



**Impact of Service Quality on Customer Satisfaction: The case of
Commercial Bank of Ethiopia**

By:

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*A Thesis Submitted In Partial Fulfillment Of The Requirement For The Degree of
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This is to certify that Eyerus Berhanu has carried out her research work on the topic titled as “Impact of Service Quality on Customer Satisfaction: The case of CBE”. The work is original in nature and is suitable for submission for award of Master Degree in Marketing Management.

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Declaration

I, Eyerus Berhaun, hereby declare that the thesis entitled Impact of Service Quality on Customer Satisfaction The case of CBE, is the outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. It is offered for the partial fulfillment of the degree of MA in Marketing Management.

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Date: _____

Table of Contents

page No

Acknowledgements.....	i
Acronyms	ii
Abstract	iii
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the study.....	1
1.2 Statement of the problem	2
1.3 Research Objectives.....	3
1.3.1General objectives	3
1.3.2Specific objectives.....	3
1.4 Research Hypothesis.....	4
1.5 Significance of the study	4
1.6 Scope of the study	4
1.7 Limitation of the study.....	4
1.8 Organization of the Paper	5
CHAPTER TWO	6
2 Related Literature Review.....	6
2.1. Concepts and Definition.....	6
2.1.2 Distinctive Characteristics of Services.....	6
2.1.3 The '7 Ps' of services	8
2.1.4 Underlying Principles of Service Quality	8
2.2. Theoretical and Empirical Review.....	11
2.2.1. Theoretical Review.....	11
2.2.2 Empirical review.....	18
2.3. Conceptual framework	21
CHAPTER THREE	23
3 RESEARCH DESIGN & METHODOLOGY.....	23
3.1 Paradigm	23
3.2 Research Approach	23
3.3 Research design	23
3.4. Research Method.....	24

3.5. Research Instrument.....	24
3.6. Sampling Design.....	24
3.6.1. Method and techniques.....	24
3.6.2 Population.....	25
3.6.3 Sample size.....	25
3.7 Data Analysis methods.....	26
CHAPTER FOUR	27
4. DATA ANALYSIS AND INTERPRETATION.....	27
4.1. Reliability Study.....	27
4.2 Profile of Respondents.....	28
4.3 Correlation Analysis	31
4.4 Descriptive Analysis of overall Customer Satisfaction	32
4.5 Hypothesis Test.....	33
CHAPTER FIVE	35
5. SUMMARY OF FINDING, CONCLUSIONS AND RECOMMENDATION	35
5.1 SUMMARY OF FINDING.....	35
5.2 CONCLUSIONS.....	35
5.3 RECOMMENDATION	36
REFERENCE.....	39
Appendix	

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Eyersu Berhanu

Acronyms

ASS --- Assurance

E --- Expectation

EMP --- Empathy

P --- Perception

REL --- Reliability

RES --- Responsiveness

SQ --- Service Quality

SERVPERF --- Service performance

SERVQUAL --- Service Quality

SPSS --- Statistical Package for Social Sciences

TAN --- Tangibles

CBE--- Commercial Bank of Ethiopia

Abstract

Quality service has become a serious issue among scholars in service given organization. Especially in the banking industry cannot be survive till satisfies its customers. This arises due to the fact that operators of the industry still find it difficult to understand what customer needs are at a particular time. The purpose of this study is to know the impact of service quality on customer satisfaction the case of CBE. The researcher used SERVQUAL instrument for the study. The study was conducted in Addis Ababa with the participation of five selected CBE branches' because found abundantly and easily accessible. A total of 384 questionnaires were administered to five CBE branches customers out of whom 220 questionnaires were returned and used for a comprehensive empirical analysis. Both descriptive and inferential statistics have been used to find mean score and to test hypothesis and to investigate research problems and questions. It was acknowledged that the five dimensions have impact on customer satisfaction of banking customers. The result of correlation analysis revealed that all service quality dimensions are correlated with overall customer satisfaction. Thus, the bank should give strong emphasis to all service quality dimensions in maintaining and improving the service quality of the bank.

Key words: Service Quality, CBE, SERVQUAL, Bank

CHAPTER ONE

1 INTRODUCTION

1.1 Background of the study

Any bank cannot survive in this competitive environment, until it satisfies its customers with good quality service (Narangajavana and Hu, 2008). The service quality is basically the service corresponding to customer expectations and any bank can win by delivering prompt service. When new and improved quality services are developed for customers, then it is crucial to meet expectations of customers of different categories in this competitive advantage. Many organizations are seeking quality improvement systems for competitive advantages (Hope & Wild, 1994).

Every service company works only for the customer's demand and added value and provide pleasant customer's service to get the competitive advantage (Edvardsson, 1997) and some companies organized service department that gather information about customers and his/her interaction with products and quality (Petkova, Sander & Brombacher, 2000). Besides this, with new developments, the needs and expectations of customers are also changing rapidly. In the other hand Customer satisfaction is defined as customers overall feeling of contentment with a customer interaction. Customer satisfaction recognizes the difference between customer expectation and customer perception. Satisfaction may develop quickly or may be cultivated over a period. And also customer satisfaction is a result that emerges from the delivery of quality service. That is if the company know how to keep its customers comfortably be serving them quality service there is no reason for the customer not to be satisfied.

At present time numerous private banks have flourished in Ethiopia. There are 16 private Banks and three owed by the government. Even if the government owned banks, especially CBE with 38.7percent of the total capital of the banking sector, share of bank network is largely dominant, at 45.prcent past trends show that private banks are showing a steady growth (National Bank of Ethiopia, 2014/15). Service is more difficult to imitate compared to the different offerings of the bank. In Addition, as previously noted the quality of service is highly correlated in achieving financial goals (such as reducing cost and increasing income).

Therefore, as long as service quality has critical to the service giving company especially in banking industry, it should have to be deliver more eye-catching way if not it will have a huge impact on customer satisfaction and also its undertake the question mark on the company long-term survival of in the industry. As this study encompasses the impact of service quality on customer satisfaction the case of Commercial Bank of Ethiopia; it is going to give brief solution for both customer who need quality service and satisfaction, and also for the company in order to make it a winner in terms of its competitors.

1.2 Statement of the problem

Business organizations are striving to realize greater profit by delivering quality services according to customers' expectations. Satisfying customer is one of the main objectives of every business. Businesses recognize that keeping the current customer is more profitable than having to win new ones to replace those lost (Gantasala and prabnakar, 2010).

