics, which is sorted by occurrence in the questionnaire.

Table: 4.3 Summary of means of customers expectation, perception and gap scores

	Questions	Means		Gap (P-E)	Rank
		Perception (P)	Expectation(E)		
A	Tangibility	4.08	4.26	-0.18	3rd
1	The staff dress properly	4.22	4.32	-0.1	
2	The staff uniform is clean	4.28	4.37	-0.09	
3	The staff provides the services with smiling.	3.96	4.16	-0.2	
4	The staff have attractive appearance i.e. elegant, smart, etc	3.83	4.17	-0.34	
B	Reliability	3.98	4.13	-0.15	2nd
5	The staff can provide you the services as promised	3.89	3.98	-0.09	
6	The staff provide you accurate information	3.94	4.21	-0.27	
7	The staff perform the service right at the first time	4.06	4.11	-0.05	
8	The staff offer you some help	3.92	4.14	-0.22	
9	Keep records accurately	4.10	4.22	-0.12	
C	Responsiveness	3.88	4.10	-0.20	4th
10	The staff tells you exactly when services will be provided	3.82	4.02	-0.2	
11	The staff give you prompt service	3.81	4.05	-0.24	
12	The staffs are willing to help you	3.87	4.09	-0.22	
13	Staff respond to requests promptly	4.00	4.14	-0.14	
D	Assurance	4.17	4.26	-0.09	1st
14	The staff has product knowledge of bank information	4.05	4.39	-0.34	
15	The staffs have required skill to	4.25	4.29	-0.04	

	perform service				
16	The staff speak with you by using an appropriately address forms	4.02	4.09	-0.07	
17	The staffs are trustworthy.	4.27	4.29	-0.02	
18	The staff makes you feel safe	4.24	4.24	0	
E	Empathy	3.95	4.25	-0.3	5th
19	The staffs are able to communicate effectively with you.	4.15	4.30	-0.15	
20	The staff shows personal attention to you	3.79	4.23	-0.44	
21	The staff knows your specific needs	3.98	4.21	-0.23	
22	Convenient time management	3.86	4.25	-0.39	

Source: Survey result

4.2.6. Expectations and perceptions Discussed

Expectations and perceptions were both measured using the 5-point Likert scale whereby the highest numbers indicate higher level of expectation or perception. In general, consumer expectation exceeded the perceived level of service shown by the perception scores. This resulted in a negative gap score (perception-expectation).

According to Parasuraman et al., (1988) it is however common for consumers expectation to exceed the actual service perceived and this signifies that there is always need for improvement.

The items with the highest expectation scores were staffs have product knowledge (4.39), staffs uniform is clean (4.37), staffs dress properly (4.32), staffs communicate effectively (4.30), staffs are trustworthy (4.29) and staffs have required skill. However, these scores are not very different from scores of other items and this implies generally, consumers expect very high from CBE.

The items rated highest for actual service perceived were staffs uniform is clean (4.28), staffs are trustworthy (4.27), staffs have required skill (4.25), staffs makes feel safe (4.24) and staffs dress properly. There is no much difference between the scores of perception as that of expectation but are generally lower than expectations.

4.3. Gap Analysis

The gap score analysis is to enable us find out how consumers perceive service quality in the bank and try to identify what dimensions of service quality they are satisfied with. According to Parasuraman et al., (1985) the higher (more positive) the perception (P) minus expectation (E) score, the higher the perceived service quality and thereby leading to a higher level of customer satisfaction. In this regard, the gap scores were calculated based on the difference between the consumers' perceptions and expectations of services offered by the bank.

The gap scores are the difference between the perception and expectation scores with the range of values from -4 to +4 and these gap scores measure service quality and hence customer satisfaction. The more perceptions are close to expectations, the higher the perceived level of quality. The largest gap scores were giving personal attention (-0.44), convenient time management (-0.39), have product knowledge (-0.34), and staffs have attractive appearance (-0.34)

In general, it was found that, customers' perceptions of service quality offered by the bank did not meet their expectations (all gaps scores the dimensions are negative). Dimensions that reported larger mean gaps were empathy (-0.3), responsiveness (-0.2) and tangibility (-0.18) while smaller mean gaps obtained were assurance (-0.09) and reliability (-0.15). These values show that the perception of actual service in CBE is less than the expected level of service quality.

