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# **Assessment of Service Quality and Customer Satisfaction: The Case of Commercial Bank of Ethiopia**

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**Assessment of Service Quality and Customer Satisfaction:  
The Case of Commercial Bank of Ethiopia**

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A Thesis Submitted to the Department of Public Administration and Management  
of Addis Ababa University in Partial Fulfillment of the Requirements for the  
Degree of Master's in Public Management and Policy.

July, 2019  
Addis Ababa, Ethiopia

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## Declaration

I, the undersigned, declare that this thesis entitled “*Assessment of Customer Satisfaction and Service Quality: The Case Commercial Bank of Ethiopia*”, is my own original work and that all sources have been accurately reported and acknowledged, and that this document has not been submitted for a degree in any other universities.

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## Statement of Certificate

This is to certify that Shibru Jaleta has completed her thesis entitled “*Assessment of Customer Satisfaction and Service Quality: The Case Commercial Bank of Ethiopia*”, is his original work and is submitted for examination with my approval as a thesis.

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## **Acronyms and Abbreviations**

ATM	Automatic Teller Machine
CBE	Commercial Bank of Ethiopia
CS	Customer Satisfaction
CSI	Customer Satisfaction Index
SERVQUAL	Service Quality Measurement Tool
SPSS	Statistical program for social students

## *Abstract*

*Service offering channels in banking sector has emerged on scene with a variety of forms such as internet banking, mobile banking, and ATM. Mature competition and global finance system has been forced to investigate the significance of customer satisfaction. This study was set to assess customers' satisfaction in service the case of Commercial Bank of Ethiopia using SERVEQAL model. A self-administered questionnaire was used to collect primary data from 228 valid respondents who are customers of CBE, using convenient sampling technique. Data was analyzed using SPSS's frequencies and percentages, mean scores, Cronbach alpha, Pearson's linear correlation and regression analysis. The study was based on the three research objectives: (1) to measure service quality corresponds to each dimensions of SERVEQAL (2) to analyze the customer satisfaction on service quality and (3) to investigate the level of customer satisfaction. The result of the study reveals that the overall level of customer's satisfaction in the study area is low as compared those who were not satisfied. The result of study showed that all most all factors included in the study were significantly associated with customer's Satisfaction. Thus, it can be concluded that responsiveness and assurance remains the most determinant and/it strongly influence customer's satisfaction level of CBE. The result of study showed that all factors included in the study were significantly associated with customer's Satisfaction. In overall, the results of the regression revealed that all independent variables (service quality dimension) are significant with customer satisfaction. The finding revealed that all the service quality dimensions are significantly and positively associated with the overall customer satisfaction. Besides, Tangibility, Reliability, Responsiveness, Empathy and Assurance are highlighted as significant predictors and key factors in determining the customer satisfaction. But Responsiveness and Assurance was found as the most influential predictor of customer satisfaction. The researcher recommended that in order to ensure customer satisfaction CBE should improve the performance on all the dimensions of CBE service quality.*

*Key Words: Tangibility, Reliability, Responsiveness, Empathy and Assurance, service quality, customer satisfaction*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

The current business environment is becoming competitive and challenging than before. With multidimensional challenges and demand of globalization, the organizations are forced to re-engineer their products and systems to improve the service quality and remain competitive (Baumann, 2007).

Service quality has become one of the key driving forces for business sustainability and is vital for firms' accomplishment (Collart, 2000). Customer service quality is a crucial source of distinctive competence and often considered a key success factor in sustaining competitive advantage in service industries (Palmer, 2001). Service quality in banking implies consistently anticipating and satisfying the needs and expectations of customers (Howcrof 1991,Page 451).

Johnston, (2007) defined Service quality as the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get. Hazlina (2011) described service quality as a form of attitude that results from the comparison of expectations with performance. Berry et al., (1990) pointed out that since customers are the “sole judge of service quality, an organization can build strong reputation for quality service when it can constantly meet customer service expectations.

Similarly, customer satisfaction is crucial in the banking sector because of the special nature of the financial services which are characterized by intensive contacts with customers who have different needs and require customized solutions (Kanyurhi, 2013). Customer satisfaction is known to be one of the most important and serious issues towards success in today's competitive business environment, as it affects company market shares and customer retention (Kotler, 2009).

Every organization strives to make its customer remains satisfied with its products and services. Customer satisfaction is surely a very critical element towards retaining profitable business relations with the customers. The combined effect of a high retention rate and the enhanced

profitability of loyal customers can lead not only to higher profit, but to a better ‘quality of earnings’, as the Customer base is less volatile (Magesh, 2010). Customer satisfaction and perceived service quality are also very interlinked constructs. (Parasuraman,1985 ).

Regarding the relationship between customer satisfaction and service quality, Miller & Layton (2000) first suggested that service quality would be an antecedent to customer satisfaction regardless whether these concepts were cumulative or transaction-specific. It implies that service quality concept plays a central role in understanding customer satisfaction and retention (Negi, 2009). Furthermore, to remain competitive, service providers must render quality service to their customers. In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson, 2008). Although it is stated that other factors such as price and product quality can affect customer satisfaction, perceived service quality is a component of customer satisfaction (Zeithaml, 2006).

Always there exists an important question: why should service quality be measured? Measurement allows for comparison before and after changes, for the location of quality related problems and for the establishment of clear standards for service delivery. Zeithmal et al., (2000) state that, in their experience, the starting point in developing quality and services is analysis and measurement.

Commercial banks beaten by the complicatedness of globalization, competition from nonbanking financial institutions, and uneven market dynamics are constantly seeking new ways to add value to their services because financial services try to win in the marketplace with generally undetached products, service quality becomes a primary competitive weapon (Ravin, 2011).

In premise with the above theoretical and empirical background of the various litterers this study will focus in assessing service quality and customer satisfaction in Commercial Bank of Ethiopia (CBE) specifically focusing on Addis Ababa branch.

## **1.2. Statement of the problem**

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 (Lawson, 2006). 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 trade liberalization and globalization (Eshghi & Ganguli, 2008).

One of the benefits of banks resulting from its services delivery is enhancing efficiency and effectiveness of their operations so that more transactions can be processed quickly and easily, which will have a fundamental impact on the overall performance of the banks. The customers on the other hand, stand to enjoy the benefit of quick service delivery, reduced frequency of going to banks physically and reduced cash handling, which will give rise to higher volume of turnover (Baumann, 2007).

The likely hood of banks meeting customer's satisfaction is highly related to the service providing capability and excellence of the bank. A bank with the perfect service providing capability and experience is highly likely to satisfy the customer and maintain the customer's loyalty. On the contrary a bank which is less efficient in service is highly likely to lose customer satisfaction and hence customer loyalty (Aldlaigan and Buttle, 2002). However, nowadays many of commercial banks delivery of quality service affected by several challenges such as, lack of qualified and well trained human resources, traditional structure and outdated technology, lack of supervisory monitoring and evaluating system, lack of effective compliant handling system and inadequate employee (Hailu, 2007)

Despite the criticality of service quality to businesses, measuring service quality poses difficulties to service providers, because of the unique characteristics of services: intangibility, heterogeneity, inseparability and perish ability (Graham, and Evangelos, 2004). In view of this, services require a distinct framework for quality explication and measurement.

With related to problem of service quality there were a survey study performed by National Bank of Ethiopia (NBE) (2014), the survey reveal that, CBE has been witnessing a significant expansion over the past ten years than before though its service quality still underdeveloped. The

survey believes that such expansion should also focus on delivering quality service as a core competitive strategy.

In addition to the survey report reveal NBE in (2012), some of CBE customers in Addis Ababa also more complain service delivery system of the branch banks such as, the waiting time of customers is more bulky, interruption of network, ATM problems, lack of front cashers, and so forth. One of the research questions in this study is to investigate further determinate factors that affect customer satisfaction. As already explained even though different studies took place to investigate the area problem but there was no timely research took place on the area and this is one of the reason that motivate the researcher to investigate on the area (NBE, 2012).

An important gap still exists in the empirical literature to indicate service quality delivery and customer satisfaction specifically related to CBE. Most of the studies related to service quality and customer satisfaction were done on private commercial banks of Ethiopia, such as, a study doing by Belay (2012p) the impact of service quality on customer satisfaction of private commercial banks, using Five dimensions of service quality (tangibility, reliability, responsiveness, assurance and empathy the result implied that, the three service quality dimensions (assurance, empathy, and responsiveness) have positive but insignificant effect on customer satisfaction. Tangibility has a positive and significant impact on customer satisfaction. However, reliability has a negative and insignificant effect on customer satisfaction. However, despite this study deals with the effect of service quality on customer satisfaction, which is the purpose of this study, the context is basically different.

There was also the researches made by Semu (2012), focused on, factor affecting quality of service delivery in Commercial Bank of Ethiopia, the result reveal that, among the other, factors responsiveness and reliability highly affected delivery of quality service.

Though a considerable literature exists on the relationship between service quality and customer satisfaction as discussed on the above literatures, however, the study didn't find related study on public areas such as, CBE; therefore, one of the major objective of this sturdy is to address research gap of the area.

### **1.3. Research Questions**

Based on the above problem statement the study will try to answer the following basic research questions:-

1. What are the gaps of customers' perception and expectation based on service dimensions in CBE?
2. What is the level of overall customers 'satisfaction and service quality' in CBE?
3. What are the effects of quality service on customer satisfaction in CBE?

### **1.4. Objectives of the Study**

#### **1.4.1. General objective**

The general objective of this study is to assess service quality and customers satisfaction in CBE five branch banks of Addis Ababa.

#### **1.4.2. Specific Objectives**

The specific objectives include:-

- To examine customer perception and expectation gap on service dimensions of CBE?
- To assess level of customers satisfaction of the bank?
- To assess the effects of quality service on customer satisfaction of the bank

### **1.5. Significance of the study**

This research will have a great deal of significance for the managers of the studied branches of CBE. The study will help them to know whether the company is delivering its promise to the customers and also it will provide them insight about the gap between customer's perception and expectation of service and ways to improve them. Finding of this study will help the company marketing department to see and align their marketing strategy if there is a need for adjustment regarding the banks' service quality performance and it will further add value for the department to see the dimensions of service quality. Furthermore, this study would serve as an input and basis for other researches, academicians, consultants and some associations who conduct further researches on related fields.

## **1.6. Limitation of the Study**

There were some limitations associated with this study that need to be addressed. The results obtained from this study cannot be generalized to a wide range of similar situations concerning other CBE branches because of the non-probability sampling technique used even though the methodology used in this study could be applied to these similar situations. The issue of customers' perceptions could be questioned because the sample size considered constituted respondents the expectation may differ significantly. The above limitations however are less significant compared to the importance of carrying out this type of study. Such study should be carried out frequently in order to monitor satisfaction levels of customers and service quality and hence apply necessary adjustments for addressing the prevailing weaknesses.

## **1.7. Scope of the study**

The study will be conducted on commercial bank of Ethiopia in Addis Ababa five Branches with special focus on customer satisfaction and service quality. Attention will be given to all customers at five branches that it will emphasize on customer satisfaction, factors that affect quality service, factors and to what extent that makes customers satisfy and identifying service. The satisfaction level of customers was being assessed based on SERVQUAL measurement of service quality. The service quality dimensions were reliability, tangibility empathy, responsiveness, and assurance. The quality dimensions in predicting customer satisfaction. It will also focuses on the relationship between customer satisfaction and quality service strategies in general. All customers to be included in the study will be selected by using purposive sampling methods Analysis tools.

## **1.8. Organization of the Study**

The research is structured into five chapters: Chapter one gives a brief description of the research and high lights discussions on the effect of service quality on customer satisfaction. The chapter also presents Background of the study, statement of the problem, objectives of the study, research questions, significance of the study, limitation of the study, scope of study and Organization of the Study. Chapter two discusses on related literature like concept of quality and description of service based on the literature from various writers. Service quality

dimensions/models (SERVQUAL), customer satisfaction and the importance of service quality to businesses be discussed in this chapter. The chapter presents the conceptual framework of the study. Chapter three covers the research methodology like research design, data type and source, data collection procedure, method of sampling and sample size and method of data presentation Chapter four offers the research findings and discusses of the results of the study. Chapter five try to brief out summary of the study and the main findings, conclusions with regards to the new knowledge derived from the research and recommendations for improving service quality.

# CHAPERT TWO

## LITERATURE REVIEW

### 2.1. Theoretical Literature

On the theoretical part of the study provide theoretical related literatures related to determinate of customer satisfaction on the bank industries.

#### 2.1.1. Definition of Customer satisfaction

Customer satisfaction is defined as a customer's overall assessment of the performance or experience that the company has offered to them. Wyroble, J (2011). This overall satisfaction across the product and service provided by e-banking has a strong positive effect on customer loyalty (Baumann 2007). Kanyurhi, (2013) argues that customers reach satisfaction decisions by comparing the performance a product or service with their prior expectations.

The literature shows that customer satisfaction is important to get long-term business success (Zeithami et al., 2000). To protect market share / profit, organizations need to overcome competitors through offering high quality products or services to ensure customer satisfaction (Tsoukatos & Rand, 2006). Furthermore, Magesh, (2010) indicates that customer satisfaction requires full meeting customer expectations of products and services. When performance matches or exceeds customer expectations for service, they are satisfied. If not, they are not satisfied (Munusamy, 2006). Moreover, several studies generally define customer satisfaction and dissatisfaction as the customer's judgments concerning a business's success or failure in meeting expectations (Chidambaram, & Ramachandran, 2012, Kheng et al., 2010).

When expectations are met, satisfaction results and unmet expectations lead to dissatisfaction (Oliver, 2000). Lau, and Cheung (2013) indicate that the attitude of customer satisfaction resulting from what customers believe should happen (anticipation) compared with the situation when what they believe is not the case (perceived performance). In addition; satisfaction strengthens quality perception and leads repeat purchases. More specifically, in the banking industry, a main element of customer satisfaction is the nature of the relationship among customers and suppliers of products and services. Therefore, both product and service quality

usually are observed as an important condition and valuable factor for retaining customer satisfaction (Muslim & Isa, 2005).