Research has shown that good service qualities leads to the retention of existing customers and the attraction of new ones, reduce costs, an enhanced corporate image, positive word-of-mouth, recommendation, and, ultimately, enhanced corporate (Berry et al., 1989; Reichheld and Sasser, 1990; Rustand and Zahorik, 1993; Cronin *et al.*, 2000; Kang and James, 2004; Yoon and Suh, 2004). Moreover, understanding and meeting customers' expectations and subsequently being different from competitors are important. Therefore, quality of service has become the priority for service providers.

The banking industry plays a key role in the development of any country and Ethiopia is no exception. Over ten national private banks have been established in the last decade alone and each is keen in expanding; leaving to understand that there is even room for more. According to the yearly reports of most banks they have been increasing their profits and market share year after year. We can see this when observing the number of new branches opened, 63.8% increase in 2014/15, and the increase in the number of employees. Such indicators, in addition to increased profit margins, show that the sector will continue to grow in the future (National Bank of Ethiopia, 2014/15).

However when the industry grow time to time also it is expected their service will increase on continuous basis such as mobile banking, online services, ATM machines, despite any challenges that may arise from this service also any banking operation like starting from account opening, Loan processing, purchasing CPO and the like, all this service should bound with quality service in order to make satisfied customer.

Providing a good service quality is a major issue for all businesses. Customer satisfaction may determine the success or the failure of the business. In order to remain competitive in the marketplace, banks need to satisfy their customers' need which in turn will help them ensure a high market share and substantial return (Khalil, 2010).

Therefore, this study focused on the impact of service quality on customer satisfaction in case of commercial bank of Ethiopia.

1.3 Research Objectives

1.3.1 General objectives

The general objective of the study is to assess the impact of service quality on customer satisfaction on selected bank by using the modified service quality dimensions.

1.3.2 Specific objectives

The specific objectives of the study are:

- To determine the nature of relationship between service quality and customer satisfaction.
- To identify the most important service quality attribute from the view point of customers.
- To assess the level of customer satisfaction towards CBE's services.

1.4 Research Hypothesis

H1: Reliability of the service provider has effect on the satisfaction level of the customers.

H2: Responsiveness of the service provider has effect on the satisfaction level of the customers.

H3: Assurance of the service provider has effect on the satisfaction level of the customers.

H4: Empathy of the service provider has effect on the satisfaction level of the customers.

H5: Tangibility aspects of the bank have effect on the satisfaction level of the customers.

1.5 Significance of the study

- ❖ The beneficiaries of this specific study are those who engage in service sector specially branch managers, employees and customers. As well as the study will add up to the existing knowledge on the level of service quality in Ethiopia banking industry.
- ❖ The study will create awareness and initiate the interest of other researchers to carry out further study in a wider scale.

1.6 Scope of the study

Customer's satisfaction can be affected by many factors such as price, geographical location of the service organization, environmental factors, consumer behavior and etc. However this study only emphasizes on service quality since it is the main issue raise in service market. Even if CBE has many branches, the study was conducted on those five branches which are found at the capital city of Addis Ababa under West Addis district only. And this study only examines perception customers who have Saving Accounts.

1.7 Limitation of the study

The research approach of this study is survey type; therefore the research has a limitation of survey research. Those are non-response bias, sampling bias, social desirability bias, recall bias, and common method bias (Anol, 2012). Besides, survey research has weak internal validity specifically temporal precedence which says cause must precede effect in time.

This study is geographically limited to Addis Ababa City. The outcome of the study is solely dependent on the individual responses of the respondents that participate in the study. Moreover, as the sample is small and selected using non-probability sampling technique, the results might not be generalized beyond the specific population from which the sample is drawn, considering the many number of branches that has all over the country.

1.8 Organization of the Paper

This research is organized into five chapters. Chapter one contains background of the study, statement of the problem, research objectives, hypothesis of the study, significance of the study, limitations and scope of the study. Chapter two covers the literature review relevant study. Chapter three discusses the methodology employed in the study, including, research design, sample size and sampling technique, data source and collection method, data and method of data analysis. Chapter four is about data analysis. Finally, chapter five contains conclusions and recommendations.

CHAPTER TWO

2 Related Literature Review

2.1. Concepts and Definition

➤ Service Quality

Service Quality is a customer perception that occurs when the need of service is met above average, more than just adequate. In other words service quality is the ability of service that meets a customer's expectations for that service. It represents of the service valued by the customer.

Service quality has been defined in services marketing literature as an overall assessment of service by the customers. Perceived service quality is believed to be resulting from comparison between customers' prior expectations about the service and their perceptions after actual experience of service performance (Parasuraman *et al.*, 1985). Service quality has been defined by the practitioners in terms of key dimensions that customers use while evaluating the services. Conceptualization of service quality should include both the service delivery process (Parasuraman *et al.*, 1985) as well as the service outcomes (Gronroos, 1984) offered a service quality measurement instruments with dimensions of technical quality (what consumer gets), functional quality (how consumer gets the service) and corporate image (how consumers perceive the firm and its services).

2.1.2 Distinctive Characteristics of Services

According to Mudie and Pirrie, (2006) Services are intangibles, perishable, inseparable from the provider, and highly variable each time it is delivered. These characteristic of services have to be thoroughly understood so that appropriate operations and marketing structures are created to be able to produce and sell services profitably. Services have four distinctive characteristics that greatly affect the design of marketing programs.

Intangibility This is the most basic and often quoted difference between goods and services.

Unlike tangible goods, services cannot generally be seen, tasted, felt, heard or smelled before being consumed. The potential customer is often unable to perceive the service before (and sometimes during and after) the service delivery.

Inseparability There is a marked distinction between physical goods and services in terms of the sequence of production and consumption: Whereas goods are first produced, then stored and finally sold and consumed, services are first sold, then produced and consumed simultaneously. The involvement of the customer in the production and delivery of the service means that the service provider must exercise care in what is being produced and how it is produced. The latter task will be of particular significance. How teachers, doctors, bank tellers, lawyers, car mechanics, hairdressers conduct themselves in the presence of the customer may determine the likelihood of repeat business. Therefore, proper selection and training of customer contact personnel is necessary to ensure the delivery of quality.