4.3.1. Response of Overall Satisfactions with Service Quality

The questionnaire ended up with a five scale question about their view of the overall satisfaction they have experienced throughout their stay. That means, in order to know the overall customers' satisfaction one question was asked concerning customers' overall satisfaction of CBE.

Table: 4.4 Overall Customer Satisfaction Level

Item	Mean	Std. Deviation
Overall Customer Satisfaction	2.26	0.821

Source: Survey result

Table: 4.5 Customer Satisfaction of Tangibility

	Tangibility	Mean		Gap P-E
		Perception	Expectation	
1	The staff dress properly	4.22	4.32	-0.1
2	The staff uniform is clean	4.28	4.37	-0.09
3	The staff provides the services with smiling.	3.96	4.16	-0.2
4	The staff have attractive appearance i.e. elegant, smart, etc	3.83	4.17	-0.34
	Overall mean score	4.08	4.26	-0.18

Source: Survey result

Table 4.4 indicated that overall satisfaction of expectation towards tangibility was at highest level (4.26). Customer perception of tangibility dimension was ranked at the high level (4.08). This implies that customers of the bank are not satisfied because their perception is lower than what they expect from the bank. The table also shows that customers' expectation of tangibility dimension of service quality is highest. But, customers' perception towards tangibility is at high level. Though expectation is higher than perception, tangibility dimension of service quality affects customers' satisfaction significantly.

Table 4.6 Customer Satisfaction of Reliability

	Reliability Dimension	Mean		Gap P-E
		Perception	Expectation	
5	The staff can provide you the services as promised	3.89	3.98	-0.09
6	The staff provide you accurate information	3.94	4.21	-0.27
7	The staff perform the service right at the first time	4.06	4.11	-0.05
8	The staff offer you some help	3.92	4.14	-0.22
9	Keep records accurately	4.10	4.22	-0.12
	Overall mean score	3.98	4.13	-0.15

Source: Survey result

Table 4.6 shows that overall satisfaction of expectation concerning reliability dimension is high (4.13). Similarly, overall satisfaction of perception towards reliability dimension also at the high level (3.98). Even though overall mean score of both expectation and perception fall under the same range of high customer satisfaction, what they expect is higher than what they perceived. Therefore, it is possible to say that customers are not satisfied with the reliability dimension. In

general, the bank should work hard to enhance both expectation and perception of reliability dimensions.

Table 4.7 Customer Satisfaction of Responsiveness

	Responsiveness Dimension	Mean		Gap P-E
		Perception	Expectation	
10	The staff tells you exactly when services will be provided	3.82	4.02	-0.2
11	The staff give you prompt service	3.81	4.05	-0.24
12	The staffs are willing to help you	3.87	4.09	-0.22
13	Staff respond to requests promptly	4.00	4.14	-0.14
	Overall mean score	3.88	4.10	-0.20

Source: Survey result

Table 4.7 indicates that overall expectations towards responsiveness dimension were at the high level (4.10). The staffs respond to request promptly received highest ranking of expectation at 4.14. It is possible that customers are satisfied when they receive a quick response from the bank. But the table shows that what they expect is more than what they perceived. This leads to low satisfaction. The table also shows that overall satisfaction of perception towards responsiveness was at a high level (3.88). Generally, customers' expectation and perception towards responsiveness of the bank falls under the same ranking level of customer satisfaction which is high but due to expectation is higher than perception customers did not satisfy with responsiveness dimension.