Customer Satisfaction has been a central concept in marketing literature and is an important goal of all business activities. Today, companies face their toughest competition, because they move from a product and sales philosophy to a marketing philosophy, which gives a company a better chance of outperforming competition Kotler (2000).

According to Parker and Matthew (2001) expressed that there are two basic definitional approaches of the concept of customer satisfaction. The first approach defines satisfaction as a process and the second approach defines satisfaction as an outcome of a consumption experience. These two approaches are complementary, as often one depends on the other.

Although different approaches of defining customer satisfaction may be found in the literature, the most popular of them are based on the fulfillment of customer expectations. As, Gerson (1993), Hill (1996), Oliver (1997) and Grigoroudis & Siskos (2010) mentioned, satisfaction is a standard of how the offered 'total' product or service fulfills customer expectations.

According to an exhaustive review of Oliver (1997), Grigoroudis & Siskos (2010) support Parker and Matthew (2001) approaches with their comprehensive definition of customer satisfaction in term of pleasurable fulfillment is given by '...Satisfaction is the consumer's fulfillment response. It is judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption related fulfillment, including levels of under or over fulfillment...'

Oliver (1981) argued that Satisfaction 'as a summary of psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience'. Kotler (2000) mentioned satisfaction as: 'a person's feelings of pleasure or disappointment resulting from comparing a product perceived performance (or outcome) in relation to his or her expectations'. According to Hansemark and Albinsson (2004) 'satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire'.

Parasuraman et al. (1988) distinguish service quality and satisfaction: ‘perceived service quality is a global judgment, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction’. Customer satisfaction as an attitude is like a judgment following a purchase act or based on series of consumer-product interactions (Yi, 1989). Companies need to develop strategies of how to handle dissatisfied customers. Businesses cannot afford under any condition to lose customers, because the cost of replacing the lost customer with a new customer is bigger. Therefore, companies must find ways of winning back the unsatisfied customers by designing special programs for service recovery. Companies should handle customer complaints with care and not seeing them as a time consuming.

### **2.1.2. Customer Expectations**

‘Expectations are consumer-defined probabilities of the occurrence of positive and negative events if the consumer engages in some behavior’ Oliver (1981).Kotler (2000) have stated in his study, expectations play an important role in the satisfaction formation. The extent to which a product or service fulfills a customer’s need and desire may play an important role in forming feelings of satisfaction because of the impact of confirmation or disconfirmation that have on satisfaction.

According to Parasuraman et al. (1988), Customers form their expectations from their past experience, friends’ advice, and marketers’ and competitors’ information and promises . Therefore, perceived service quality is viewed as the difference between consumers’ perceptions and expectations for the service provided.

Cronin & Taylor (1992) forwarded the view that organizations in order to keep expectations from rising, they have to perform services properly from the first time. Thus, customer expectations for the service are likely to rise when the service is not performed as promised. Expectations serve as reference points in customer’s assessment of performance. Thus, retailers can increase customer satisfaction by decreasing customer expectations.

### **2.1.3. Customer Perception**

Perception is an opinion about something viewed and assessed and it varies from customers to customers, as every customer has different beliefs towards certain services and products that play

an important role in determining customer satisfaction. Customer satisfaction is determined by the customers' perceptions and expectations of the quality of the products and services. In many cases, customer perception is subjective, but it provides some useful insights for organizations to develop their marketing strategies. Providing high level of quality service has become the selling point to attract customer's attention and is the most important driver that leads to satisfaction Reichheld (1996).

#### **2.1.4. Consequences of customer satisfaction**

Several research works have shown that customer satisfaction is positively associated with desirable business outcomes namely; customer loyalty, customer retention, and customer profitability. Gerpott et al. (2001) reported that these consequences are important goals to have superior economic success.

#### **2.1.5. Customer Loyalty**

Oliver(1981) defines loyalty as 'A deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior'. Customer loyalty is a crucial factor in companies' growth and their performance. Loyalty is linked with the repeat business. Thus, a customer is loyal when he is frequently repurchasing a product or service from a particular provider.

Coyne (1989) stated that customer satisfaction has measurable impact on customer loyalty in that when satisfaction reaches a certain level; on the high side, loyalty increases dramatically; at the same time, when satisfaction falls to a certain point, loyalty reduces equally dramatically.

According to Fornell (1992) the perceived value from the product and the service affects customer judgment about his/her satisfaction or loyalty with the product or the service. The significance of customer loyalty is that it is closely related to the company's continued survival and to strong future growth.

Oliver (1999) stated that high levels of satisfaction lead to high levels of attitudinal loyalty. Attitudinal loyalty involves different feelings, which create a customer's overall attachment to a product, service, or company. Also Fornell (1992) found out that there is a positive relationship between customer satisfaction and customer loyalty.

### **2.1.5.1. Customer retention**

Customer retention is central to the development of business relationship, and these relationships depend on satisfaction Eriksson and Vaghult (2000). Customer satisfaction is a central determinant of customer retention (Gerpott et al., 2001). Several research works have shown that there is positive relationship between customer satisfaction and customer retention; customer satisfaction has a direct effect on customer retention (Rust and Subramaman, 1992).

### **2.1.5.2. Customer profitability**

As a consequence of Customers that are very satisfied with a company are very likely to remain with that company that leads to future revenue for the company. Zairi (2000) in his empirical research found that Customer satisfaction has a positive effect on an organization's profitability. The more customers are satisfied with products or services offered, the more are chances for any successful business as customer satisfaction leads to repeat purchase, brand loyalty, and positive word of mouth marketing. Kotler (2000) mention that satisfied customers is more likely to repeat buying products or services. On the other hand dissatisfied customers respond differently. Dissatisfied customers may try to reduce the dissonance by abandoning or returning the product. Research studies conduct by Fornell (1992) showed that higher customer satisfaction translates into higher than normal market share growth, the ability to charge a higher price, lower transition cost, and a strong link to improved profitability. Nelson et al., (1992) also demonstrated that customer satisfaction is related to higher profitability and proved this findings statistically.

### **2.1.6. What determines customer satisfaction?**

The following are some of the determinants of customer satisfaction by Zeithmal (1985)

There 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 overall 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 and 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.

## **2.2. Service quality**

Service quality can be defined as the difference between customer's expectations of service performance prior to the service encounter and their perceptions of the service received. Quality service has a positive effect on the bottom-line performance of a firm and thereby on the competitive advantages that could be gained from an improvement in the quality of the service offered so that the perceived service exceeds the service level desired by customers (Ladhari, R. (2008).

Nowadays, with increased competition, service quality has become a popular area of academic investigation and has been recognized as a key factor in keeping the competitive advantage and sustaining satisfying relationships with customers (Zeithmal et al., 2000). Service quality is considered an important tool for a firm's struggle to differentiate itself from its Competitors (Ladhari, 2008). Service quality has received a great deal of attention from both academicians and practitioners (Negi, 2009. Duff et al. British Journal of Marketing Studies Vol.2, No.2, pp.1-11, June 2014 Published by European Centre for Research Training and Development UK (2008) pointed out that, by defining service quality, companies will be able to deliver services with higher quality level.

Akroush (2008) also pointed out that service quality is the result of the comparison made by customers about what they feel service firms should offer, and perceptions of the performance of firms providing the services. Gronroos (2007) also defined service quality as the outcome of the comparison that consumers make between their expectations and perceptions.

Customer's expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectation and quality is low when performance does not meet their expectation (Athanasopoulos et al., 2001). Perceived service is the outcome of the consumer's view of the service dimensions, which are both technical and functional in nature.

It is very vital to note here that, service quality is not only assessed as the end results but also on how it is delivered during service process and its ultimate effect on consumer's perceptions (Duncan & Elliot, 2004). Service quality has a strong correlation with customer satisfaction, financial performance, manufacturing costs, customer retention, customer loyalty, and the success of marketing strategy (Cronin et al., 2000; Wong et al., 2008). Organizations operating within the service sector consider service quality to be a strategic component of their marketing plan (Spathis et al., 2004). Through service quality, organizations can reach a higher level of service quality, a higher level of customer satisfaction, and can maintain a constant competitive advantage (Meuter et al., 2000).

Service quality also defined as the degree of discrepancy between customer normative expectations for service and their perceptions of service performance. Service quality can be defined as meeting the needs and expectations of the customer (Kotler, and Armstrong, 2010). The definition of service quality can be extended to the overall evaluation of a specific service with ten service quality dimensions: tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and understanding/knowing the customer (Lassar& Winsor, 2000). These ten dimensions were yielded from a questionnaire with 97 items (Ladhari, R. (2008). Zeithaml,(2000) refined the ten dimensions into five to measure customer's perceived value of service quality, which is known as SERVQUAL.

### **2.2.1. Service quality Model**

Most of the researchers have recognized and used the service quality measuring model in a variety of industries such as the service quality model improved by Akroush, (2008) .The service quality model of Baumann (2007).Johnston, (2007) suggested a five dimensional structure of perceived service quality tangibles, reliability, responsiveness, empathy and security as the instruments for measuring the service quality.

### **2.2.2. Tangibles as a SERVQUAL dimension**

The tangibles involve the firms' representatives, physical facilities, materials, and equipment as well as communication materials. Furthermore, Physical environmental conditions appeared as a clear evidence of the care and attention paid for the details offered by the service provider (Ladhari, 2008). Davis et al. (2003) summarize tangibles like the physical confirmation of the service. More specifically, Magesh, (2010) define the tangibility appearance of physical facilities, equipment, personnel, and written materials. Finally, in the present research, tangibles are the facilities and the banking services offered by the providers of the Arab bank headquarters as perceived by the specific Arab banking customers. Such tangibles are measured using 4 items of the tangible dimension of the *22-item SERVQUAL*

### **2.2.3. Reliability as a SER VQUAL dimension**

Reliability depends on handling customer service issues, performs the services right the first time; offers services on time, and maintain a record of error-free. Moreover, they define reliability as the most significant factor in conventional service (Malhotra, & Mukherjee, 2004). Reliability also consists of the right order fulfillment; accurate records; accurate quote; right in the bill; Results are more accurate than commissions; keep the promise of service. He also mentions that reliability is the most significant factor in banking services (Magesh, 2010). More specifically, in a study by Parasuraman et al. (1985), SERVQUAL was applied to gather data in four different companies, including banks, credit card companies, the company's maintenance services, and long-distance phone company. He found high reliability in all four of these companies, with the possible exception of some of the values associated with significant dimensions (Mokhlis, 2012).

Finally, reliability is defined as the “ability to perform the promised service dependably and accurately” (Zeithmal et al., 2000). In this research, reliability is the ability of banking service providers at a specific Arab bank to execute the promised service as perceived by the specific Arab bank headquarters' banking customers. This is measured using 5items of the reliability dimension of the *22-item SERVQUAL*

#### **2.2.4. Responsiveness as a SERVQUAL dimension**

Responsiveness is defined as "the willingness to help customers and provide prompt service"(Kanyurhi, 2013). Furthermore, Johnston (2005) defines responsiveness such as speed and timeliness of service delivery. This consists of processing speed and service capabilities to respond promptly to customer service requests, and wait a short and queuing time. More specifically, responsiveness is defined as the willingness or readiness of employees to provide services. It contains the timeliness of service (Baumann 2007). It also contains understanding the needs and requirements of the customer, easy operation time, individual attention provided by the staff, attention to the problem and customers' safety in their dealings (Kumar et al., 2009). Finally, in this research, responsiveness is the readiness of banking service providers at a specific Arab bank headquarters to provide punctual services as perceived by a specific Arab bank headquarters' banking customers. This is measured using 4 items of the responsiveness dimension of the 22-item SERVQUAL

#### **2.2.5. Empathy as a SERVQUAL dimension**

Akroush, (2008) defined empathy as a caring and individual attention that the firm provides to its clients. It contains giving individual attention to employees who understand the needs of their customers and customer facilities during business hours. Furthermore, Kanyurhi, (2013) demonstrates empathy in their research of private sector banks, provide individual attention and easy operation time; give personal attention, and understand the specific needs of customers. Ladhari,(20081) suggest that empathy contains approachability, sensitivity, and efforts to understand customer needs. Also, Johnston (2007) defined empathy as the ability to make customers feel welcome, especially by staff contacts.

Additionally, the SERVQUAL model indicates that satisfaction is related to the size and direction of disconfirmation of a person's experience when he/she faces his/her initial expectations (Levesque,&Dougall, 1996).). This study uses 4 items of the empathy dimension of the 22- item SERVQUAL.

### **2.2.6. Assurance as a SERVQUAL dimension**

Assurance is defined as employee's knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. This dimension is likely to be particularly important for services that the customer perceives as involving high risk and/or about which they feel uncertain about their ability to evaluate outcomes. Trust and confidence may be embodied in the person who links the customer to the company. In such service contexts the company seeks to build trust and loyalty between key contact people and individual customers. The personal banker concept captures this idea: customers are assigned to a banker who will get to know them individually and who will coordinate all of their banking services.

### **2.3. Service Gaps**

A gap is the difference, imbalance or disparity which is determined to exist between customers' perception of firm performance and their prior expectation. Parasuraman et al.(1988) built the service quality gap model in their study and identified five general dimensions of service in order to determine the difference between customer expectations and perceptions and his works have been used by many service quality researchers and they have become prominent in the measurement of service quality.

1. Promotional gap: the inability of the business organization to fulfill expectations created in the minds of customers mainly by marketing communications.
2. Understanding gap: the gap occurred due to the inaccurate understanding of customer needs and priorities by the managers of the organization.
3. Procedural gap: the gap occurred due to the translation of customer expectations into appropriate operating procedures and systems with the business organization.
4. Behavioral gap: the difference between customer expectations and organization's performance, focusing on how procedures adequately cover service delivery requirements.
5. Perception gap: the difference between customer performance perceptions and reality.