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

Perishability Services cannot be stored for later sales or use. Hotel rooms not occupied, airline seats not purchased and college places not filled cannot be reclaimed. As services are performances they cannot be stored. If demand far exceeds supply it cannot be met, as in manufacturing, by taking goods from a warehouse. Equally, if capacity far exceeds demand, the revenue and/or value of that service is lost. Fluctuations in demand characterize service organizations and may pose problems where these fluctuations are unpredictable. Strategies need to be developed for producing a better match between supply and demand. (Mudie and Pirrie, 2006)

2.1.3 The '7 Ps' of services

As cited by Mudie and Pirrie, (2006), marketing activity is normally structured around the '4 Ps' – *product, price, promotion* and *place*. However, the distinctive characteristic of services requires the addition of three more Ps – *people, physical evidence* and *process*. As the additional three Ps.

- **People** – the appearance and behavior of service personnel
- **Physical evidence** – everything from the appearance, design, layout of the service setting, to brochures, signage, equipment.
- **Process** – how the service is delivered, the actual procedures and flow of activities. Each of the three extra Ps is of central importance in services as each represents cues that customers rely on in judging quality and overall image.

2.1.4 Underlying Principles of Service Quality

According to Clow and Kurtz (2003), receiving a high level of service is important to consumers but understanding how to evaluate the service quality received is more difficult. Two consumers receiving what appears to be the exact same service from a company may evaluate the quality of the service differently. One consumer may feel the service was good while the other may feel the service was performed poorly. When discussing service quality the three underlying principles that should be kept in mind are:

1. Service quality is more difficult for the consumer to evaluate than quality of a good.
2. Service quality is based on consumer's perception of the outcome of the service and their evaluation of the process by which the service was performed.
3. Service quality perceptions result from a comparison of what the consumer expected prior to the service and the perceived level of service received. The process used by consumers in evaluating service differs from the process used for goods. Services tend to be high in experience and credence qualities while goods tend to be high in search qualities. Search qualities are

attributes that contributes that consumers can evaluate only during or after the consumption process.

Credence qualities are attributes that consumers have difficulty evaluating even after consumption is complete. Experience qualities are qualities of a good or service that will be evaluated only after the service has been consumed or during the process of consumption (Clow and Kurtz, 2003)

Customer Satisfaction

Customer Satisfaction is a measure of how a product and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator with business and is an indicator of how successful the company is at providing products and services to the market. Customer satisfaction is an abstract concept and is actually happening of the state of satisfaction will vary from person to person and product /service to product/ service in a competitive market where business compete for customer; customer satisfaction is considered a key element of business strategy (Gitman & Carl, 2005).

Operational Definition

Reliability – the ability to perform the promised service dependably and accurately. It is regarded as the most important determinant of perceptions of service quality.

Responsiveness – the willingness to help customers and to provide prompt service. This dimension is particularly prevalent where customers have requests, questions, Complaints and problems.

Assurance – the employees' knowledge and courtesy, and the ability of the service to inspire trust and confidence.

Empathy – the caring, individualized attention the service provides its customers.

Tangibles – the appearance of physical facilities, equipment, personnel image that will find

favor with consumers (Peter & Angela, 2006).

Customer Expectation and Perception – Before and after consumption of a service two feelings are prominent, namely expectations and perceptions. Expectations are usually formed prior to usage of a service but may also occur where a customer is actively involved in the delivery of a service. They reflect inclinations or beliefs as to what will or should happen. Perceptions can also develop during a service, but invariably materialize after usage. They represent the customer's evaluation of the service, particularly in relation to expectations. Where perceptions match or exceed expectations the customer is said to be satisfied in accordance with the first law of service (Peter and Angela, 2006).

$$\text{Perception} - \text{Expectation} = \text{Satisfaction}$$

Customer expectations are beliefs about service delivery that function as standards or reference point against which performance is judged. Because, customers compare their perception of performance with their expectation when evaluating service quality. Though, knowledge about customer expectations is critical to marketers. Knowing what the customer expects is the first and possibly the most critical step in delivering quality service. According to Kenneth and David (2003), Customer expectations are used as the standard or reference against which service performance is judged. It consists of five levels.

- **Idealist level** – consumer wished for level of service.
- **Desired service level** – level of performance customers want or hope to receive from a service
- **Adequate service level** - minimum level of service a consumer will tolerate and accept without being dissatisfied.
- **Zone of tolerance** – is an area between the adequate level of service and the desired level of service.
- **Predicted service level** – level of service consumers actually expect from the service firm.

2.2. Theoretical and Empirical Review

2.2.1. Theoretical Review

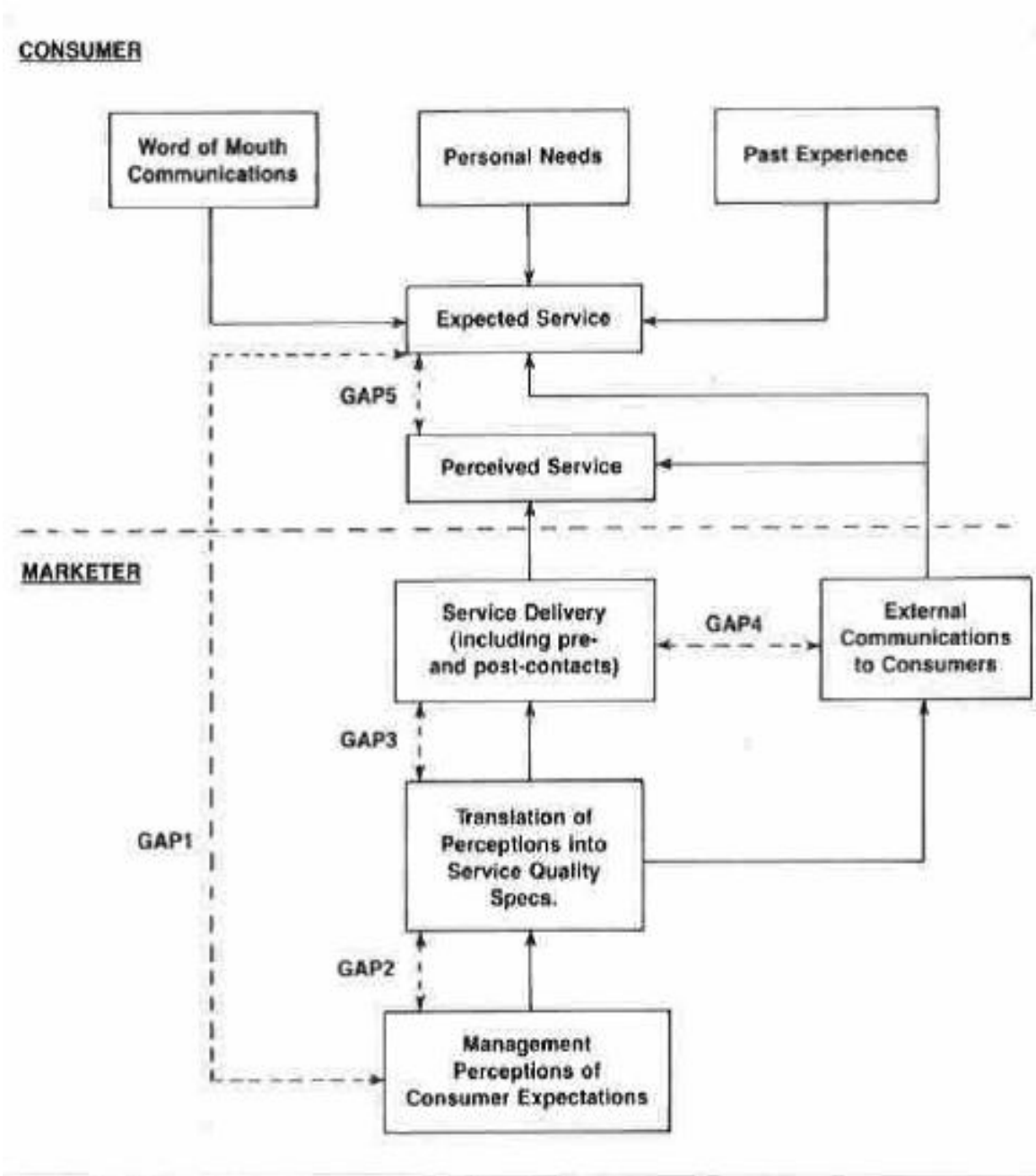
- **Different Service Quality measurement Instruments**