Table 4.8 Customer Satisfaction of Assurance

	Assurance Dimension	Mean		Gap P-E
		Perception	Expectation	
14	The staff has product knowledge of bank information	4.05	4.39	-0.34
15	The staffs have required skill to perform service	4.25	4.29	-0.04
16	The staff speak with you by using an appropriately address forms	4.02	4.09	-0.07
17	The staffs are trustworthy.	4.27	4.29	-0.02
18	The staff makes you feel safe	4.24	4.24	0
	Overall mean score	4.17	4.26	-0.09

Source: Survey result

Table 4.8 indicates that overall expectation towards assurance dimension is at the highest level (4.26) with the staffs has product knowledge of bank information, staffs have required skill to perform service (4.29), the staffs are trustworthy (4.29) and the staffs makes feel safe when they come to the bank. These items have highest expectation ranks from all items of the SERVQUAL items. This implies that most customers expect the bank to make them feel safe and have good knowledge of bank information when they stay at the bank to get the service. The table also shows that perception of assurance dimension ranked at the high level (4.17), with which all assurance variables ranked high level items. Even if an expectation is higher than perception it has lowest gap with perception from all dimensions. Therefore, the bank should focus on this dimension to increase its service quality and to enhance its customers' satisfaction.

Table 4.9 Customer Satisfaction of Empathy

	Empathy Dimension	Mean		Gap
		Perception	Expectation	P-E
19	The staffs are able to communicate effectively with you.	4.15	4.30	-0.15
20	The staff shows personal attention to you	3.79	4.23	-0.44
21	The staff knows your specific needs	3.98	4.21	-0.23
22	Convenient time management	3.86	4.25	-0.39
	Overall mean score	3.95	4.25	-0.3

Source: Survey result

The empathy dimension represents the provision of caring and individualized attention to customers including time management and effective communication.

Table 4.9 shows that overall expectation concerning empathy dimension is the highest level which is (4.25). Convenient time management and effective communication are taken as the most important factors scored expectation of (4.25 and 4.30) respectively. The table also indicates the overall perception of the empathy dimension which is the high level (3.95). The overall mean score of customers' perception is lower than overall mean score of their expectation. Therefore, it is possible to say that customers are not satisfied. The empathy

dimension has high gap score because customers expect high when compared with perception. This implies that the bank should focus on narrowing the gap to enhance customers' satisfaction.

4.4. Overall Customer Satisfaction towards Service Quality

Table 4.10 Overall means score of customer satisfaction on service quality and the Gap between customers' expectation and perception.

	Service Quality Dimensions	Mean		Gap: P-E	Rank
		Perception	Expectation		
1	Tangibility	4.08	4.26	-0.18	3 rd
2	Reliability	3.98	4.13	-0.15	2 nd
3	Responsiveness	3.88	4.10	-0.20	4 th
4	Assurance	4.17	4.26	-0.09	1 st
5	Empathy	3.95	4.25	-0.30	5 th
	Over all mean score	4.01	4.20	-0.18	

Source: Survey result

Table 4.10 indicates that overall satisfaction of expectation on five dimensions is high level (4.20) which is significant. The result of customers expectation shows that assurance and tangibility dimension are at highest level (4.26) followed by empathy (4.25), reliability (4.13) and responsiveness (4.10) in the descending order. Most customers expect the bank to be effective in assurance, tangibility, empathy, reliability and responsiveness respectively. Generally, customers' expectation is high in all dimensions.

The table also shows that overall satisfaction of perception on the five dimensions is at a high level (4.01). Similar to that of expectations most customers perceived assurance is the most important dimension at (4.17), followed by tangibility (4.08), reliability (3.98), empathy (3.95) and responsiveness (3.88) in the descending order. In this study assurance dimension was the most vital factor in which both expectation and perception were very high when compared with the other dimensions.

The above table also shows the gap between customers' expectation and perception. The study indicates that the overall level of perception of tangibility, reliability, responsiveness, assurance and empathy are lower than the level of expectation. The SERVQUAL gap was calculated

between the mean score of perception and expectation. The findings of this study show the difference between perception and expectation in table 4.9 above is significant.

Assurance and reliability are the most important dimensions with the lowest gap of (-0.09 and -0.15) respectively. The study reveals that physical evidence such as proper dress, clean uniform and product knowledge and having required skills to perform service and being trustworthy to customers, making customers feel safe, effective communication and time management yield customer satisfaction. In general, the bank should understand and exceed customers' perception of service quality in all dimensions.