In previous service research, meeting and exceeding expectations of clients and customers is a perspective that has gained most attraction. The important research gap here is attaining customers' expectation towards a particular service. Management of service quality largely

focuses on managing the gaps between expectations and perceptions of customers. The goal of the firm is to minimize the gap between performance and expectation. Schneider & White (2004) also applied gap principles similar to that proposed by Parasuraman et al (1985).

### **Customer expectation and perception**

Customers form service expectations from many sources, such as past experiences, word of mouth, and advertising. In general, customers compare the perceived service with the expected service. If the perceived service falls below the expected service, customers are disappointed. Successful companies add benefits to their offering that not only satisfy customers but surprise and delight them. Delighting customers is a matter of exceeding expectations. (Philip Kotler, 2008).

Customers hold different types of expectations about service, the highest type of these are desired service and adequate service “Desired service is the level of service the customer hopes to receive”. It is a combination of what customers believe “can be” and “should be” The expectations signal the level of customer hopes and wishes and belief that they may be fulfilled, thus failure to meet these expectations may result to customers cutting down on purchase. (Maxwell et al, 2013).

Perceptions are always considered in relation to expectations. Perceptions are formed through customer’s assessment of the quality of service provided by a company and whether they are satisfied with the overall service. Researchers argue that because of perceptions may shift over time it is necessary for companies to continually assess customer perceptions. (IBID)

## **2.4. The Relationship between Service Quality and Customer Satisfaction**

According to Saglik (2014) the relationship between perception of quality and customer satisfaction is of great importance especially for the service sector. It could be suggested that this is because customers are not only interested in the tangible aspects of the products offered to them in the service sector but also the intangible aspects of these products in the provision process. Therefore, it could be suggested that in order for the service delivery businesses to increase the level of customer satisfaction and consequently assure their competitiveness in the

market, they should place more importance on, and pay greater attention to improving the service quality.

According to Angelova and Zekiri (2011) stated that in many countries, factors like: service quality, and perceived value, are the key constructs affecting the customer's satisfaction. During past few decades the interest of academics and researchers has been increased to measure the relationship between service quality and customer satisfaction. Both customer satisfaction and service quality are considered as extensive and vast subjects of research and many studies related to customer satisfaction are conducted in the area of service settings (Oliver and Swan, 1989; Cadotte, Woodruff and Jenkins, 1987; Swan and Trawick, 1980). In marketing theory, the consumer satisfaction category has the main position. It is based on the premise that the profit is made through the process of satisfaction of consumers' demands (Dubrovski, 2001). A further debate has considered whether service quality is a cause customer of satisfaction (Cronin and Taylor, 1992), (Parasuraman et al., 1985). It then helps to identify a link between both constructs.

The Increased level of customer satisfaction , decreases the chances that customers will be pointing the flaws in the quality (Anderson et al., 1997). In service settings it would offer a better perspective of the relative importance of service quality determinants by developing more comprehensive models of the drivers of customer satisfaction [Anderson et al., 1997]. A great similarity between the customer satisfaction and service quality is observed, however researchers are careful to say that these two are different concepts (Spreng and Singh, 1993; Oliva, Oliver, and MacMillan, 1992).

In academics both constructs are recognized as distinct and independent (Oliver, 1980). Whereas a wide literature studies shows that both concepts are distinct conceptually but also are closely related to each other (Parasuraman et al., 1994; Shemwell et al., 1998) and any increase in one (quality) leads to increase in another (satisfaction) (Sureshchandar et al., 2002). However there are number of variations found in literature between service quality and customer satisfaction. Cronin and Taylor, 1994; Boulten and Drew 1991 stated that Satisfaction is customer decision after an experience while quality is not.

According to Cronin and Taylor (1992) it is important to have this distinction between the two concept for managers and academics, as there is a greater need to understand either the firm's objective is to perform in a way that satisfies the customers or they should strive to provide maximum level of service quality perceived by its customers.

There are researchers like Hurley and Estelami (1998) who states that that service quality and satisfaction are distinct constructs, and there is a causal relationship between the two, and the impression about the quality of service influence emotions related to satisfaction which, in turn, affect future purchase behavior. Also customer satisfaction is viewed as the overall assessment of the service provider (Anderson et al., 1997).

The literature related to service quality and satisfaction has emphasized that customers compare the performance of product and services on some standards ( Spreng&Mackoy, 1996). Also the quality of service as perceived by the customers is considered as an important factor that affects the level of satisfaction. Due to its relative importance in the service context it became a wide debatable topic and focus of research for academics. Literature revealed that the difference between perceived service quality and satisfaction is due to the use of different standards of comparison (Zeithaml et al., 1993; Parasuraman et al., 1988). Different authors stated that the standard of comparison to form satisfaction depends on customer's feelings regarding what will come out ( predictive expectations) where perceived service quality defines what customers believe that a firm should deliver, also it is a result of comparing the performance ( Spreng&Mackoy, 1996) .

Overall what different authors state about these two constructs and consider it as distinct concepts there is a great need to analyses the relationship between the two to understand either these are two different concepts or are similar. For this purpose, customer satisfaction with service quality models (McDougall & Levesque, 2000; Spreng& Mackoy,1996) are discussed in the following pages (p21-23) and based on these models a SQCS models is developed(p23-25) to explain the relationship between the both constructs.

## **2.5. Customer Satisfaction in Service Render Sector**

In line with Ladhari, (2008), customer satisfaction is a key to long-term business success. To protect or gain market shares, organizations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers. In proportion to Magesh (2010), satisfaction means a feeling of pleasure because one has something or has achieved something. It is an action of fulfilling a need, desire, demand or expectation.

Customers compare their expectations about a specific product or services and its actual benefits. As stated by Kotler& Armstrong, (2010), satisfaction as a person's feelings of pleasure or disappointment resulting from the comparison of product's perceived performance in reference to expectations. Customer's feelings and beliefs also affect their satisfaction level. Zeithaml (2000) satisfaction or dissatisfaction is a measure or evaluation of a product or service's ability to meet a customer's need or expectations. Razak et al. (2007) also reported that overall satisfaction is the outcome of customer's evaluation of a set of experiences that are linked with the specific service provider. It is observed that organization's concentration on customer expectations resulted into greater satisfaction.

If the customers of an organization are satisfied by their services the result is that, they will be loyal to them and consequently be retained by the organization, which is positive for the organization because it could also mean higher profits, higher market share, and increasing customer base (Karatepe et al., 2005). Customer satisfaction has become important due to increased competition as it is considered very important factor in the determination of bank's competitiveness (Berry et al., 2002p;32).

Continuous measurement of satisfaction level is necessary in a systematic manner (Chakravarty et al., 1996). Because satisfied customer is the real asset for an organization that ensures long-term profitability even in the era of great competition. Cronin et al., (2000) mentioned in their study that satisfied customer repeat his/her experience to buy the products and also create new customers by communication of positive message about it to others. On the other hand, dissatisfied customer may switch to alternative products/services and communicate negative message to others. Customer satisfaction is a set of feeling or outcome attached with customer

“experience towards any product/ service (Solomon, 1998 p;44). Hence, organizations must ensure the customer satisfaction regarding their goods/services.

## **2.6. Classification of Services**

Classified products into three categories using the works of economists;

Search qualities: attributes that consumers can determine before purchasing the product. Search qualities include color, style, price, fit, feel, hardness and smell. Example of products is clothing, automobile, furniture and jeweler.

Experience qualities: attributes that can be determined only after purchase or during consumption. Examples include taste and wear ability and examples include vacation packages and restaurant services.

Credence qualities: attributes that consumer may find very difficult to evaluate (mainly due to insufficient technical knowledge) even after purchase and consumption. Examples include wheel alignment (auto repair), medical operation, etc (Zeithaml, 2000p;12).

## **2.7. Customer Satisfaction in public organization Practice**

Customer satisfaction is about consumer satisfaction (that is, user satisfaction), rather than about buyer satisfaction (which may include non-users).

Second, satisfaction is a feeling. It is a short-term attitude that can readily change given a constellation of circumstances. It resides in the user’s mind and is different from observable behaviors such as product choice, complaining, and repurchase.

Third, satisfaction commonly has thresholds at both a lower level (insufficiency or under fulfillment) and an upper level (excess or over-fulfillment). This means that a consumer’s Satisfaction may drop if she/he “gets too much of a good thing.” Many people focus upon the Lower threshold and neglect the potential for an upper threshold. With this definition in mind, we move to the traditional macro-model of customer satisfaction. This model underlies much of the research in customer satisfaction over the past decade. Note the following:

- Perceived performance often differs from objective or technical performance, especially when a product/service is complex, intangible, and when the consumer is unfamiliar with the product/service.
- Comparison standards can come from numerous sources that can vary widely by individual, by situation, and by product/service type.
- Perceived disconfirmation is the evaluation of perceived performance according to one or more comparison standards. Disconfirmation can have a positive effect (generally implying a satisfying result), a negative effect (generally implying a dissatisfying result), or a zero effect.
- Satisfaction feeling is a state of mind, an attitude. The phrase “mixed feelings” applies here, as a consumer may have different levels of satisfaction for different parts of a product/service experience.
- Outcomes of satisfaction feelings may involve intent to repurchase, word-of-mouth (the consumer’s communication with her/his network of her/his approval/disapproval for a product/service), and complaints.

## **2.8. Customer expectations**

In the beginning of a service experience delivery process, customers are looking forward to service encounters with eager anticipation. In other words, what customers expect to acquire from service providers can define diverse customer expectations. Moreover, customer expectations are regarded as desires or wants of customers, i.e. what they feel a service provider should offer more than what would offer. Levesque, & Dougall, (1996 p; 32).

Proposed that understanding customer expectations of a service played an important role for delivering satisfactory services. Previous researches had presented that how customers assess the performance of a service provider was based on the single level of expectation standard, which meant customer felt a service provider should offer. However, past researchers kept evolving and extending the conceptual model of expectations, putting a lot of effort to pinpoint the critical element within customer expectations. These researchers offered multilevel of customer expectations (Baker, 2000p; 31).

## **2.9. Impact of service quality on customer satisfaction**

Service quality is found to be a strong predictor of customer satisfaction. Research in different industries have investigated the relationship between service quality (its dimensions) and customer satisfaction – telecommunications In traditional banking service quality dimensions of relational performance, core performance and features performance were found to be significant predictors of customer satisfaction (Magesh, 2010). Various studies have been conducted in similar area, where in banking service quality dimensions have been tested as predictors of customer satisfaction (Krepapa et al., 2003; McDougall and Levesque, 2000; Ndubisi and Wah, 2005p;33).

## **2.10. Empirical Literatures**

There are many research works done related with this study. However the researcher tried to see four of them which are more related to the topic. The titles with their objectives and major findings are discussed below to have an insight about these studies.

The first work is MBA thesis done by Daniel (May, 2015) with title of ‘Assessment of quality of service delivery and customer satisfaction: a case study of EEPCO, Southern Addis Ababa Region customer service centers’. The main purpose of the study is to assess quality of service delivery and customer satisfaction of EEPCO with the following specific objectives: to assess the overall quality of service rendered by EEPCO, to understand real situation on how EEPCO handle its customers and to assess whether the current service provided by the corporation satisfies customers or not.

Based on these objectives he found that the service provided by the corporation has improved during the last three years. Concerning the bill collection activity of the corporation, the customers were asked to rate the frequency of payment period, payment mechanism available, time required to pay their bills and treatment by the bill collection employees. The result is relatively better. Customers’ response on their overall satisfaction on the service quality of the corporation is strongly satisfied. The corporation’s service recovery procedure of Service failure and customers’ response on complaint handling processes of the corporation are poor.

Research has shown that the quality of services and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers. Taylor (2001) concluded that the quality of after sales services can lead to very positive results through customer loyalty, positive WOM, repetitive sales and cross-selling. Leonard L. (1995) said that because of the amount of money that is typically invested in an insurance policy, customers seek long-term relationships with their insurance companies and respective agents in order to reduce risks and uncertainties. Raj Arora, Charles Stoner, (1996) on their research found that perceived service quality has a significant effect on the attitude towards obtaining insurance. Westbrook and Peterson (1998) also found that professional customers evaluate the quality of services in the same way as retail customers.

Overall, the causal relationships between service quality and customer satisfaction have been examined by a number of studies, in service settings around the world. A review of literature revealed that the earlier studies on measurement of customer perceived service quality were very few for insurance and banking industry, more so in the Ethiopian context. Let's see some of the works as follows.

Research has shown that the quality of services and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers. Ravi k. (2011).Based on this study of comparison on the insurance service quality aspects of Chinese and Indian customers using service quality model, a high significance of correlation is found in both countries. These major correlations are the personal support they receive from employees, rather than the technical innovations they apply matter very critically. These supports include first rate service, personal recognition and friendly interactions and a sense of confidence and trust.

Although the study focuses on insurance product of business, the review emphasizes the results can be used in other industries of other countries as well. The results of this study support the claims of Ravi k. (2011) that perceptions of service quality vary by nationality due to differences in economic, social and cultural environments. Researchers are thus encouraged to replicate this study in different countries. Therefore, these measurements should be incorporated by modifying necessary changes in service quality aspects in accordance with the socioeconomic environment of that nation.

Hence the need to adapt necessary changes of service quality studies in the Ethiopian context. Another empirical evidence on service quality reflects that since SERVQUAL was developed in western country, it has been suggested that researchers should be sensitive to cultural differences in examining the dimensionality of service quality in other countries Ravin.K.(2011).In examining of cross cultural differences between North American and Latin American consumers ,(Collart,2000) found that the relative importance of service quality dimensions was different between the two groups. Collart, 2000 claims that customers from different cultures perceive service quality differently. Gil et al, (2004) partly support this claim; they found that UK and USA customers have different reactions to poor service.