- ✚ **SERVQUAL**

Since the development of SERVQUAL by Parasuraman, Zeithaml, and Berry (1985), service quality has been widely researched and applied in different types of industries. SERVQUAL is a diagnostic tool that uncovers a firm's broad weaknesses and strengths' in service quality. It focuses on the five 'gaps' affecting the delivery of excellent service quality.

It concentrates on five gaps impairing the delivery of excellent service quality. Before intensive efforts can be successfully undertaken to level out service management problems that impede the delivery of truly excellent service quality, it is essential to know to what degree customer perceptions of existing service fail to meet expectations; this study will focus on that primary issue. There after it becomes important to know whether differences exist in management perceptions of customer expectations (Gap 1), a discrepancy in management perceptions and the service specifications that are enacted (Gap 2), a difference on service specifications versus service delivery (Gap 3), Gap 4 deals with service delivery versus external communication and gap 5 deals with the differences between consumer expectations and perceptions.

Figure 2.1 Service Quality Model



Source: Zeithaml and Bitner, 2000

The SERVQUAL scale contains desirable characteristics of services with ten dimensions (responsiveness, competence, courtesy, credibility, security, access, communication, understanding, reliability and tangibles) and then it is summed up into five in Parasuraman, Zeithaml, and Berry (1988) tangibles, reliability, responsiveness, assurance and empathy.

However, researchers found that when applying SERVQUAL to different industries, items must be removed or added in order to customize the scale to accommodate differences in service settings.

Although the SERVQUAL instrument has been widely used, it has also been criticized. The first critics are raised in the validity and reliability of the difference between expectations and performance has been questioned and several authors have suggested that perception scores alone offer a better indication of service quality (Cronin and Taylor, 1992). Gronroos (2003) has emphasized the importance of developing an adaptation of the instrument that takes into account the role of expectations from a dynamic perspective. The dimensions of service quality have also been debated in the literature. For example, Gronroos (1982) proposed technical (the tangible aspects of service delivery) and functional (the expressive performance of the service) qualities as two critical dimensions of service quality. Though a number of questions have been raised concerning the gap model of SERVQUAL scale, there are still some authors of current research suggest that data captured using the SERVQUAL scale may still prove useful.

Nevertheless, despite the apparent shortcomings of the SERVQUAL scale, many researchers and Practitioners continue to find that the instrument is useful for measuring service quality. Moreover, Pitt et al. (1997) noted that practitioners need a generic measurement instrument that provides the potential for cross-industry and cross-functional comparisons. Despite the numerous critics, the SERVQUAL instrument still continues to appeal to both academics and practitioners. After reviewing the numerous applications and critiques of SERVQUAL, the present study concludes that, despite legitimate concerns about the validity of the scale, it remains a useful tool for measuring and managing service quality. Nevertheless, it is important to note that the SERVQUAL scale should not be used as it is in all circumstances. Researchers should either: adapt the SERVQUAL methodology to develop their own instrument for a specific industry or

specific study context; or validate the instrument after data collection through reliability and validity analysis.

The findings from replication of the SERVQUAL instrument suggest that practitioners and researchers working in particular service settings should confirm the factor structure of the service quality to determine how many dimensions are implicit in their own particular sample relative to their specific industry (Cronin and Taylor, 1992). The various factor structures that have been identified in the literature should be examined and compared to ensure that an appropriate structure is chosen for a given experimental setting for example, a one-dimensional structure, a two-factor structure, or the standard five-dimensional structure. Using exploratory factor analysis and confirmatory factor analysis, researchers should ascertain whether their scales have a factor structure that reflects the theoretical dimensionality of their setting. In addition, it might be necessary to adapt, delete, or add items as required to capture the service-quality construct in a specific industry. Researchers are therefore encouraged to assess the commonly used approach of adaptation of the SERVQUAL scale (Riadh, 2009).

SERVPERF

Cronin and Taylor (1992) introduced the performance-based measure of service quality, SERVPERF. SERVPERF is composed of the 22 perception items defined in SERVQUAL scale, and excludes any consideration of expectations. In other word, SERVPERF differs from SERVQUAL in that SERVPERF does not assess gap scores because the expectations portion of the pairings is not included. The research of Cronin and Taylor (1992) suggested that although expectations can have unique effect on consumers' perception of service quality, the performance-minus expectations is an inappropriate basis for use in the measurement of service quality.