4.5. Correlation Analysis

Pearson correlation is used when the strength and the directions (positive or negative) of the relationship between two continuous variables needs to be assessed (Pallaris, 2005) as cited in Zeina (2012). The Pearson correlation coefficient is the measure of the linear association between the two variables under study i.e. service quality and customer satisfaction. The value of the coefficient ranges from -1 to +1 where the absolute value of Pearson correlation coefficient signifies the strength of the linear relationship (Nourusis, 2009) as cited in Zeina (2012).

A positive correlation indicates that the two variables move together in the same direction. While negative correlation indicates, that as one variable increases the other decreases (Pallaut, 2005; Norusis, 2009) as cited in Zeina (2012).

To interpret the strengths of relationships between variables, the guidelines suggested by Field (2005) as cited in Belay (2012) were followed, mainly for their simplicity. His classification of the correlation coefficient (r) is as follows: 0.1- 0.29 is weak; 0.3- 0.49 is moderate; and > 0.5 is strong.

Therefore, the student researcher used Pearson correlation to check the nature of relationship between service quality and customer satisfaction in CBE.

Table 4.11 Correlation between Service Quality and Customer Satisfaction

Dimension	Tangibility	Reliability	Responsiveness	Assurance	Empathy	Overall service quality
Overall Satisfaction	.590*	.295**	.561*	.490*	.322*	.725*

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

**Correlation is Significant at the 0.05 level (1-tailed)

Table 4.10 shows the relationship between the variables (service quality and customer satisfaction). Correlation value is 0.725 which is significant at 0.01 levels. It indicates that as the service quality increases the customer satisfaction also increases. Therefore, customer satisfaction and service quality have relationship which is positive and linear relationship. The table also indicates, the values of correlation (r) between overall customer satisfaction and service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) were .590, .295, .561, .490, and .322 respectively.

The above table shows service quality and customer satisfaction had a strong correlation of .725 which is greater than 0.5. Table 4.10 also indicates that all service quality dimensions also have correlation with customer satisfaction.

Generally, tangibility and responsiveness dimensions have strong correlation with customers' satisfaction whereas assurance and empathy have moderate correlation. This implies that if the bank fails to give great attention to focus on improving service quality dimensions, the customers' satisfaction will decrease significantly.

From table 4.10 tangibility and customer satisfaction have a high correlation of .590 and the value of $r^2 = .348$. This indicates that variability in customer satisfaction can be explained by tangibility dimension which accounts 34.8%. Tangibility have high correlation with customer satisfaction, it can account for 34.8% of variation in customer satisfaction. 65.2% of variability in customers' satisfaction is explained by other factors. Still variability in customer satisfaction

can be accounted by assurance (24%), responsiveness (31.5%), reliability (8.7%), and empathy (10.4%).

4.6. Regression Analysis

Regression analysis is a statistics technique used to investigate the relationships between a dependent variable and one or more independent variables Kometa (2007); Sykes (1993). Simple linear and multiple linear regressions are the most common regression models applied in social sciences Aaker, Kumar, and Day (2007). Multiple linear regression is used in this study to investigate the relationship between bank customers' overall satisfaction and five independent variables.

The standardized version of the beta coefficients are the beta weights, and the ratio of the beta coefficients is the ratio of the relative predictive power of the independent variables Garson, (2008).

Therefore, regression coefficients can be used to evaluate the strength of the relationship between the independent variables and the dependent variable. Chu (2002) claim that the beta coefficients of the independent variables can be used to determine its derived importance to the dependent variable compared with other independent variables in the same model. A is the constant, where the regression line intercepts the y axis and the error term represents the assumed random error will occur Hair et al., (1998). That is the dependent variable y will be when all the independent variables are 0 Garson, (2006). R^2 is the multiple correlations, which represent the percent of variance in the dependent variable explained collectively by all of the independent variables Garson, (2008). That is the R^2 value in the model provides a measure of the predictive ability of the model. The close the value to 1, the better the regression equation fit the data Dielman (2001).

The F test is used to test the significance of the regression model as a whole. F is a function of R^2 , the number of independents, and the number of cases. The decision rule for F -ratio statistic is to reject the null hypothesis if F is greater than the critical value of an appropriate level of significance, and not to reject the null hypothesis when F value is smaller or equal to the critical value of an appropriate level of significance.