Further empirical review of literature reveals that a specific application of the SERVEQUAL model is tailored to the business norm and model of a given country. A typical study by Graham K.(2004) is the comparative analysis of the insurance service qualities of Greece and Kenya. More specifically GIQUAL is used as an instrument in order to measure the service quality of the Greek insurance industry. This shows that the items must be customized to gauge to the business environment. For example four additional items were added to evaluate the effect of price, product quality ,ambiguity of insurance contracts in insurance claims settlement were taken as perceptions of the items in Greek insurance industry which is more prominent features of the industry.

Another assessment of the outcome of the test in the industry shows that tangibility has no significant impact. This is because their business is heavily dependent on the Agency system, where customers contact the companies through sales agents or brokers.

In comparison, the Kenyan insurance industry has some roots of influence of culture in the early years of the British colony. A remarkable analysis of the research design in the study reveals that the SERVEQUAL metric in investigating service quality in the respective industries were distinctively different in terms of design and operationalization. Evangelos.& Graham.(2004; p - 16).

It is attribute specific where it relates to a specific product or service (Cronin & Taylor, 1992). For instance, with Nib Insurance S.C, satisfaction can be related to a specific attribute such as:

Comprehensive Insurance, Third Party Insurance, Bond insurance, Marine insurance, or satisfaction with the claim processes among others. On the other hand, customer satisfaction can be related to the overall performance of a product/service or the overall performance of an organization's products/services (Cronin & Taylor, 1992). The present study relates customer satisfaction to the overall performance of services delivered by Nib Insurance S.C in order to generalize the findings for managerial implications.

The second work is MBA thesis done by Aman (July,2008) with title of 'Effects of service delivery process and service quality on customer satisfaction: a case study of EEPCO, North Western region, Bahir Dar town customer service centers'. The main purpose of the study is to examine the effect of service delivery process and service quality on satisfaction of customers of EEPCO with the following specific objectives: to examine the effect of service delivery process and service quality on customer satisfaction and to understand real situation n how EEPCO handle its customers.

Based on these objectives he found that the service provided by the corporation has improved during the last three years. However, the majority of the respondents dissatisfied with the service delivery procedure available in the corporation. Moreover, service failure and recovery procedure is rated as poor both by employees as well as by the customers.

The third work is done by Eskinder (July, 2007) entitled as 'the effect of public sector service quality on customer satisfaction: the case study of Ethiopian Telecommunication Corporation (ETC)'. His main objective is to examine and give a clear picture of the improved customer service.

He put specific objectives in the following manner:

- To demonstrate the actual importance and effect of quality service on customer satisfaction in ETC
- To assess and understand real situation on how ETC handles its customers.

With these objectives he found similar things what Aman found. The service provided by the corporation has improved a little in the past one year. However, there is dissatisfaction due to physical infrastructures problems, inability to handle customer complaints in service situation and poor quality of internet service.

The fourth work is done by Ahmed (July 2014) entitled as ‘The assessment of customer satisfaction levels on the broadband internet service’. A case study on enterprise customers of Ethio. Telecom in Addis Ababa’. His main objective is to assess and analyze the customer satisfaction levels on the broad band internet service of enterprise subscribers located in Addis Ababa. His specific objectives were:

- To determine Broad band internet service subscribers’ satisfaction level with regard to service delivery.
- To discuss broad band subscribers’ satisfaction level with regard to the quality of broadband internet delivered by Ethio telecom.

Based on these objectives he found on the result that measurement of satisfaction on service delivery was mean good satisfaction by the customers. Similarly this study tries to assess the stated objectives based on theoretical knowledge and give more emphasis on quality service delivery and customer satisfaction.

The fifth work is done by Rahel (September 2014) entitled as ‘Contribution of unified billing system in facilitating public service delivery: the case of selected lehulu centers in Addis Ababa’. Her main objectives were to analyze the role of UBS in bringing convenience and to analyze and assess whether the UBS meets the values of public service delivery.

Her specific objectives were:

- To identify and analyze the existing challenges and opportunities of unified billing system public service delivery process
- To identify and suggest possible solutions to improve the service delivery so as to satisfy their public needs

Based on these objectives he found on the result that measurement of satisfaction on service delivery was mean good satisfaction by the customers.

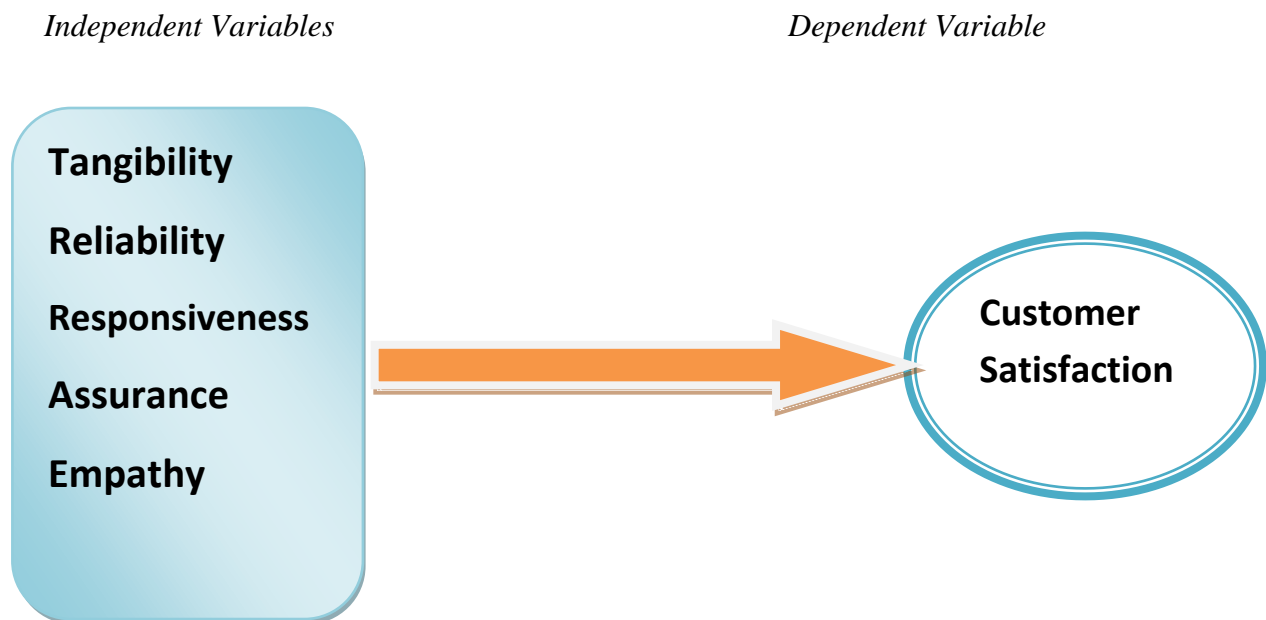
Similarly this study tries to assess the stated objectives based on theoretical knowledge and give more emphasis on quality service delivery and customer satisfaction.

## 2.11. Conceptual Frame Work

The relation between service quality and customer satisfaction has been addressed in several studies, including Cronin and Taylor, 1992; Oliver (1993). The conceptual framework explains the underlying process, which was applied to guide this study. As discussed above, the SERVQUAL model is suitable for measuring service quality and customer satisfaction in banking sectors the researcher was used SERVQUAL model to assess CBE services quality and customers satisfaction. Since SERVQUAL uses the same five service quality dimensions (reliability, tangibility, responsiveness, assurance, and empathy) had significant and positive impact on customer satisfaction. To attain the objectives of the research the study is based on SERVQUAL.

Figure 1 below presents the study's conceptual framework, which essentially stipulates that overall customer satisfaction (dependent variable) would be a function of reliability, tangibility, responsiveness, assurance, and empathy (independent variables)

**Figure 1: Conceptual Framework**



*Source: Cronin and Taylor, 1992*

# CHAPTER THREE

## RESEARCH METHODOLOGY

### 3.1. Introduction

This chapter gives a brief description on how this research conducted. This include research approach, source of data, population of the study, sampling techniques and procedures, sample size determination, method of data collection, , method of data analysis and ethical research consideration.

### 3.2. Research approach and Design

#### 3.2.1. Research Approach

In this study quantitative research approach applied. To achieve the aim of the study used quantitative approach a method involved number of respondents, listed questions are raised and response choices are predetermined. According to Svensson (2003) the quantitative research approach is best to investigate the perceptions and problem of the study and to discover the hidden values, feelings attitudes and motivations. It uses deductive approach; the focus is on testing the theories related to the topic by analyzing and collecting the data (Bryman and Bell, 2007).

#### 3.2.2. Research Design

A research design provides a framework for the collection and analysis of data. A choice of research design reflects decisions about the priority being given to the following; expressing causal connections between variables, generalizing to larger groups of individuals than those actually forming part of the investigation, understanding behavior and meaning of that behavior in its specific social context and having a temporal appreciation of social phenomena and their interconnections (Bryman& Bell, 2007). Both descriptive and explanatory study design has been applied. The reason behind using descriptive research design is because to describe the opinion of a researcher that has been collected through questioner. And explanatory research design, to explaining, understands and controls the relationship between the dependent and independent

variables. An explanatory research design is a correlation design that enables the researcher to examine the extent to which two or more variables are associated. Moreover, this type of research design provides the researcher to collect data at one point in time (Creswell, 2012).

### **3.3.Sources of Data**

The choice of particular method of collecting data depend on the purpose of collecting data, the information being collected, the resource available for the research and the skill of the researcher (Kothari,2004). There are two sources of data collection. These are primary and secondary source of data. Primary data involves the collection of data that does not already exist. In order to get the service quality level of CBE from the customers' point of view, this research has been conducted using primary data. The study was collecting the primary data. These are questionnaire. The survey has been basically conducted using questionnaires. The data that has been collected from secondary source served as a support for the data that was collected and analyzed using primary sources of data. Secondary sources of data have been proved by many researchers to be used as an evidence of resulted pulled from the use of primary data.

#### **3.3.1. Primary Data**

Primary data sources are those data that were gathered for a specific research project. Primary data are more accurate and reliable compared to secondary data (Saundera, Lawis, &Thornhill, 2003). Primary data source is what the researcher originally collected from the sample or target population of the study. Primary data involves the collection of data that does not already exist. In order to get the service quality level of CBE from the customers' point of view, this research has been conducted using primary data.

#### **3.3.2. Secondary Data**

The secondary source of data were obtain from publish article in business journal, Magazines, books, thesis, company report, public website and other related studies.

### **3.4. Data Collection Instrument**

This study has been designed to assess the level of service quality and customer satisfaction from CBE customers' perspective. Data has been collected from the customers through questionnaires of CBE branch. "Quite often questionnaire is considered as the heart of a survey operation. Hence it should be very carefully constructed. If it is not properly set up, then the survey is bound to fail" (Kothari, 2004). The questionnaire was three parts. The first part intended to understand the personal information of respondents using nominal scale. The second part was consisting the perceptions and expectation of respondents and the third overall customer satisfaction regarding the measurement dimensions. All this dimensions were rated using a five point Likert-type scale (1= strongly disagree, 2= disagree, 3=neutral, 4= agree, and 5= strongly agree)

### **3.5. Target population and Sampling Technique of the study**

#### **3.5.1. Target population**

Target population is the population which the researcher wants to generalize the results of the Study (Mugenda & Mugenda, 2003). The target population for the research is customers of the company. As seen from observation, company customers were varies in number in different times. It is difficult to quantify in number since the number of customers is infinite and are not consistent in different branches of CBE. There are currently more than 1284 branches throughout the country on August 10, 2018. Questionnaires have been distributed for customers of CBE. Managers and employees are excluded from the study. Therefore, the target population of this research is according to NBE report of 2016; CBE in Addis Ababa has around 293,326 customers in its different branches. Titled his work on customer's satisfaction and service quality.

#### **3.5.2. Sampling techniques**

The study has used convincing sampling technique. This is because to find adequate information by selecting customers accessible for the study. Convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher. Based on this the sample size of the population has been selected

based on the total population size of the study area. According to NBE report of 2016, CBE in Addis Ababa has around 293,326 customers in its different branches. Based on this the sample size of the study determined using the following sampling formula:

$$n = \frac{N}{1 + Ne^2}$$

Where n = sample size

N= Number of population

e = standard error used (0.1) or 90% confidence interval.

$$n = \frac{293,326}{1 + 293,326 (0.1)^2} = 232$$

### 3.6. Data Analysis Tools

The researcher used SPSS-20 (Statistical Package for the Social Sciences) software. Specific analysis techniques named percentage, comparing mean, regression and correlation were employed based on the requirement of the specific research objectives formulated for the study.

The main aim of this research is to determine customers' satisfaction by service quality dimensions for services provided by the company and to find out whether these dimensions have an impact on their satisfaction from the service. Therefore, regression and correlation are the best analysis tools. The data gathered from respondents was summarized using a descriptive statistic method through tables, frequency counts, percentages. To test the gap between perceived and expected service quality a mean score, standard deviations were used to offer a condensed data. In addition, pearson correlation analysis, were used to explore the relationship between service quality dimensions and customer satisfaction. Where as, a multiple linear regression analysis used to find out the impact of independent variables on the dependent one.

The equation of multiple regressions on this study is generally built around two sets of variable, namely dependent variables (customer satisfaction) and independent variables (Tangibility, reliability, responsiveness, assurance, and empathy). The basic objective of using regression equation on this study is to make the researcher more effective at describing, understanding, predicting, and controlling the stated variables.

### 3.7. Reliability and Validity

#### 3.7.1. Reliability

Cronbach's alpha is a tool for assessing reliability scale which normally ranges between 0 and 1. Internal consistency reliability is a measure of consistency between different items of the same construct. If a multiple-item construct measure is administered to respondents, the extent to which respondents rate those items in a similar manner is a reflection of internal consistency. Hence, a multiple-item measurement scale internal consistency method is used to the study. According to George and Mallery (2003) a Cronbach's alpha coefficient greater than 0.9 implies excellent, greater than 0.8 is good, greater than 0.7 is acceptable, greater than 0.6 is questionable, greater than 0.5 is poor, and less than 0.5 is unacceptable". Accordingly, the reliability test of each dimension will be described.