Other empirical researchers (Pitt, Watson, and Kavan, 1997; Babakus and Boller, 1992) also provide evidence that the performance- based measure is superior. Moreover, Zeithaml, Berry, and Parasuraman (1993) also conceded that the performance-based measurement was more appropriate if the primary purpose of research was an attempt to explain the variance in a dependent construct. And Parasuraman, Zeithaml and Berry (1994) criticized the SERVPERF instrument that the marketing literature appears to offer considerable support for the superiority

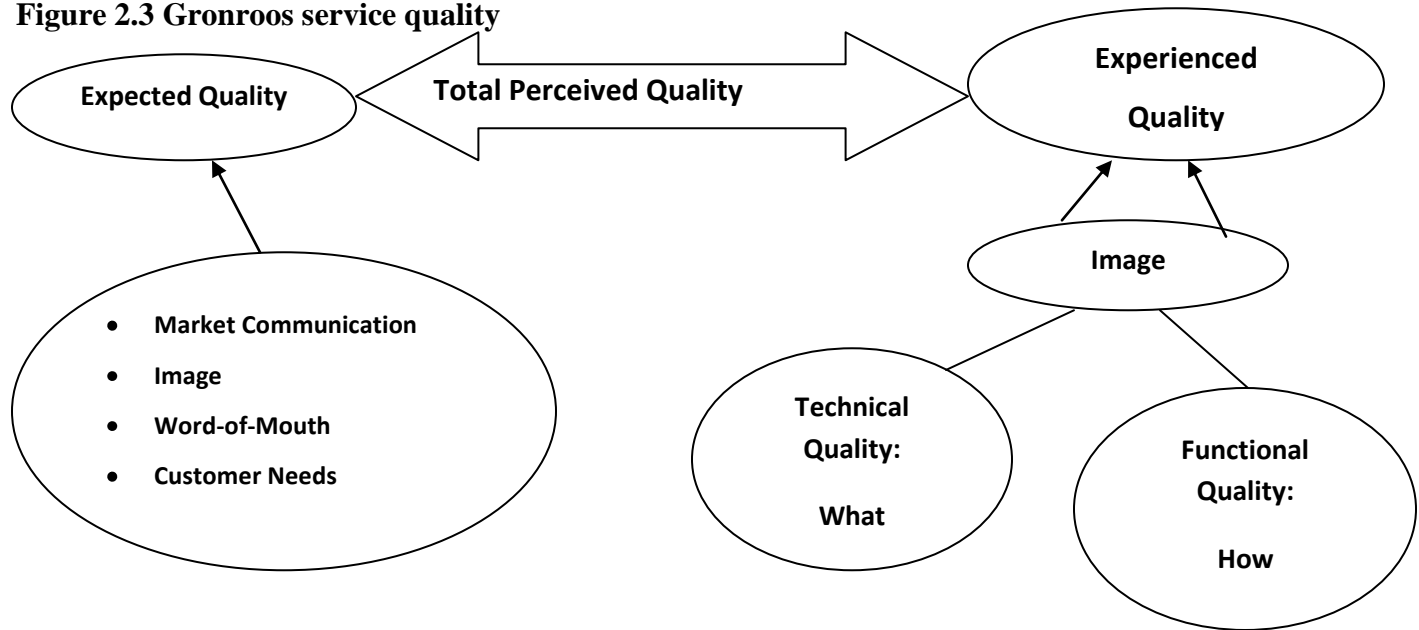
of simple performance-based measures of service quality was surprising and questionable and they also revealed that though the practice of measuring only perceptions was widespread, such a practice did not necessarily mean performance based measures were superior to discontinuation-based measures. In fact, service quality measurements that incorporate customer expectations provided richer information than those that focus on perceptions only.

Gronroos

This measurement instrument suggests that the quality of a service as it is perceived by customers has two dimensions namely, a technical or outcome dimension i.e. what the customers get and a functional or process related dimension i.e. how the process and service encounter are perceived. These two have been termed as ‘technical quality’ and ‘functional quality’. Technical quality refers to what the service provider delivers during the service provision while functional quality is how the service employee provides the service.

Gronroos postulated that as long as the outcome or the technical quality is acceptable the process dimension or functional quality, frequently may be more critical to consumer’s overall quality perception. The quality perception process includes much more than just the two dimensions of service quality. Good perceived quality is obtained when the experienced quality meets or exceeds the expectations of the customer that is the expected quality. This means that even if the experienced quality is good, the total perceived quality may still be low, if the expectations of the customers are very high or unrealistic. Conversely, the total perceived quality may be high even if experienced quality is not very good, if the customer has very low expectation.

Figure 2.3 Gronroos service quality



Source: Gronroos, (1988)

In addition the image of the company doesn't only have an impact on the expected quality but also on perception of the quality experienced. It suggests that the total perceived quality is not determined by the level of the technical and functional quality dimensions only, but rather by the gap between the expected and experienced quality. The expected quality depends on a number of factors like market communication, image, word of mouth communication, corporate image and customer needs, few of which are directly under firm's control and others only indirectly controlled.

In other word customer satisfaction is an emotional response to the experiences provided by, associated with particular products and services purchased, retail outlets, or even molar patterns of behavior such as shopping and buyer behavior, as well as the overall market place" (Yi, 1990, p. 69). Research shows that expectation-disconfirmation paradigm has received much empirical attention (Parasuraman *et al.*, 1988). However, other empirical findings demonstrate that customer satisfaction can also be measured through product or service performance (Churchill and Surprenant, 1982) or an outcome of service quality (Anderson, Fornell and Lehmann, 1994).

Customer satisfaction has become a key intermediary objective in service operations due to the benefits it brings to organizations. The importance of customer satisfaction is derived from the generally accepted philosophy that for a business to be successful and profitable, it must satisfy customers (Bitner and Hubbert, 1994). Customer satisfaction also serves as an exit barrier, helping a firm to retain its customers. Several studies have concluded that it costs more to gain a new customer than it does to retain an existing one. In addition, customer satisfaction also leads to favourable word-of-mouth publicity that provides valuable indirect advertising for an organization (Fornell, 1992). Bitner and Hubbert (1994) concluded that, through satisfying customers, organizations could improve profitability by expanding their business and gaining a higher market share as well as repeat and referral business.

The Relationship between Customer Satisfaction and Service Quality

To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction (Cronin, Brady, and Hult, 2000; Anderson Fornell and Lehmann, 1994; Cronin and Taylor, 1992). However, the exact relationship between satisfaction and service quality has been described as a complex issue, characterized by debate regarding the distinction between the two constructs and the casual direction of their relationship (Brady, Cronin and Brand, 2002). Parasuraman, Zeithaml, and Berry (1994) concluded that the confusion surrounding the distinction between the two constructs was partly attributed to practitioners and the popular press using the terms interchangeable, which make theoretical distinctions difficult.