Table 4.12 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.725a	.526	.513	.807
<i>a. Predictors: (Constant), Overall assurance scores, Overall tangible scores, Overall reliability scores, Overall empathy scores, Overall responsiveness scores</i>				
<i>b. Dependent Variable: overall customer satisfaction</i>				

In the above model summary table R-square value is 0.526 which means that 52.6% overall customer satisfaction in CBE was explained by the variation in the five service quality dimensions.

The contribution of each service quality dimension can be seen from the results of multiple regressions in the coefficient table below.

Table 4.13 Regression Analysis Result with Customer Satisfaction as Dependent Variable

Model	Unstandardized coefficient	Standard error	Standardized coefficient	t	Sig.
Constant	.725	.392		2.211	.028
Tangible	.325	.135	.223	2.410	.017
Reliability	.201	.096	.155	2.093	.037
Responsiveness	.280	.096	.207	2.910	.004
Assurance	.255	.116	.179	2.194	.029

Empathy	.260	.120	.178	2.162	.032
<i>R-square = 0.526; F = 18.764</i>					

The above regression result shows all of the service quality dimensions are positively and significantly ($p < 0.05$) contributed towards overall customers' satisfaction in CBE. Standardized coefficient (Beta value) indicates the degree of importance of each service quality dimensions towards customer satisfaction and accordingly, the dimensions ranked in the following manners on the basis of contributor.

1. Tangibility (.223)
2. Responsiveness (.207)
3. Assurance (.179)
4. Empathy (.178)
5. Reliability (.155)

Tangible has the highest standardized coefficient, which means that it is the best predictor of overall customer satisfaction. Analyzing the whole table results, the order of significance for predictors of overall customer satisfaction is tangible, responsiveness, assurance, empathy and reliability.

CHAPTER FIVE

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. CONCLUSIONS

The main objectives of the study were to assess the perception of service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy), customer satisfaction, and to examine the relationship between service quality and customer satisfaction in CBE. The findings confirmed that the five quality dimensions were significantly related with customer satisfaction. Service quality was found to be positively correlated with a customer satisfaction in the bank.

The study focused on the gap between customers' expectation and their perception of CBE. The results showed that the overall mean score of perception (4.01) is lower than expectation (4.20). In all dimensions, gap analysis yield a negative SERVQUAL gap this implies customers are not satisfied with all dimensions of service quality which signify that the actual perceived service is less than the expected service. The findings of the study show the difference between expectation and perception. Assurance and reliability are the most important dimensions with the lowest gap (-0.09 and -0.15) respectively.

The correlation value between service quality and customer satisfaction is 0.725. It is significant at 0.01 levels. There is positive linear relationship between the service quality and customer satisfaction. The current study showed that all service quality dimensions were positively correlated with customer satisfaction.

Regression analysis was conducted on customer satisfaction as a dependent variable and the five service quality dimensions (tangibles, reliability, responsiveness, assurance and empathy as independent variables. The Pearson correlation results of the regression analysis indicates that there is a positive and significant correlation between customer satisfaction and service quality dimensions ($P < 0.05$). From which satisfaction has higher correlation with tangibility (0.590) and lower correlation with reliability (0.295) dimensions of service quality. On the other hand, the regression model revealed that service quality dimensions contribute 52.6% for overall customer

satisfaction in Commercial Bank of Ethiopia. This shows that besides these service quality dimensions, there are other important variables which lead to overall customer satisfaction in the bank's service delivery. All service quality dimensions have statistically significant contribution towards overall customer satisfaction. On the basis of their level of significance, the order of importance of the dimensions for customer satisfaction is responsiveness, tangibility, assurance, empathy and reliability.

The relative importance of the significant predictors is determined by looking at the standardized coefficients. Tangibility has the highest standardized coefficient and the 2nd lowest significance, which means tangibility, is the best predictor. Tangibility and customer satisfaction had a high correlation of .590 and the value of $R^2=.348$. This indicates that variability in customer satisfaction can be explained by tangibility dimension which accounts 34.8%.