**Table 3.1: Reliability Test of the Study**

Independent Variables	Cronbach's Alpha of Item
Tangibility	.904
Reliability	.787
Responsiveness	.837
Assurance	.752
Empathy	.904

#### 3.7.2. Validity

Validity is determining whether the findings are accurate from the standpoint of the researcher, the participant, or the readers of an account (John, W.C. 2009). This study's validity is assured through conducting interview with few of sample population to determine accuracy of finding drawn from questionnaire. Also opinion from the research advisor and experts ensure the content validity, whether the items measure the area of interest or the concept it intends to measure which were advanced its validity.

### 3.8. Model Specification of the study

Regress customer satisfaction on the service quality dimensions will applied as model of the study to test the regression and correlation analysis.

$$Y_i = \beta_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6$$

Where Y is the dependent variable- customer satisfaction

X2, X3, X4, X5, and X6 are the explanatory variables (or the regresses)

$\beta_1$  is the intercept term- it gives the mean or average effect on Y of all the variables excluded from the equation, although its mechanical interpretation is the average value of Y when the stated independent variables are set equal to zero.

$\beta_2$ ,  $\beta_3$ ,  $\beta_4$ ,  $\beta_5$ , and  $\beta_6$  refers to the coefficient of their respective independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables

## CHAPTER FOUR DATA ANALYSIS AND INTERPRETATION

### 4.1. Introduction

This chapter presents analysis, interpretation and findings of information collected through self-administered questionnaires with 232 randomly selected customers of CBE. The analysis is based on the information obtained from 232 customers. In order to get a representative data 232 questionnaires were prepared and distributed to customers of the bank. Out of these 232 questionnaires distributed to customers, 228(96%) 4 questionnaires were omitted for their errors'. Thus, the analysis is based on the valid 228 questionnaires response from customers.

Statistics indicating service quality dimensions for Building customer satisfaction after the collection of the questionnaires from the respondents, the researcher explored What are the gaps of customers' perception and expectation based on service dimensions in CBE?: (Tangibility, Reliability, Responsiveness, Assurance, and Empathy.)

#### 4.1.1. Demographic Background of Respondents

**Table 4.2. Characteristic of respondents**

Item	Category	Frequency	Percentage (%)
Sex	Male	152	75
	Female	76	25
	Total	228	100
Age	Below 18	25	10.96
	18 – 35	98	42.98
	36 – 45	85	37.27
	46 and above	20	9.01
	Total	228	100
Marital status	Single	102	44.73
	Married	112	53.50
	Divorce	71	31.14
	Widow	12	5.26
	Total	-	-
Educational status	Total	228	100
	Primary school	32	14.04
	High school	51	22.37
	Certificate	32	14.04
	Diploma	40	17.54
	First degree and above	32	14.04
	Others	41	17.98
Occupation	Total	228	100
	Student	50	21.92
	Employee	62	27.19
	Self Employed	94	41.22
	Others	22	9.64
Types of account	Total	228	100
	Saving Account	189	82.89
	Fixed account	13	5.70
	Current account	25	10.96

Source questionnaire, 2019

Based on the above table from 228 total respondents 152 (75%) of them were male while the rest, 76 (25%) of them were female. With regards to the age condition of the respondents, the distribution of frequency and percentage shows that, 25 (10.96%) of respondents found below 18 years age, about 98 (42.98%) of them found between the age groups of 18 - 35 on the other hand 85 (37.27%) of them found between the age group of 36 – 45, the rest 20 (9.01%) were above 46 years. According the age distribution of the respondents majority of them found at then young and adults. With related to the marital status of the study area, 102 (44.73%) are single, 112 (53.50%) are married, 71 (3.14%) are divorced and the rest 12 (5.26%) are widow. With regards to educational level of the respondents the data show that, 32 (14.03%) and 51 (22.27%) of respondents respectively found between the education level of primary school and high school, on the other hand, there were 32 (14.04%) certificate and 40 (17.54%) diploma, about 32 (14.04%) first degree and above and the rest 41 (17.98%) were included on others. With related to respondents occupational categories, 50 (21.02%) are students, while, 62 (27.18%) are employed, 94 (41.22%) are self-employed and 22 (9.64%) are others. With related to respondents types of account 189 (82.89%) used saving account, while, 13 (5.70%) and 25 (10.96%) respondents respectively used fixed and current account.

## **4.2. Customer Expectation and Perception of Service Quality**

Customer expectations are beliefs about a service that serve as standards against which service performance is judged. What customers think a service provider should offer rather than what might be on offer. Expectations are formed from a variety of sources such as the customer's personal needs and wishes, customer's personal philosophy about a particular service, by promises (staff, advertising and other communications), by implicit. On the other hand, Perceived service quality has been defined as the consumer's attitude or judgment of the overall excellence or superiority of the service. Perceived service quality results from comparisons by consumers of expectations with their perceptions of service delivered by the suppliers. Based on these in this study tried to measure service quality of the study area and its effect on customer satisfaction by measuring customer's expectation and their perception using the five dimension service quality measurements these are tangibles, responsiveness, reliability, assurance and empathy.

### 4.2.1. Expected and perceived Service qualities of Tangibles

The tangibles involve the firms’ representatives, physical facilities, materials, and equipment as well as communication materials. Tangible materials have their own impact in determining Customer satisfaction level in source as well as banking service. To study the customer’s expectation and perception of service quality the study made an attempt to develop a Likert type scale questions. The Likert scale has five questions and the customers were asked to reply their response as strongly Disagree, Disagree, Neutral Agree and Strongly Disagree. The information regarding this has been shown below in table as follow:

**Table 4.3 Expected and perceived Service Quality of Tangibles**

EXPECTATION						PERCEPTION				
Parameters	SD	D	NW	A	SA	SD	D	NW	A	SA
CBE Offices have up-to-date equipment’s	-	-	14 (6%)	169 (74%)	45 (20%)	11 (5%)	73 (32%)	44 (19%)	100 (44%)	-
CBE employees are well dressed and neat in appearance	-	-	67(29%)	120 (53%)	41 (18%)	6 (3%)	23 (10%)	29 (13%)	160 (70%)	10 (4%)
Physical facilities are convenient	1(4%)	3(1%)	10 (4%)	133 (56%)	81 (36%)	12 (5%)	33 (15%)	52 (22%)	131 (57%)	-
The physical environment of the office is clean			8 (4%)	169 (74%)	51 (22%)	25 (11%)	77 (39%)	25 (11%)	84 (37%)	17 (8%)

Source: Questionnaires’ 2019

Note: a) the weighted average score (WAS) was calculated by giving score as 5 for strongly agree (SA), 4 for agree (A), 3 for neither agree nor disagree (NW), 2 for disagree (D) and 1 for strongly disagree (SD)

The above table indicates customer’s expectation and their perception on the provided four basic measurement questions. Accordingly, the first question was addressed whether, CBE materials was up to data with related to this question respondents expectation were so high this were indicated by 169 (74%) respondents agreement, similarly 45 (20%) of them indicate their strong agreement, however only 14 (6%) of the respondents said neutral. This was indicating that, customer expectation with regard to the study area materials up to dating are so high. In contrary to customer expectation perception of customers on the materials were low, this was provided by

11 (5%), and 73 (32%) who said strongly disagree and disagree, in contrary large number of respondents 100 (44%) still indicate their high expectation fit with the best performance of the bank. However, large number of respondents accounted for 44 (19%) said neutral this may indicate that, respondents still can't compare the materials used by the bank are whether up to date or not.

With regard to a second question forwarded by the survey ““CBE employees are well dressed and neat in appearance” 120 (53%) and 41 (18%) respondents respectively indicate their agreement and strong agreement, which implies their expectation were very highly, while, 67 (29%) respondents were still neutrals which implies they haven't whether positive or negative expectation on the provided question. However, non – of respondents were not indicate low and very low expectation on the provided question. Similarly the survey were measured perception of respondents based on their expectation accordingly majority of respondents 160 (70%) perceive positively the performance of the bank with regards to employee protocol.

The survey in the 3<sup>rd</sup> steps were provide a tangible measurement question such as ‘ ‘ Physical facilities (like Office Buildings, Brochures, furniture, Insurance policy Documents, etc.) are visually appealing and convenient’’, accordingly, majority of the respondents accounted for 133 (56%) and 81 (36%) respectively said agree and strongly agree which indicate their high expectation of on the provided question however, when the survey measure perception of respondents 131 (57%) indicate agree which implies still their high expectation was not achieved 'finally, the survey forward a question ‘ ‘ The physical environment of the office is clean’ ’ regarding to this question 169 (74%) and 51 (22%) respectively said agree and strongly agree which indicate their high expectation, while when we measure actual performance of the study are still show a little difference. Accordingly, 25 (11%) and 77 (39%) respectively said strongly disagree and disagree, this disagreement level indicate that customer expectation on the provided question and the actual performance of the study area were not similar (high expectation but low actual performance).

Generally, the discussion indicate that, even though some of the expectation and actual performance of respondents positively related however, majority of respondents expectation regard to tangibles, such as, appearance of physical facilities, equipment, personnel and communication materials correlated negatively (High expectation but low performance of the bank).

## 4.2.2. Expected and perceived service quality regarding Company Reliability

Reliability is the ability to perform the promised service dependably, accurately and consistently. Reliability depends on handling customer service issues, performs the services right the first time; offers services on time, and maintain a record of error-free. Moreover, reliability is the most significant factor in conventional service it also consists of the right order fulfillment; accurate records; accurate quote; right in the bill; results are more accurate than commissions; keep the promise of service. Therefore, in premise to this concept this survey were provided related four basic questions to assess CBE service reliability and customer's satisfaction comparing clients expectation and perception or actual performance of the bank. Below in table 4.4 the analyses discussed based on the

**Table 4.4 Respondents Expected and perceived Service Quality and its Reliability**

EXPECTATION				PERCEPTION				
Parameters	NW	A	SA	SD	D	NW	A	SA
Employee help Customers inters	30 (13%)	100 (44%)	98 (43%)	66 (29%)	112 (29%)	31 (14%)	18 (8%)	-
The CBE settles customer complain easily	36 (17%)	110 (48%)	80 (35%)	52 (23%)	112 (49%)	43 (19%)	17 (8%)	4 (1.8%)
CBE keeps its records accurately	9 (4%)	120 (53%)	99 (43%)	41 (18%)	112 (49%)	52 (23%)	17 (8%)	6 (3%)
CBE performs its service right the first time	19 (8%)	139 (61%)	70 (31%)	55 (24%)	132 (58%)	28 (12%)	10 (4%)	3 (1%)

Source Questionnaires' 2019

As indicated on the above table the survey were tried assess customers of CBE on the reliability of the service quality based on customers expectation and perception related questions. Accordingly respondents were forwarded their view on the provided question as follow:

With regard employee activities in helping customers when they need help the study asked a question '*When a customer faced a problem, CBE employees shows a sincere interest in solving it*' in this regard majority of respondents accounted for 100 (44%) & 98 (43%) respectively said agree and strongly agree, which indicate their high level of expectation on the company activity

regarding to the question on the other hand, 30 (13%) respondents said neutral which indicate they are not sure about their expectation how to solve some of the problems, however, none of respondents said strongly disagree and disagree still this indicate customers were not expect the bank perform challenges poorly. In contrary to respondent's expectation were perceived correlated negatively. Accordingly, about 66 (29%) and 112 (29%) respondents respectively said strongly disagree and disagree on the provided question that the CBE employee show sincerely to solve respondents claim, on the other hand 31 (14%) respondents said neutral.

Similarly the survey were also assessed customers expectation and perception with related to the bank over all reliability to settles customers need easily and with no unnecessary delays, accordingly majority of respondents accounted for 110 (48%) and 80 (35%) respectively said agree and strongly agree which indicate clients expectation were very high however, the study indicate the high and positive expectation of respondents correlated with their perception negatively; this were assured by 66 (29%) and 112 (29%) respondents respectively said strongly disagree and disagree. Therefore, based on the survey analysis the actual performance of the study bank in solving problems of clients without uncertainties and delays still show a gap.

To assess respondents expectation and perception on the accuracy of the bank service the survey were provided a statement as the bank service providers insists on err free records, and the study forward a question ‘ ‘The CBE keeps its records accurately’ ’ regarding to this question respondents expectation were very high these were indicated by large number of respondents such as, 120 (53%) and 99 (43%)who said respectively agree and strongly agree, however, even though client expectation were very high but the actual performance indicated by large number of respondent 41 (18%) & 112 (49% )who said disagree and strongly disagree show still there is a problem in accurate recording system of the of the bank

Finally, the survey were assess time accuracy of the bank providing a question ‘ ‘CBE performs the service on right time’ ’ accordingly customers expectation were very high this was indicated by 139 (61%) and 70 (31%) who replied their answer strongly agree and agree respectively. However, majority of respondents expectation were not fit with the actual performance in receiving service in the accurate time specifically claims accordingly large number of

respondents accounted for 55 (24%) and 132 (58%) respectively implied their disagreement and strong disagreement.

Generally the analysis provided related to customer expectation and perception related to the bank reliability were related negatively, which means customers were join the bank with high expectation of reliability and service quality of the company but the actual performance perceived by the clients were the reverse.

### 4.2.3. Expected and Perceived Employee Responsiveness

Responsiveness is the willingness employee to help customers and provide prompt service. Furthermore, it is responsiveness such as speed and timeliness of service delivery. This consists of processing speed and service capabilities to respond promptly to customer service requests, and wait a short and queuing time. More specifically, responsiveness is defined as the willingness or readiness of employees to provide services. Based on the scholar’s definition it can be said that employee responsiveness can affect customer satisfaction.