Interpretations of the role of service quality and satisfaction have varied considerably (Cronin and Taylor, 1992; Parasuraman, Zeithaml, and Berry, 1988). Parasuraman et al. confined satisfaction to relate to a specific transaction as service quality was defined as an attitude. This meant that perceived service quality was a global judgment, or attitude, relating to the superiority of the service. Cronin and Taylor (1992) found empirical support for the idea that perceived service quality led to satisfaction and argued that service quality was actually an antecedent of consumer satisfaction. Asserted that consumer satisfaction appeared to exert a stronger influence on purchase intention than service quality, and concluded that the strategic emphasis of service organizations should focus on total customer satisfaction programs.

The authors reasoned that consumers may not buy the highest quality service because of factors such as convenience, price, or availability and that these constructs may enhance satisfaction while not actually affecting consumers' perceptions of service quality Cronin and Taylor (1992) later conceded that the directionality of the service quality/satisfaction relationship was still in question and that future research on the subject should incorporate multi item measures. The authors suggested restricting the domain of service quality to long-term attitudes and consumer satisfaction to transaction-specific judgments.

However, Bitner and Hubbert (1994) determined that service encounter satisfaction was quite distinct from overall satisfaction and perceived quality. The authors concluded that the constructs exhibited independence. Adding to the debate about the distinction between service quality and satisfaction, customer satisfaction has also been operationalized as a multidimensional construct along the same dimensions that constitute service quality (Sureshchandar, Rajendran, and Anantharaman, 2002). Despite strong correlations between service quality and customer satisfaction in their study, the authors determined that the two constructs exhibited independence and concluded that they were in fact different constructs, at least from the customer's point of view. Brady and Cronin (1992) had endeavored to clarify the specification and nature of the service quality and satisfaction constructs and found empirical support for the conceptualization that service quality was an antecedent of the super ordinate satisfaction construct. In addition, the authors found that explained a greater portion of the variance in consumers' purchase intentions than service quality.

2.2.2 Empirical review

Service quality dimensions are studied in different industries by different authors mostly adopted the five dimensional SERVQUAL measurement instruments (Parasuraman et al. 1985, 1988)/SERVPERF (Cronin and Taylor, 1992) approach or some customized version of it. As this thesis paper concentrates in the banking industries the researcher reviews some empirical studies in the area and described below:

In 2011 Sajeeb Kumar Shrestha reviews on service quality dimension. In this review the central idea is the modified SERVQUAL that had been researched at the early stage, the study concludes that the dimensions are important for service industry however the study doesn't incorporate

which service quality dimension are important to which service sector as well the dimensions focus only the functional aspect of the process rather than the procedural aspect besides it is difficult to generalize.

Dr. Arashshahin 2012, SERVQUAL and model of service quality Gaps: a framework for determine and prioritizing a critical factor in delivering quality service. The researcher were reviewed service quality and its models of gaps by using SERVQUAL methodology as an analytical approach using 22 statement measure, the study carried out there are a number of things that should be done to confirm the demonstrated methodologies as well as to expand the use of SERVEQUAL in design and improvement of quality service although SERVQUAL instrument found that helpful to assess external service quality however the researcher doesn't emphasize about the internal service that need to be modified because it is very critical to contact employees regularly and assess their service experience for the reason that it's directly related specially with four service quality dimensions

Tigineh et.al (2012) and Messay (2012) have both conducted researches on service quality in Ethiopian banks recently. Tigineh et.al conducted their research in the capital city Addis Ababa on the perceived service quality in four banks (including CBE, the largest bank in the country and three other private banks). They customized the SERVQUAL model to the Ethiopian bank customer by adding one dimension namely "convenience of branch location" in the tangible dimension. Thereby having 23 statements for expectation and perception respectively. They conducted the research in 17 bank branches (11 private and 6 public) selected based on the convenience and access to the researchers. In total 256 survey questionnaires were completed by intercepted bank customers that accepted to take the survey. Overall, the research found that there was a considerable gap between customer expectation and perception in all the five dimensions with the biggest gap in the Empathy dimension (mean gap -1.25) followed by assurance , tangibles, reliability, responsiveness, and with mean gaps of -0.87, -0.71,-0.57, -0.52, respectively. (Fititneh et al 2012)

Messay (2012), on the other hand, conducted a research on banks service quality, customer satisfaction and loyalty in Awassa using the 22 service items of SERPREF model, which he argued to be most relevant. He used a purposive probability sampling method to identify 260

respondents in private banks in the city. Out of 260 distributed questionnaires 250 were completed and five were rejected resulting at an effective response rate of 245. Furthermore he added on the survey questions that helped to profile the respondents based on gender, age, Education Background and frequency of use. He concluded that the customers fairly satisfied in some dimensions such as Tangibility, Assurance and Reliability with a mean score of 3.4, 3.17 and 3.0 respectively. On the other hand they were dissatisfied in others namely Responsiveness and Empathy with a mean score of 2.62 and 2.6 respectively. (Mesay, 2012)

In spite of the fact that empirical review shows that researches are done on service quality dimensions however the result are different one to the other thought, therefore in order to assess the impact of service quality on customer satisfaction the researcher tacked SERVQUAL service quality measurement.

SERVEQUAL VS SERVPERF

SERVPERF differs from SERVQUAL in that SERVPERF does not assess gap scores because the expectations portion of the pairings is not included. The research of Cronin and Taylor (1992) suggested that although expectations can have unique effect on consumers' perception of service quality, the performance minus expectations is an inappropriate basis for use in the measurement of service quality. Moreover, there were many emerging literature supported the performance-based paradigm over the disconfirmation-based SERVQUAL paradigm. Babakus and Boller (1992); Churchill and Surprenant (1994), 16

All supported for the superiority of simple performance-based measures of service quality over gap measures of SERVQUAL. Cronin and Taylor (1992) indicated that SERVPERF was the superior measure of service quality over SERVQUAL. They also claimed that SERVPERF scale consistently outperformed any of the other competing models in service environments, and it also provided a useful tool for measuring overall service quality attitudes by service managers. However, Parasuraman, Zeithaml and Berry (1994) criticized the SERVPERF instrument that the marketing literature appears to offer considerable support for the superiority of simple performance-based measures of service quality was surprising and questionable. Parasuraman et al. (1994) also revealed that though the practice of measuring only perceptions was widespread,

such a practice did not necessarily mean performance based measures were superior to discontinuation-based measures. In fact, service quality measurements that incorporate customer expectations provided richer information than those that focus on perceptions only. In spite of the criticism of SERVPERF by Parasuraman et al. (1994), Cronin and Taylor (1992) still revealed that SERVPERF was the superior measure of service quality over SERVQUAL. They also claimed that SERVPERF scale consistently outperformed any of the other competing models in service environments, and it also provided a useful tool for measuring overall service quality attitudes by service managers.