The impacts of "Tangibility", "Responsiveness", "Assurance", "Empathy" and "Reliability" on customers' satisfaction with the bank are .223, .207, .179, .178 and .155 respectively, in their descending order indicating that Tangibility has the highest impact on customer satisfaction.

5.2. RECOMMENDATIONS

- In order to continuously adapt the proposed service proposition to the changes in customer needs and attitude, surveys like the one conducted in the study should be performed by the bank. Hereby, the management will obtain an up-to-date understanding of the customer attitude
- The results reveal that “Reliability” (.155), and “Empathy” (.178) dimensions have less impact on customer satisfaction. Therefore, the bank should provide services according to these results.
- Customers experience and judge the service quality on the basis of their perception of services. Therefore, the bank should provide customers with full experiences conforming to their individual desires.
- In the present competitive banking environment in Ethiopia, most of the banks offer the same or similar products and service quality is a vital means to differentiate them in the market place. Therefore, the bank must provide service to its customers that meets or exceeds their expectations
- Managers of the bank or administrative body needs to identify the primary quality determinants, clearly managing the customer expectation, educating the knowledge to customers regarding to the service they render to increase customers’ perception.
- The research indicates all the gaps were too large. Therefore, the bank should work on identified gaps to narrow them.

5.3. Future Research

- The topic was a good one but it has limitations there is a need for further research. Because the study did not consider employees who provide the services to customers; further research could be to study relationship among customer satisfaction, service quality and job satisfaction with the use of all the five SERVQUAL dimensions, to see if satisfaction level of employees is related to their services and/or customer satisfaction.

References:

- Arasli H, Katircioglu, ST, Mehtap-Smadi, S. (2005) 'A comparison of service quality in the banking industry'. *International Journal of Bank Marketing*, 23(7): pp. 508 – 526.
- Belay Adamu, (2012), *Service Quality and Customer Satisfaction: The Case of Cooperative Bank of Oromia*. MA thesis. Addis Ababa University School of Commerce.
- Bitner, M. and A. Hubbert. (1994), 'Encounter Satisfaction versus Overall Satisfaction Versus Quality in Service Quality: *New Directions in Theory and Practice*', R Rust and R Oliver (Eds.), CA: Sage Publications, 72-94.
- Brown, S.W. and Swartz, T.A. (1989), 'A Gap Analysis of Professional Service Quality', *Journal of Marketing* 53, pp. 92-98.
- Buttle, F. (1996), SERVQUAL: 'Review, Critique, Research Agenda', *European Journal of Marketing* 30(1) pp. 8-32.
- Clow Kenneth E & Kurtz David L, (2005) *Services Marketing: Operation, Management, and Strategy*. 2nd ed. USA: Atomic Dog Publishing.
- Creswell, J. W., (2003) *Research design: Qualitative & quantitative approaches*. 2nd ed: Sage publications.
- Cronin, J.J. and Taylor, S.A. (1994), 'SERVPERF versus SERVQUAL: Reconciling Performance-based and perceptions-minus-expectations measurement of Service quality,' *Journal of Marketing*, 58 (1), pp. 125-131.
- Cronin, J.J, and Taylor, S. A. (1992) 'measuring service quality: A Reexamination and extension'. *Journal of Marketing*, 56, pp. 55-68.
- Denton D.K., (1998) *How to Give Quality Service to Your Customers*, New Delhi: Taj press.
- Geoffrey M., David D., and David F., (2005) *Essentials of Research Design and Methodology*. New Jersey: John Wiley & Sons, Inc., Hoboken,

Gronroos, C. (1982), 'Strategic Management and Marketing in the Service Sector',

Helsinki: Swedish School of Economics and Business Administration.

Gronroos, C. (1984), 'A service quality model and its marketing implications', *European Journal of Marketing*, 18(4), PP. 36-44.

Gilmore A (2003), *Services Marketing and Management*, New Delhi: Sage Publications.

Gilmore, A (2001) 'Call centre management: is service quality a priority?' *Journal of Managing Service Quality*, 11 (3), PP. 153–159.