With regards to this concept the study were assessed customers of CBE satisfaction based their expectation and perception level of service quality through four likert scale questions similar with the previous dimension discussion. Based on this below in table 4.5 the analyses discussed based on the following basic

**Table 4.5. Expected and perceived Service Quality Regarding employee Responsiveness**

EXPECTATION				PERCEPTION				
Parameters	NW	A	SA	SD	D	NW	A	SA
employees give you quick service	18 (10%)	126 (55%)	84 (37%)	53 (15%)	84 (37%)	11 (5%)	92 (5%)	8(3.5%)
employees tell customers where services will be performed	14 (6%)	135 (59%)	79 (33%)	11 (5%)	41 (18%)	25 (10%)	137 (60%)	16 (7%)
employees are always willing to help you	18 (10%)	145 (64%)	65 (29%)	26 (11%)	58 (25%)	16 (7%)	113 (50%)	15(7.3%)
employees are never too busy to respond to your	12 (5%)	150 (66%)	52 (22%)	27 (12%)	56 (25%)	30 (13%)	89 (39%)	26 (11%)

Source Questionnaires’ 2019

To assess customer's view towards the bank employee responsiveness the surveys provide four major questions as indicate in the above table and customers were asked to reply their response based on the provided likert scale whether strongly agree, agree, neutral or disagree and strongly disagree. Based on these below the study present customers view for the provided each question. The survey were forwarded a question ‘ ‘ CBE employees give you quick service’ ’ accordingly, respondent customers were indicated their higher expectation level such as, 126 (55%) and 84 (37%) respondents respectively said agree and strongly agree. Even though large proportion of respondents accounted for 92 (5%) meet their expectation however, some of the respondents were not meet their high expectation this were indicated by 53 (15%) and 84 (37%) respondents, respectively who said disagree and strongly disagree.

The survey were forwarded a question ‘ ‘ *The CBE employees tell customers exactly where services will be performed*’ ’ accordingly, respondent customers were replied their high level of expectation follow, 135 (59%) and 79 (33%) customer respondents respectively said agree and strongly agree, while 14 (6%) respondents side neutral means didn't expect on the activities whether positively or negatively, similarly respondents were assessed if they meet their high expectation accordingly 137 (60%) respondents were satisfied by employees activity in informing the exact information or service where customers are get.

The survey also tried to assess employees responsiveness using the following question ‘ ‘ Employee in CBE are willing to help clients’ ’ means to assess if employees are helping customers they need help specifically, in showing how to write, where to write, or sign and other similar helps. In this regard the sample employee indicate their respective answer for the provided question accordingly, 145 (64%) and 65 (29%) respondents indicated their high level of expectation said agree and strongly agree respectively, similarly large number of respondent also assure their expectation were positively correlated with the actual performance with the provided question such as 113 (50%) and 15 (7.3%) respectively said agree and strongly agree on the activity well done in the company. Customer satisfaction level and employee responsiveness also assessed by a question that ‘ ‘Employee in CBE are never too busy to respond customers questions’ ’ accordingly majority of the respondents accounted for 150 (66%) and 52 (22%) respectively indicated their high level of expectation said agree and strongly agree and similarly some of the respondent also received as their positive expectation such as 89 (39%) respondents

replied their agreement however, 27 (12%) and 56 (25%) respondents respectively indicate their level of disagreement said disagree and strongly disagree which implies their high level of expectation and actual performance of the company was not similar.

#### 4.2.4. Expected and perceived service qualities of assurance

Assurance is knowledge and good manners or courtesy of employees. Further, it the ability of employees with the help of the knowledge possessed to inspire trust and confidence will strongly strike the level of customer satisfaction. In banking services provided to the customer, assurance means providing financial assistance in a polite and friendly manner, ease in accessibility of account details, comfort or convenience inside the insurance company, a well experienced and professional management team and will have favorable outcomes on customer satisfaction. Based on the above concept the study were provided five scale of likerst scale question like the previous discussion to assess the impact of CBE assurance and customers level of satisfaction. Based on this below in table 4.6 the analyses discussed based on the following basic Assurance demotions of service quality questions:

**Table 4.6 Expected and perceived Service Quality regarding to assurance**

EXPECTATION				PERCEPTION				
Parameters	NW	A	SA	SD	D	NW	A	SA
employees are trustworthy	10 (7%)	120 (57%)	92 (40%)	36 (16%)	55 (24%)	21 (9%)	99 (43%)	17(8%)
employees instills confidence in you	9 (4.3%)	120 (12%)	61 (27%)	22 (10%)	52 (23%)	24 (11%)	102 (45%)	28 (12%)
employees are consistently polite	8 (4%)	140 (59%)	80 (34%)	13 (6%)	35 (15%)	17 (8%)	116 (51%)	47( 21%)
employees have sufficient knowledge of service information	47 (21%)	108 (47%)	73 (22%)	51 (22%)	96 (42%)	15 (7%)	51 (22%)	15 (7%)

Source Questionnaires’ 2019

To analyses the fourth variable of assurance just like the previous analysis the study provide four basic questions as indicated in the above table. Respondents were give their respective answer

over the provided questions, by choosing the alternative five type of likert scale whether strongly agree, agree, neutral or by saying disagree and strongly disagree.

The survey were provide a question whether, CBE employee are trustworthy or not, 120 (57%) and 92 (40%) respondent respectively indicate their agreement level by said agree and strongly agree respectively, however when respondent indicated their expectation with the actual performance of what they expect were not similar accordingly, 36 (16%) and 55 (24%) respondents respectively indicated their dissatisfaction level said strongly disagree and disagree while about 21 (9%) respondent said neutral the rest 99 (43%) and 17(8%) respondent respectively indicated their satisfaction electively said agree and strongly agree.

Similarly respondents were assessed their agreement level on employee activity to create trust and confidence of the customer, accordingly about 120 (12%) and 61(27%) indicate their highest level of expectation 14(12.7%) and respectively implied their agreement and strong agreement similarly, 102 (45%) and 28 (12%) respondents also assured as they meet their expectation in the actual service of the company while about 18(16%) respondents are neutral but the rest 32(29%) and 28(25%) respondents respectively implied their disagreement and strong disagreement.

Regarding to the employee politeness the survey forward, that employee CBE are polite accordingly, 116 (51%) and 47( 21%) respondent respectively said agree and strongly agree which implies employee of the organization are polite. With related to employees knowledge of the CBE study were forward a question ‘ ‘ Employees have necessary knowledge to response customers’ ’ accordingly majority of respondents accounted for 51 (22%) and 96 (42%) respectively indicated their disagreement and strong disagreement. These are large number of respondents who assured employees knowledge in answering every detail questions asked by the customers is not sufficient.

Generally we can analyzed from the respondents that CBE employee and management bodies activities in making customers confident, trustful and, knowledge full there is a gap these were assured by large number of customer respondent of the survey accordingly some of the respondents in the interview part indicate that, ‘ ‘even though employees are tried to perform their best to make customers confident and trustful but still there is a gap in satisfying customers.

#### 4.2.5. Respondents expected and perceived service quality of empathy

Empathy is providing caring and individualized attention to customers to make them feel they are receiving caring services and individualized attention. Service empathy characterizes both the service provider’s willingness and capability to respond to individual customer desires. Based on the above concept the study were provided five scale of likerst scale question like the previous discussion to assess the impact of Empathy on customer satisfaction. *Based on this below in table 4.7 the analyses discussed based on the following basic Assurance demotions of service quality questions:*

**Table 4.7. Measuring Expected and perceived Service Quality Regarding to Empathy**

EXPECTATION				PERCEPTION				
Parameters	NW	A	SA	SD	D	NW	A	SA
CBE is your best interest at heart	29 (13%)	139 (61%)	60 (26%)	23 (10%)	49 (22%)	14 (6%)	104 (47%)	38(17%)
CBE employees understand customers' specific need	22 (10%)	140 (61%)	66 (29%)	29 (13%)	58 (25%)	19 (8%)	106 (47%)	7 (3%)
working hours are convenient to its customers	21 (9%)	147 (65%)	60 (26%)	28 (12%)	65 (28%)	22 (10%)	111 (49%)	2(0.9%)
employees who give customers personal service	18 (8%)	130 (57%)	80 (35%)	31 (8%)	53 (23%)	18 (8%)	105 (46%)	21 (9%)

Source Questionnaires’ 2019

With related to a question asked “CBE has your best interest at heart” large number of respondents expectation accounted 139 (61%) and 60 (26%) were positive and high similarly, 104 (47%) and 38(17%) respondents respectively indicate as the company performance is also high as expected earlier.

With related to a question asked “The CBE employees understand customers' specific need” respondents whose expectation and performance of the organization were not similar, accordingly majority of respondents expectation were very high these were implied by 140

(61%) and 66 (29%) respondents who side agree and strongly agree while large number of respondent accounted for 29 (13%) and 58 (25%) respectively indicated low performance of the study area respectively indicating strongly disagree and disagree for the question, however, about 106(47%) of respondent still indicate the insurance regarding to the provided question perform well. For the question provided “CBE operating /working hours are convenient to its customers” majority of the respondents expectation and perception were similar astoundingly about 147 (65%) and 60 (26%) respondents respectively indicate their high and very high level of exception similarly they received their perception.

### 4.3. Level of customer satisfaction in CBE

Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customers’ expectation. Parasuraman, Zeithaml, and Berry (1985) proposed that when perceived service quality is high, then it will lead to increase in customer satisfaction. When performance matches or exceeds customer expectation for service they are satisfied. If not they are not satisfied. In order to measure the level of customer satisfaction in CBE, this study comprised a question that asked the perception level of the respondents with a statement “I am totally satisfied with the overall service quality of CBE” and alternative answers of “strongly disagree, disagree, neutral, agree and strongly agree”. The customers’ response for the above mentioned statement is summarized and presented in the table 4.8.

**Table 4.8: The overall customer satisfaction Level**

Level of Satisfaction		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	29	12.5	12.7	12.7
	Disagree	87	37.5	38.2	50.9
	Neutral	21	9.0	9.2	60.1
	Agree	80	34.4	35.1	95.2
	strongly agree	11	4.7	4.8	100.0
	Total	228	98.1	100	
Missing	System	4	1.9		
	Total	232	100.0		

As it can be seen from the table 80 (35 %) of the respondents are satisfied, while, 11 (4.8%) of the respondents are very satisfied, 21 (9.2%) of respondents chose to remain neutral, 87 (38.2%)

dissatisfied and 29 (12%) is very dissatisfied. Therefore even if the highest percentage of respondents are somehow satisfied by the service provided by the bank, however still there are respondents dissatisfied by the bank service.

#### **4.4. Tests of Assumptions of multiple Regression Model**

Most statistical tests rely on certain assumptions about the variables used within an analysis to ensure that the analysis is as accurate and true as possible, and therefore valid (Osborne & Waters, 2002; Stevens, 2009). Assumptions are critical in statistics because if the underlying assumptions are not valid, then the process is unreliable, unpredictable, and out of the researcher's control (Stevens, 2009). This could lead the researcher to draw conclusions that are not valid or scientifically unsupported by the data. A Multiple regression examines the relationship between a single outcome measure and several predictor or independent variables (Jaccard, Guilamo-Ramos, Johansson & Bouris, 2006). The assumptions of multiple regressions include the assumptions of linearity, normality, independence of errors, and homoscedasticity, and Collinearity which will be discussed separately in the proceeding sections before a complete regression analysis can be performed

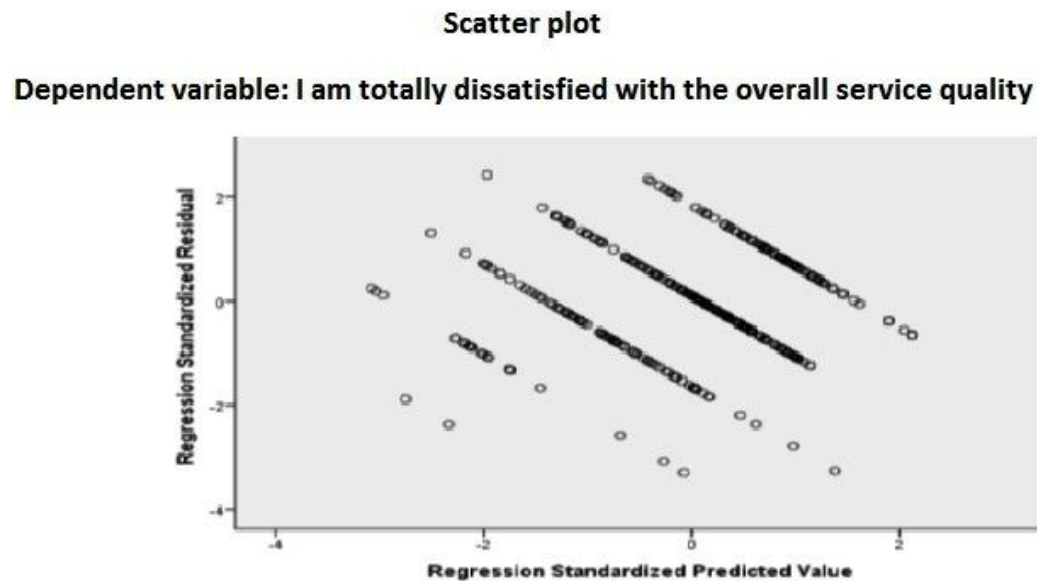
##### **4.4.1. Linearity test**

Relationships between variables are considered linear when they are consistent and directly proportional to each other (Stevens, 2009; Tabachnick & Fidell, 2006). Violations of this assumption may result in the estimates obtained from the analysis, such as  $R^2$ , regression coefficients, standard errors, and statistical significance, being biased; therefore, not portraying the accurate or true population values (Osborne & Waters, 2002; Tabachnick & Fidell, 2006). According to Hox (1995), the results from the analysis will underestimate the true relationship between the independent variables (predictor variables) and dependent variable if the relationship is not linear.