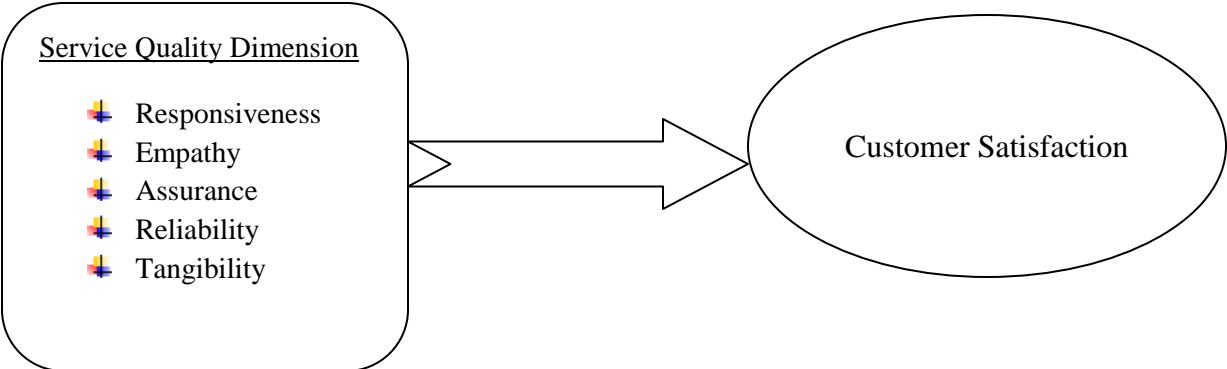
2.3. Conceptual framework

As cited in Zeithaml and Bitner ,(2004),(Parasuraman et al,1988) is the one who came up with the SERVQUAL model also known as the Gaps model, defines quality as the difference between customer's expectation and their perception of the service delivered. The SERVQUAL instrument provides a method of measuring service quality. SERVQUAL is the most frequently used measure of service quality and is based on five service quality dimensions (tangibles, reliability, responsiveness, assurance and empathy). The relationship between service quality and customer satisfaction has received considerable academic attention in the past few years. Service quality and customer satisfaction has been investigated by many researchers.

According to Zeithaml and Bitner (2003), satisfaction and service quality are fundamentally different in terms of their underlying causes and outcomes. Although they have certain things in common, satisfaction is generally viewed as a broader concept, whereas service quality assessment focuses specifically on dimensions of service. Service quality is a component of customer satisfaction.

Service quality is a focused evaluation that reflects the customer's perception of elements of service such as interaction quality, physical environment quality, and outcome quality. These elements are in turn evaluated based on specific quality dimensions: reliability, responsiveness, assurance, empathy and tangibles. Satisfaction, on the other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price so well so situational factors and personal factors.

Figure 2.4 Conceptual framework of the study



CHAPTER THREE

3 RESEARCH DESIGN & METHODOLOGY

This chapter introduces the research method and its elements which include paradigm, research approach, research design, Research method, Research Instrument, Sampling Design And Data Analysis methods are also part of this chapter.

3.1 Paradigm

The researcher follows the positivist philosophy in order to assess the impact of service quality on customer satisfaction in the context of commercial bank of Ethiopia. In the positivist paradigm, the object of study is independent of researchers; knowledge is discovered and verified through direct observations or measurements of phenomena; facts are established by taking apart a phenomenon to examine its component parts (Anol, 2012).

3.2 Research Approach

The researcher used research qualitative method in the study in order to identify how customer satisfaction affected by service quality according to C.R. Kothari, (2004).

3.3 Research design

In order to answer the problem statement and meet the research objectives, the design of the study were descriptive and explanatory type. Descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group. The main characteristic of this method is that the researcher has no control over the variables; he/she can only report what has happened or what is happening (Kothari, 2004).

Explanatory designs seek to establish cause-and-effect relationships. The primary purpose of this research design is to determine how events occur and which ones may influence particular outcomes (Dawson & Bob 2006). Explanatory studies are characterized by research hypotheses that specify the nature and direction of the relationships between or among variables being

studied. The reason of using this method is to study the relationship between dependent and independent variables.

3.4. Research Method

This study is a survey based one because it seeks to obtain the opinion of a population customer satisfaction and service quality using structured questionnaire. Plus survey method has Inherent strengths compared to other research methods. Surveys are an excellent vehicle for measuring a wide variety of unobservable data, such as people's preferences traits, attitudes, beliefs, behaviors, or factual information.

There are still only two basic types of research surveys: cross sectional and longitudinal. Each type serves a different purpose. Survey researchers use cross-sectional designs to collect data about current attitudes, opinions, or beliefs. Longitudinal designs are used to study individuals over time Creswell J. (2012). This study is a cross-sectional study because data were collected from a cross section of customers of the commercial bank of Ethiopia at point in time.

3.5. Research Instrument

A self-structured questionnaire was developed based on service quality dimensions, which is adapted from Parasuraman *et al.* (1985, 1988). The questionnaires consisted of 23- items which were administered to respondents personally to be evaluated on a five point likert scale ranging from "1"being strongly disagree to "5" being strongly agree for the 22 items .And for the 23th question likert scale is ranging from "1"being very dissatisfied to "5" very satisfied. The questionnaire was divided into to two parts the first part was relating to demographic profile of respondents, the second part was about the perception towards service quality dimensions of Commercial bank of Ethiopia.

3.6. Sampling Design

3.6.1. Method and techniques

Sampling provide a range of methods that enable one to reduce the amount of data needed for a study by considering only data from a sub-group rather than all possible elements. there exist

two types of sampling: probability, where the chances of each case being selected from the population is known and is usually equal for all cases, and non-probability - sampling where the chances of each case selected from the total population is not known, making it impossible to answer research questions (Saunders *et al.*, 2009).