H. Cohen and R. Brooke Lea (2005), *Essentials of Research Design and Methodology*, John Wiley & Sons, Inc.

Hoffman, D. and Bateson, J.E.G. (2006) *Services marketing: Concepts, strategies, and cases* 3rd ed.: Mason: Thomson South-Western.

Johns, N. (1999), 'What is this thing called service?' *European Journal of Marketing*, 33 (9/10), PP. 958-973

Jones, T.O. and Sasser, W.E Jr. (1995), 'Why Satisfied Customers Defect', *Harvard Business Review*, 73 (6), PP. 88-99.

Kazi Omar Siddiqi (2010) Interrelations between service quality attributes, customer satisfaction and customer loyalty in the retail banking sector in Bangladesh. *International Trade & Academic Research Conference (ITARC)* - London 2010.

Kotler P. and Keller K. (2006), *Marketing Management*, 12th ed. Prentice Hall, Inc.

Kumar, M., Kee, F. T., and Manshor, A. T. (2009) 'Determining the relative importance of Critical factors in delivering service quality of banks; An application of dominance Analysis in SERVQUAL model', *Journal of Managing Service Quality*, 19(2), PP. 211-228.

Ladhari, R. (2009) 'A review of twenty years of SERVQUAL research', *International Journal of Quality and Service Sciences*, 1, (2). PP. 172-198.

- Lovelock C., (2001) *Principles of Service Marketing and Management*, Pearson Education.
- Mudie P and Pirre A., (2006) *Services Marketing Management*, 3rd ed., Elsevier.
- Negi, R. (2009). 'Determining customer satisfaction through perceived service quality: A study of Ethiopian mobile users', *International Journal of Mobile Marketing*, 4(1), PP. 31-38.
- Nemi K,(1996), 'Developing an instrument to Measure Customers Service Quality in Banking,' *International Journal of Bank Marketing*, 12(6), PP. 10-18.
- Oliver, R.L. (1993), 'A conceptual model of service quality and service satisfaction: compatible goals, different concepts', in Swartz, A.T., Bowen D.E. and Brown, S.W. (Eds), *Advances in Services Marketing Management*, 2, JAI Press, Greenwich, CT, PP. 68-85.
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). 'A conceptual model of service quality and its implications for future research', *Journal of Marketing*, 49, PP.41-50.
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). 'SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality'. *Journal of Retailing*, 64(1), PP. 5-40.
- Regan, W.J., (1968), 'The Service Revitalizing', *Journal of Marketing*, 27, PP. 57-62.
- Riadh L., Ines L., Miguel M., (2011) 'Bank service quality: comparing Canadian and Tunisian customer perceptions', *International Journal of Bank Marketing*, 29 (3), PP. 224 – 246.
- Rushton, A M and Carson, D J (1985). 'The marketing of services: managing the intangibles', *European Journal of Marketing*, 19 (3), PP. 19–40.
- Sheth J.N., Parvatiyar A., Shainessh, G.(2001), 'Customer Relationship Management: Emerging Concepts, Tools and Applications', New Delhi: Tata McGraw-Hill Publishing.
- Shostack, G L (1982) 'How to design a service', *European Journal of Marketing*, 16 (1), PP. 49–64
- Sivadass, E. & Baker-Prewitt, J. L., (2000), 'An Examination of the Relationship Between Service Quality, Customer Satisfaction, and Store Loyalty', *International Journal of Retail & Distribution Management*, 28 (2), PP. 73-82.

- Susan F. and David Glen M., (1999) 'Rediscovering Satisfaction,' *Journal of Marketing*
- Taylor, S.A., Baker, T.L. (1994), 'An assessment of the relationship between service quality and customer satisfaction in the formation of consumers' purchase intentions', *Journal of Retailing*, 70(2), PP.163-1778.
- Wisniewski, M. (2001), 'Using SERVQUAL to assess customer satisfaction with public sector Services', *Journal of Managing Service Quality*, 11(6), PP. 380-388.
- Zeithaml, V.A., Berry, L.L. and Parasuraman, A. (1996). 'The behavioral consequences of service quality'. *Journal of Marketing*, 60, PP. 31- 46.
- Zeithaml, V.A. and Berry, L.L. (1994), 'Reassessment of Expectations As a Comparison Standard In Measuring Service Quality: Implications For Future Research', *Journal of Marketing*, 58, PP. 111-24.
- Zeithaml, V.A., & Berry, L.L. (2003), 'Refinement and Reassessment of SERVQUAL Scale', *Journal of Retailing* 67(4), PP. 420-50.
- Zeithaml V. A & Bitner M. Jo.(2003), *Services Marketing: Integrated Customer focus across the Firm*, 2nd ed. New York: McGraw-Hill,.
- Zeithaml, V. A., Parasuraman, A., & Berry, L. (1990). 'Delivering quality service: Balancing Customer perceptions and expectations'. New York, NY: Free Press.
- <http://www.emeraldinsight.com/> (the source of most journals)
- <http://www.combanketh.et>