The linearity assumption can be tested through the visual examination of residual plots (Kivilu, 2003; Osborne & Waters, 2002; Stevens, 2009). A residual scatter plot is a figure that depicts one axis for the standardized residuals and the other axis for the predicted values (Stevens, 2009). If the linearity assumption is met, the standardized residuals will scatter randomly around a horizontal line which represents the standardized residuals equaling zero (Stevens, 2009;

Tabachnick & Fidell, 2006).As can be seen from the figure 4.1 the data in this research met linearity assumption.

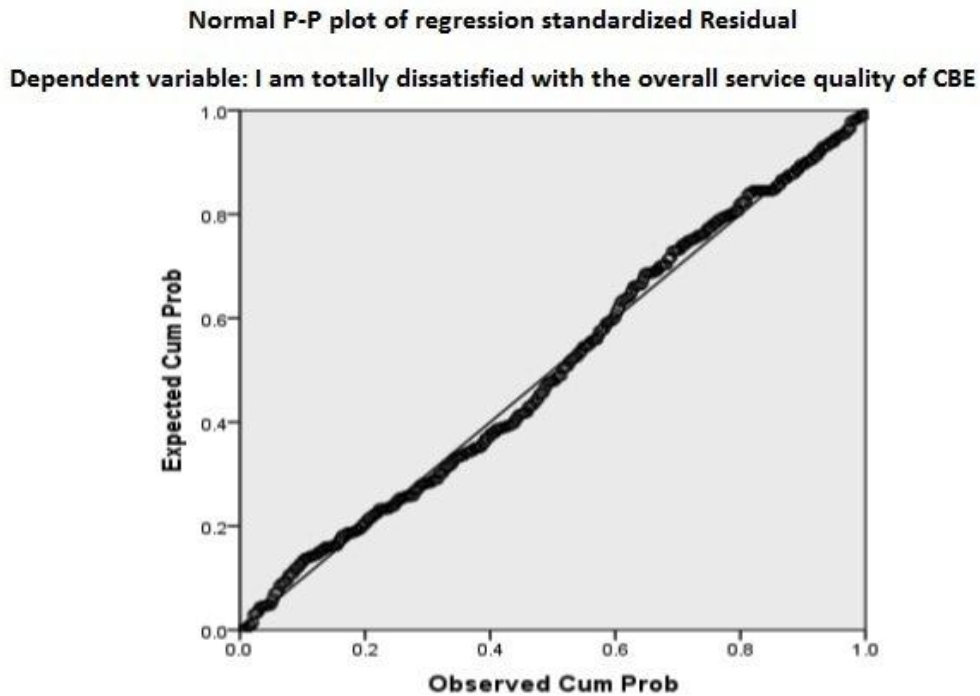
**Figure 4.1: Residual vs. Predicted plot**



#### 4.4.2. Normality test

Screening for normality is an important early step when conducting a multiple regression, as residuals are normally distributed is assumed (Stevens, 2009; Tabachnick & Fidell, 2006). Non-normal distributions that are positively or negatively skewed, contain large kurtosis, or have extreme outliers can distort the obtained significance levels of the analysis, resulting in the standard errors becoming biased (Osborne & Waters, 2002). Though a multiple regression is generally considered to be quite robust to violations of normality, a small sample size can actually increase the seriousness of non-normality of a distribution (Osborne & Waters, 2002). Outliers may have stronger influence on normal distribution when the sample size is small, whereas standard errors for both skewness and kurtosis decrease with larger samples, as there will most likely be only minor deviations from normality (Tabachnick & Fidell, 2006).

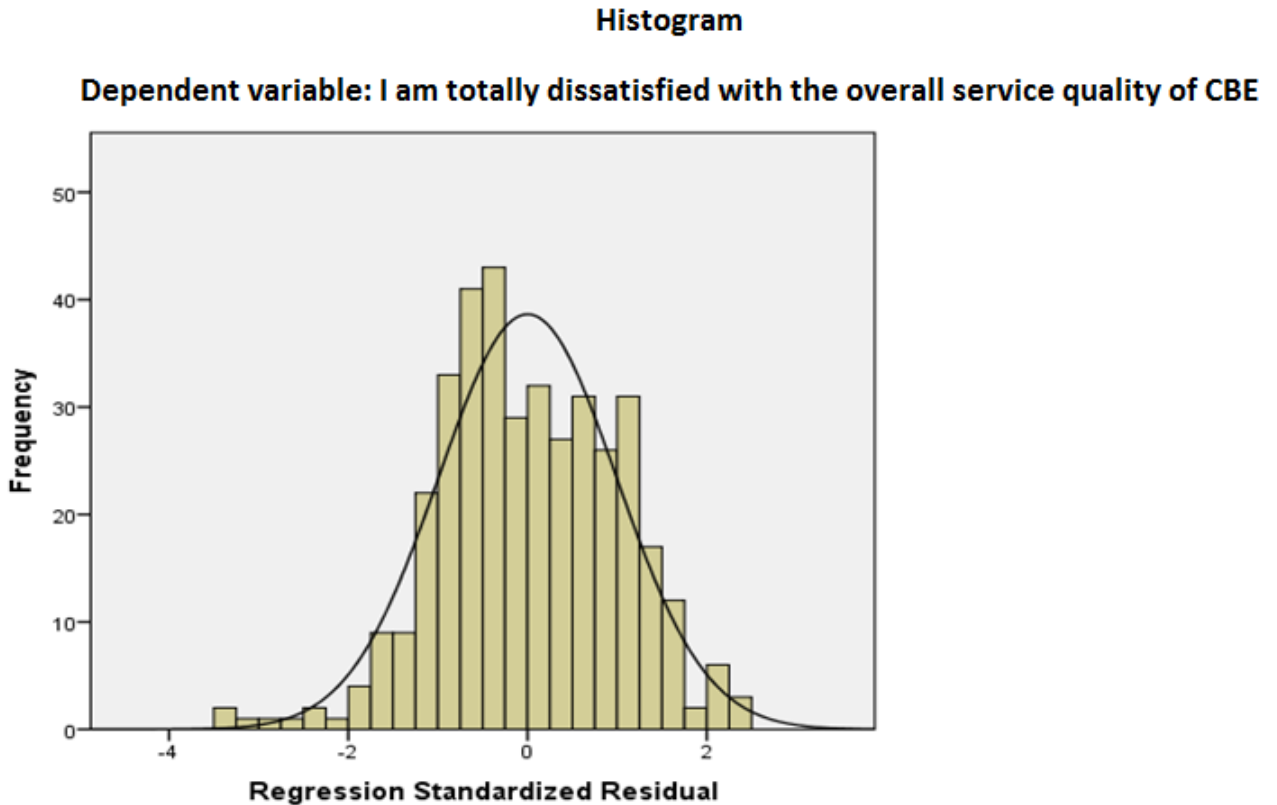
**Figure 4.2: Normal P-P Plot of Regression Standardized Residual**



*Source: Own Survey, 2019*

The normality assumption can be tested through the visual examination of normal probability plots (P-P plots) of the standardized residuals. In a P-P plot, the normal distribution is depicted by a random scatter of plots around a 45 degree line. Figure 4.2 showed the normality of data in this research.

**Figure 4.3: Histogram of Regression Standardized Residuals**



*Source: Own Survey, 2019*

In addition to Normal Probability plots of residuals, the histogram was used to test the normality of data. Hence, Figure 4.3 revealed that the residuals are normally distributed around its mean of zero

#### **4.4.3. Homoscedasticity Test**

The assumption of homoscedasticity refers to equal variance of errors across all levels of the independent variables (Osborne & Waters, 2002). This means that researchers assume that errors are spread out consistently between the variables (Keith, 2006). This is evident when the variance around the regression line is the same for all values of the predictor variable. When heteroscedasticity is marked it can lead to distortion of the findings and weaken the overall analysis and statistical power of the analysis, which result in an increased possibility of Type I error, erratic and untrustworthy F-test results, and erroneous conclusions (Aguinis, Petersen, & Pierce, 1999; Osborne & Waters, 2002).

Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value (Osborne & Waters, 2002). Specifically, statistical software scatter plots of residuals with independent variables are the method for examining this assumption (Keith, 2006). Ideally, residuals are randomly scattered around zero (the horizontal line) providing even distribution (Osborne & Waters, 2002). Heteroscedasticity is indicated when the scatter is not even; fan and butterfly shapes are common patterns of violations.

When the scatter of the errors is different, varying depending on the value of one or more of the independent variables, the error terms are heteroskedastic (Gujarati&Porter,2009). Heteroscedasticity test is used to test the heteroscedasticity problem in this research. This test is very important because if the model consists of heteroscedasticity problem, the OLS estimator no longer applied and error variances are incorrect, therefore the hypothesis testing, standard error and confident level will be invalid. If the p-value is less than significant level we reject the null hypotheses otherwise, do not reject the null. Table 4.1 depicts the Homoscedasticity of the data in this research.

**Table 4.9: Hetero scedasticity Test**

White Test	P-value
F-statistic	0.25333
Obs*R-squared	0.18931
Scaled explained SS	0.57122

*Source: Own computation SPSS output (2019)*

The p-value of this model result is more than the significant level 0.05 (5%), so the model doesn't have heteroscedasticity problem.

#### 4.4.4. Multicollinearity Test

Collinearity (also called multicollinearity) refers to the assumption that the independent variables are uncorrelated (Darlington, 1968; Keith, 2006). Multicollinearity occurs when several independent variables correlate at high levels with one another, or when one independent variable is a near linear combination of other independent variables (Keith, 2006). The more variables overlap (correlate) the less able researchers can separate the effects of variables. In a Multiple regression the independent variables are allowed to be correlated to some degree (Cohen, 1968; Darlington, 1968; Hoyt, Leierer & Millington, 2006; Neale, Eaves, Kendler, Heath, & Kessler, 1994). The regression is designed to allow for this, and provides the proportions of the overlapping variance (Cohen, 2968). Ideally, independent variables are more highly correlated with the dependent variables than with other independent variables. If this assumption is not satisfied, autocorrelation is present (Poole & O'Farrell, 1971). Multicollinearity can result in misleading and unusual results, inflated standard errors, reduced power of the regression coefficients that create a need for larger sample sizes (Jaccard, Guilamo-Ramos, Johansson, & Bouris, 2006; Keith, 2006). One way to prevent multicollinearity is to combine overlapping variables in the analysis, and avoid including multiple measures of the same construct in a regression (Keith, 2006). Widely used procedures examine the correlation matrix of the predictor variables, computing the coefficients of determination,  $R^2$ , and measures of the eigenvalues of the data matrix including VIF (Mason & Perreault Jr, 1991). Tolerance measures the influence of one independent variable on all other independent variables. Tolerance levels for correlations range from zero (no independence) to one (completely independent) (Keith, 2006). The VIF is an index of the amount that the variance of each regression coefficient is increased over that with uncorrelated independent variables (Keith, 2006). When a predictor variable has a strong linear association with other predictor variables, the associated VIF is large and is evidence of multicollinearity (Shieh, 2010). The rule of thumb for a large VIF value is ten (Keith, 2006; Shieh, 2010).

**Table 4.10: Collinearity Statistics for the Service Quality Dimensions**

Independent Variables	Collinearity Statistics	
	Tolerance	VIF
Tangibility	.934	1.071
Reliability	.715	1.398
Responsiveness	.578	1.730
Assurance	.568	1.762
Empathy	.844	1.185

*Source: Own Survey, 2019*

a. Dependent Variable: satisfaction

The calculated Tolerance value of the dimensions of the independent variable is ranging from 0.568 up to 0.934 it indicate all the Tolerance values are within the acceptable level of greater than 0.1, whereas the VIF values are also less than the cut of value of 10. The fact that the Tolerance and VIF values are falling within the acceptable limit entails in this particular study multi co linearity is not a serious problem.

#### **4.5. Correlation Analysis between Service Quality Dimensions and customer Satisfaction**

To find out the relationship between service quality dimensions and customer satisfaction, Pearson's correlation coefficient (r) which measures the strength and direction of a linear relationship between two variables is used. Values of Pearson's correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive sense; a correlation coefficient of -1 indicates that two variables are perfectly related in a negative sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables. A low correlation coefficient; 0.1 - 0.29

suggests that the relationship between two items is weak or non-existent. If  $r$  is between 0.3 and 0.49 the relationship is moderate. A high correlation coefficient i.e.  $>0.5$  indicates a strong relationship between variables.

The direction of the dependent variable's change depends on the sign of the coefficient. If the coefficient is a positive number, then the dependent variable will move in the same direction as the independent variable; if the coefficient is negative, then the dependent variable will move in the opposite direction of the independent variable. Hence in this study both the direction and the level of relationship between the dimensions of service quality and customer satisfaction are conducted using the Pearson's correlation coefficient. The table below presents the result of the correlation analysis made using be variety correlation

**Table 4.11: The relationship between service quality dimensions and customer Satisfaction**

		Satisfaction
Tangibility	Pearson Correlation	-.053
	Sig. (2-tailed)	.424
	N	228
Reliability	Pearson Correlation	.513**
	Sig. (2-tailed)	.000
	N	228
Responsiveness	Pearson Correlation	.479**
	Sig. (2-tailed)	.000
	N	228
Assurance	Pearson Correlation	.416**
	Sig. (2-tailed)	.000
	N	228
Empathy	Pearson Correlation	.491**
	Sig. (2-tailed)	.000
	N	228

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

From the result we can see that reliability is highly correlated to satisfaction ( $r = 0.513$ ) followed by empathy ( $r = 0.496$ ), responsiveness ( $r = 0.479$ ), and assurance ( $r = 0.416$ ). When we look at

the inter correlation between the service quality dimensions we can see that there is a positive and significant relationship which implies that a change made in one of the service quality dimension will positively motivate the other service quality dimension. Thus from this result confirmed that there is a positive and significant relationship between service quality dimension and customer satisfaction between, reliability, empathy, responsiveness and assurance, however, the results also indicate that, there is a negative and insignificant relationship between responsiveness and customer satisfaction ( $r = -0.53$ ). Hence any improvement in one of the dimensions will positively contribute in enhancing the customer satisfaction.