Annex
Questionnaire
Addis Ababa University
School of Commerce
MA Program in Marketing Management

Dear Respondents,

I am Tesfa Bisrat from Addis Ababa a graduate student at Addis Ababa University School of Commerce. Currently, I am conducting a research study on “Assessment of Service Quality and Customer Satisfaction in Commercial Bank of Ethiopia in Addis Ababa” in partial fulfillment of Master of Arts Degree in Marketing Management at Addis Ababa University School of Commerce (AAUSC). I request your help to spend some minutes of your time by filling the provided questionnaire.

Dear respondents, this questionnaire is intended to gather information about service quality and customer satisfaction of perceptions Commercial Bank of Ethiopia and related issues. I can assure you that any information that you provide in this questionnaire will be kept confidential. Your genuine response is of high importance for the outcome of the project. *Thank you in advance for your cooperation in filling the questionnaire.*

PART I. GENERAL INFORMATION

Please put a tick (✓) mark corresponding to your response

A. Gender: Male Female

B. Age: Less than 30 30 to 40 Greater than 40

C. Nationality: Ethiopian Non-Ethiopian

D. Educational level: < high school High school Diploma

Degree and above

Part II: Survey of your expectations and perceptions towards service quality of CBE.

This survey deals with your opinion about **Commercial Bank of Ethiopia Service Delivery System**. Please show the extent to which you expect and perceive the organization's offering services should possess features described by each statement. There is no right or wrong answers all I am interested in is a number that best show your expectations and perceptions about the Service Delivery System of Commercial Bank of Ethiopia. Based on this please put a tick (√) in the boxes which mostly explain your attitudes.

- a) Level of **EXPECTATION** towards service quality of CBE
- b) Level of **PERCEPTION** towards service quality of CBE

The score levels are described as:

- 1- Strongly Disagree 2- Disagree
- 3- Neutral 4- Agree
- 5- Strongly Agree

Dimensions	Level of expectation					Level of perception				
Tangibility	5	4	3	2	1	5	4	3	2	1
1.The staff dress properly										
2.The staff uniform is clean										
3The staff provides the services with smiling.										
4.The staff have attractive appearance i.e. elegant, smart, etc										
Reliability	5	4	3	2	1	5	4	3	2	1
5.The staff can provide you the services as promised										
6.The staff provide you accurate information										
7.The staff perform the service right at the first time										
8.The staff offer you some help										
9.Keep records accurately										
Responsiveness	5	4	3	2	1	5	4	3	2	1
10.The staff tells you exactly when services will be provided										
11.The staff give you prompt service										
12.The staffs are willing to help you										
13.Staff respond to requests										

Assessment of Service Quality and Customer Satisfaction

2014

promptly										
Assurance	5	4	3	2	1	5	4	3	2	1
14.The staff has product knowledge of bank information										
15.The staffs have required skill to perform service										
16.The staff speak with you by using an appropriately address forms										
17. The staffs are trustworthy.										
18.The staff makes you feel safe										
Empathy	5	4	3	2	1	5	4	3	2	1
19. The staffs are able to communicate effectively with you.										
20.The staff shows personal attention to you										
21.The staff knows your specific needs										
22 Convenient time management										
23. Customers overall satisfaction	Very satisfied		Satisfied		Neutral		Dissatisfied		Very dissatisfied	
Your overall satisfaction with the bank										