#### 4.6. Multiple linear Regression Analysis

Multiple linear regression analysis is a method which uses more than one independent variable to explain variance in a dependent variable. The purpose of this analysis is to examine the dimensions of service quality towards the customer satisfaction in CBE and to identify which of the dimension of service quality causes the most significant effect toward customer satisfaction in CBE. The findings further indicate model summary result, ANOVA and coefficient of multiple regressions.

**Table 4.12. Model Summary of multiple regression**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.968 <sup>a</sup>	.938	.929	.33843

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

As it can be depicted from the table there is a positive and statistically significant Relationship between independent and dependent variables. In overall, the results revealed that all independent variables accounted for 93.8% of the variance in customer's satisfaction ( $R^2 = 0.938$ ). Thus, 93.8 % of the variation of customer's satisfaction can be explained by the five service quality dimensions' questions and other unexplored variables may explain the variation in customer satisfaction is accounted 6.2%.

**Table 4.13. ANOVA analysis**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	112.502	9	12.500	109.140	.000 <sup>b</sup>
	Residual	7.445	65	.115		
	Total	119.947	74			

a. Dependent Variable: satisfaction

b. Predictors: (Constant), Tangibility, responsiveness, reliability assurance and empathy

The result in the ANOVA table confirmed the significance of the overall model by p-value of 0.000 which is below the alpha level, i.e. 0.05, which means, the independent variables taken together have statistically significant relationship with the dependent variable under study.

**Table 4.14: Model Coefficients between service quality dimensions and customer satisfaction**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.347	.286		1.213	.226
	Tangibility	-.092	.063	-.074	-1.464	.145
	Reliability	.394	.079	.289	4.984	.000
	Responsiveness	.242	.064	.243	3.763	.000
	Assurance	.097	.062	.102	1.567	.001
	Empathy	.299	.051	.215	5.891	.000

Dependent Variable: satisfaction

In the table 4.14, unstandardized coefficients indicated how much the dependent variable varies with an independent variable, when all other independent variables are held constant. The beta coefficients indicated that how and to what extent SERVQUAL dimensions such as tangibility, reliability, responsiveness, assurance and empathy influence customer's satisfaction of a bank.

It has been found that, reliability, (beta = .289, t = 4.984, p = < .000) and responsiveness (beta = .243, t = 3.763, p < .000) has the highest influence or significant impact on customer's satisfaction and tangibility, followed by, empathy (beta=.215, t=5.891, p < .000) and assurance

(beta = .102, t = 1.567, p = .001). However, tangibility, (beta = - .074, t = - 1.464, p < .145), have a relatively lower impact on customers satisfaction of a bank.

#### **4.7. Discussion of Results**

Moreover, from the findings of this study, researcher found out that not all of the service quality dimensions have positive effects on customer satisfaction. Out of the five service quality dimensions four dimensions (Responsiveness, reliability, assurance, and empathy) have positive and significant effects on customer satisfaction. On the other hand, tangibility has a negative and insignificant influence on customer satisfaction. The findings of this study also indicated that reliability is the most important factor to have positive and significant effect on customer satisfaction, followed by empathy, responsiveness and assurance.

The result of this study indicates that Reliability has a positive and significant effect on customer satisfaction. This finding is supported by Munusamy et al., (2010), found that reliability has a positive and significant effect on customer satisfaction. This finding is also supported by Al-Hawary et al., (2011) reported that reliability is among the most service quality determined dimensions than the others dimension.

The finding of this study also indicates that responsiveness has a positive and significant effect on customer satisfaction. This finding is supported by Al-Hawary et al., (2011) reported that responsiveness has a positive and significant effect on customer satisfaction. This result also supported by Malik et al., (2011), found that responsiveness has a significant and positive effect on customer satisfaction.

However, the finding of this study indicates that tangibility has a negative and insignificant effect on customer satisfaction. This result is different with the study by Mohammad and Alhamadani (2011), found that tangibility has a negative and insignificant effect most of the five dimension of service quality.

Moreover, the result of this study also indicates that assurance has a positive and significant effect on customer satisfaction. This finding is supported by Malik et al., (2011), reported that assurance has a positive and significant effect on customer satisfaction. This result is also supported by Al-Hawary et al., (2011) found that assurance a positive and significant effect on customer satisfaction.

The finding of this study further indicates that empathy has a positive and significant effect on customer satisfaction. This finding is supported by Mohammad and Alhamadani (2011), reported that empathy has a positive and significant effect on customer satisfaction. On the contrary Munusamy et al., (2010) found that empathy has a negative effect on customer satisfaction.

In overall, the results revealed that all independent variables accounted for 80% of the variance in customer satisfaction ( $R^2 = 0.938$ ). Thus, 93.8% of the variation in customer satisfaction can be explained by the five service quality dimensions and other unexplored variables may explain the variation in customer satisfaction which accounts for about 6.2%. Moreover, from the findings of this study, researcher found out that not all of the service quality dimensions have positive effects on customer satisfaction. Out of the five service quality dimensions four dimensions (responsiveness, reliability, assurance, and empathy) have positive and significant effects on customer satisfaction. On the other hand, Tangibility has a negative and insignificant effect on customer satisfaction. The results of this study further indicate that reliability is the most important factor to have a positive and significant effect on customer satisfaction.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIN AND RECOMMENDATION**

#### **5.1. Summary of Findings**

The objective of the study was to assess the effects of service quality dimension on customer's satisfaction in CBE. To achieving the major objective of the study were collected data using questioner from customers.

With regards to respondents profile out of 228 total respondents majority of the respondents 152 (75%) of them were male while the rest, 76 (25%) of them were female. According the age distribution of the respondents majority of them were young and adults. Study indicated related to marital status 102 (44.73%) were single and 112 (53.50%) were. Internes of 32 (14.03%), 51 (22.27%), 32 (14.04%), 40 (17.54%) and 32 (14.04%) respectively represented primary school, high school, certificate and first degree and above. With related to respondents occupational categories, 50 (21.02%) were students, while, 62 (27.18%) were employed and 94 (41.22%) were self-employed. Majority of the respondents were a type of account 189 (82.89%) for saving purpose, while, 13 (5.70%) and 25 (10.96%) respondents respectively used fixed and current account.

Customers expectation regard to tangibility question were high, similarly they were perceive what they expect. However, customer expectation regard to reliability, responsiveness, empathy and assurance were not perceived by respondents as they expect, which indicate high expectation of customers perceived by low performance of the service quality of the Bank.

Generally, the results of the descriptive statistical analysis indicated that, customers were significantly dissatisfied by reliability followed by, responsiveness, and empathy and assurance dimensions of service quality.

In overall, the results of the regression revealed that except tangibility all independent variables (service quality dimension) are significant with customer satisfaction. Furthermore, multiple regressions identify the relative contribution of each variable and determine the best predictor variables among a set of variables. The results in demonstrate that all variables contributed

significantly to the customer satisfaction. Reliability has the highest contribution to customer loyalty among the independent variables ( $B = .394$ ).

## **5.2. Conclusion of the study**

Customer satisfaction is a critical business requirement. Customer value is an asset to the organization. While, quality service is essential in today's competitive market. The objective of this study was to find out customer satisfaction on service quality with respect to service quality dimensions. From the findings, the research objectives were achieved by identifying the determinants of service quality as reliability, responsiveness, assurance, empathy and tangibles. By analyzing the impact of service quality on Customer satisfaction of CBE Addis Ababa branches it is concluded as follows:

- According to analytic results, this study examined the perception of service quality of bank services provided to customers in CBE affected by various determinants of service quality using the SERVQUAL model. The findings of the research indicate that customer satisfaction towards the bank services in CBE is significantly influenced by reliability, responsiveness, assurance and empathy. It is found out that reliability assurance, empathy and responsiveness are the most significant determinates of customer satisfaction. Tangibility indicated insignificant effect on customers significant of CBE. From this finding, it is clear that the customer expectation exceeds well in employee reliability, assurance, responsiveness and in empathy.
- There was a problem in CBE to meet the expected customer service regarding employee responsiveness. It indicates that, customers of the branch bank are not receiving the expected help from employees of the bank, as indicated in the finding part there are a lot of customers who need help from employees at different situations such as, some of the customers need technical help such as, how to write, to save money, to send money and so forth, while some of the customers may need help on ATM, and so forth, however, the result of the study indicates some of the banks are not helping customers at times when the customers need them the most and the customer requests and other queries remain unanswered or unattended at most times. Therefore, employee responsiveness to help customers need significantly affect customer's satisfaction of CBE.

- Generally, the study identified, on many performance indicators (Responsiveness, reliability, assurance and tangibility) majority of the respondents responded that they were very dissatisfied and / expresses their disagreement with service provided by their organization. This evaluation of respondents indicates that on some performance indicators in CBE did not meet their expectation. However, some of the respondent evaluates in contrary with the majority respondents positively on the provided service. In this regards the company some area achieve good results such as, on the dimension of tangibility
- Moreover, from the findings of this study, researcher found out that not all of the service quality dimensions have positive effects on customer satisfaction. Out of the five service quality dimensions four dimensions (Responsiveness, reliability, assurance, and empathy) have positive and significant effects on customer satisfaction. On the other hand, tangibility has a negative and insignificant influence on customer satisfaction. The findings of this study also indicated that reliability is the most important factor to have positive and significant effect on customer satisfaction, followed by empathy, responsiveness and assurance.

### **5.3. Recommendation of the study**

Staff performance can be strengthened by treating them as an asset to increase intimacy with customers. Customer satisfaction can be achieved by offering personalized, flexible and adjustable services to suit the needs of customers. Bilateral communication is another essential element to satisfy customer and retains loyalty. Although customer service has been evaluated for years, banks must continue to keep up with changing customer behaviors and the nature of the banking industry itself. Based on these the study recommend specifically on the following as follow:

- Since bank is a service oriented organization, hence providing continuous training to the employees on issues like courtesy, etiquette and communication skills while dealing with customers is of immense importance.
- Since bank is a customer oriented organization, hiring potential human resource is a must. And for this reason, the bank should hire self-motivated, enthusiastic employees who will like to deal with customer and will try to solve customer complaints and other

issues in an effective manner. Only then the bank can render superior customer services and enjoy the benefit in the long run

- The bank can set itself as a market leader in customer service by going beyond the conventional way of dealing with customers, such as, having customized working hour for every client, delivering and accepting payment as per the convenience of the customer in times of difficulty of the customer, which hardly other competitors provide. This will help the bank to retain the existing customer very well.
- In order to retain the existing customers and to improve service quality, the bank should continuously maintain error-free transactions, since bank accounts and figures are very sensitive for each and every customer
- The management needs to improve quality services so as to satisfy customer's needs. The bank needs to pay much attention on the customer complaints in order satisfy the customer's expectation. Individual attention should be given to customers in order to better understand their needs and better satisfy them.
- The management of the bank should provide a questionnaire like format which can help to collect customer complaints and in which area most customers' complaint about that can help the bank to correct easily the service area.

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**Part II: SERVQUAL ITEMS** (to measure service quality and its impact on customers satisfaction.

Instructions:-The following sets of statements represent different aspects of service quality and customer satisfaction in CBE. Please indicate the extent of your agreement or disagreement with each statement by circling in the box corresponding to each question under both expectation and perception to a number from 1 to 5 that represents your level of agreement or Disagreement (Where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree).The expectation part implies how you anticipate or realize CBE services should be and the perception is deals with, what you experience after you use the service of the company. Please make sure that you respond only once to one question.

DIMENSION		EXPECTATION					PERCEPTION				
	1. Tangibles										
1.1	CBE Offices have up-to-date equipment's	1	2	3	4	5	1	2	3	4	5
1.2	CBE employees are well dressed and neat in appearance	1	2	3	4	5	1	2	3	4	5
1.3	Physical facilities (like Office Buildings, Brochures, furniture, etc.) are visually appealing and convenient	1	2	3	4	5	1	2	3	4	5
1.4	The physical environment of the office is clean	1	2	3	4	5	1	2	3	4	5
	2. Reliability										
2.1	When a customer faced a problem, CBE employees shows a sincere interest in solving it	1	2	3	4	5	1	2	3	4	5
2.2	The CBE settles customer complain easily and with no unnecessary delays	1	2	3	4	5	1	2	3	4	5
2.3	The CBE keeps its records accurately	1	2	3	4	5	1	2	3	4	5
2.4	The CBE performs its service right the first time	1	2	3	4	5	1	2	3	4	5

3. Responsiveness												
3.1	CBE employees give you quick service	1	2	3	4	5		1	2	3	4	5
3.2	The CBE employees tell customers exactly when services will be performed	1	2	3	4	5		1	2	3	4	5
3.3	The CBE employees are always willing to help you	1	2	3	4	5		1	2	3	4	5
3.4	The CBE employees are never too busy to respond to your requests	1	2	3	4	5		1	2	3	4	5
4. Assurance												
4.1	The CBE employees are trustworthy	1	2	3	4	5		1	2	3	4	5
4.2	The behavior of the employees instills confidence in you	1	2	3	4	5		1	2	3	4	5
4.3	The CBE employees are consistently polite	1	2	3	4	5		1	2	3	4	5
4.4	The CBE employees have sufficient knowledge of service information	1	2	3	4	5		1	2	3	4	5
5. Empathy												
5.1	CBE has your best interest at heart	1	2	3	4	5		1	2	3	4	5
5.2	The CBE employees understand customers' specific need	1	2	3	4	5		1	2	3	4	5
5.3	CBE operating /working hours are convenient to its customers.	1	2	3	4	5		1	2	3	4	5
5.4	CBE has employees who give customers personal service	1	2	3	4	5		1	2	3	4	

**Part III: OVERALL CUSTOMER SATISFACTION AND SERVICE QUALITY QUESTIONS**

1.1	Overall, there is good service quality provided by CBE	1	2	3	4	5
1.2	Overall, I am satisfied by the service provided by CBE	1	2	3	4	5

*Thank you!!*