Non probability sampling would be appropriate for researcher because customer number of Commercial Bank of Ethiopia is large, so the possibility of drawing sample with equal chance from the population not possible.

Non probability random sampling, which is convenience sampling technique, was used. Data were collected by visiting conveniently selected five Commercial Bank of Ethiopia branches and who are willing to participate in this study, during business hours and approach customers conveniently and pleading complete the questionnaires. One of the most interesting characteristics of in Commercial Bank of Ethiopia is long queues of customers waiting for services. Researcher was taken an advantage in collecting data from the customers.

3.6.2 Population

The population in case of this study is customers who have normal saving account and literate customers of commercial bank of Ethiopia since the structured questioners were designed to grasp their perception they have toward service quality of the commercial bank of Ethiopia, and their satisfaction level.

The samplings frame of these study only literate and saving account customers of the commercial bank of Ethiopia from the selected branches located in Addis Ababa because of financial and time constraints researcher find it difficult to access customers outside the capital city.

3.6.3 Sample size

Yeamdao Narangajavana (2007) summarized that there were four strategies to decide sample size including (1) census for small populations, (2) imitating a sample size of similar studies, (3) applying formulas to calculate a sample size, and (4) using published tables. The first strategy census' was appropriate for the population of 200 or less. It allowed collecting data from all

subjects, thus eliminating sampling error that occurred because only a part of the population was directly contacted. This strategy, however, was impossible when conducting research on a larger population and when cost was a factor. Secondly, imitating a sample size of similar studies saved time for the current research. Nonetheless the major drawback was the risk of repeating errors that were made in determining the sample size for another study; however, if the procedure were convincing, they were included. Thirdly, applying the calculation methods for determining a sample size allowed the researcher to achieve the necessary sample size for a different combination of levels of precision, confidence, and variability of a particular study. Fourthly, using published tables saved time for the researcher because calculating a number of sample sizes for different given set of criteria was made available.

Considering some constraint; the researcher has followed the fourth strategies of using published tables. According to sample size table taken from the website, <http://research-advisors.com>, at 95% confidence interval with 5 percent error margin, the sample size for the total population of between 100,001 and 300,000,000 is 384.

Currently Commercial Bank of Ethiopia has more than 11,000,000 customers which is fall between 100,001 -300,000,000 category, therefore self-administer questioners handed to 384 respondents from bank branches located in Addis Ababa.

3.7 Data Analysis methods

The data that was obtained from the questionnaires were analyzed and interpreted using statistical package for social science (SPSS) version 20. The study applied Correlation analysis in order to identify the relationship between dependent and independent variables also used Mean distribution for overall customer satisfaction rate.

CHAPTER FOUR

4. DATA ANALYSIS AND INTERPRETATION

This chapter contains the reliability analysis, respondent, profile, service quality dimension analysis, overall customer's satisfaction analysis, correlation analysis between customer's satisfaction and service quality dimensions and multiple regression analysis. And the analysis, interpretation is from the information collected through self-administered questionnaires. A total of 384 questionnaires were administered and 242 usable questionnaires were collected out of which 220 were found convenient, from five branches (Somale tera, kolfe, Geja sefer, Gojam berda, and Sebategna). The data collected was analyzed with the Statistical Package for Social Science (SPSS) version 20 based on the information obtained from 220 customers.

4.1. Reliability Study

A reliability test is used to assess consistency in measurement items (Cerri, 2012). Cronbach's alpha is used to measure the internal consistency of the measurement items. Higher Alpha coefficients indicate higher scale reliability. Specifically, Nunnally as cited in Eze *et al.*, 2008 suggests that scales with 0.60 Alpha coefficients and above are considered acceptable.

As shown in table 4.1 Scale Reliability Cronbach Alphas coefficients for service quality items range 0.786 to 0.857. The overall Cronbach alpha coefficient for expected-scale items is 0.814 Therefore; the expected scales used in this study demonstrate high reliability.

Table 4.1 Reliability study

Service Quality dimension	Cronbach's Alpha
Tangibility	0.786
Reliability	0.815
Responsiveness	0.857
Assurance	0.794
Empathy	0.822
Reliability of total scale	0.814

Source: survey result, 2016

4.2 Profile of Respondents

This section summarizes the demographic characteristics of respondents, which includes gender, age, educational level, type of account, occupation of respondents and number of years as a customer. The purpose of the demographic analysis in this research is to describe the characteristics of the sample such as the number of respondents, proportion of males and females in the sample, range of age, education level, and to know customers duration time. Accordingly the following tables provide the demographic profile of the respondents.

Measures	Characteristics	Frequency	Percentage
Gender	Male	130	59.09
	Female	90	40.91
	Total	220	100
Age	18-30	67	30.45
	31-45	94	42.73
	Above 45	59	26.82
	Total	220	100

Table: 4.2.1 Age and Gender characteristics of the respondents

Source: survey, 2016

As indicated in table no 4.2.1 among the total distributed questionnaire (130 respondents) 59.09 percent of the respondents were Male, while the female respondents were (90 respondents) 40.91 percent. The result of the survey, with regard to age category 30.45 percent found to be in the age category of 18-30, The rest of the respondents composes of 42.73 percent and 26.82 percent are clustered in age the categories of 31-45, and 45 and above respectively. This data indicated that most of the respondents categorized under age group of 31-45 years. From the respondents' demographic profiles the numbers of male respondents were slightly more than the female respondents.

TABLE 4.2.2: Educational Level of Respondents

Measures	Characteristics	Frequency	Percentage
Educational Level	Primary Education	45	20.45
	Secondary Education	56	25.45
	Diploma	25	11.36
	First Degree	81	36.82
	Masters and above	13	5.91
	Total	220	100

Source: survey, 2016

As table no 4.2.2 shows the majority of the respondents were grouped under the educational level of first degree covering 36.82% of the total respondents, followed by secondary Education 25.45%. The rest of the respondents were categorized under the educational level of primary education, Diploma and masters and above which covers 20.45%, 11.36% and 5.91% of respondents respectively.

Table 4.2.3: Occupation of Respondents

Measures	Characteristics	Frequency	Percentage
Occupation of Respondent	Government Employee	46	20.91
	Non-government Employee	64	29.01
	Business Man	110	50
	Total	220	100

Source: survey, 2016

As table 4.2.3 indicates more of the respondents occupation were grouped under Businessman, which covering 50 percent from the total respondents. The rest of the respondents were categorized under Non-Government employee and Government employee, which covers 64 percent and 46 percent of respondents respectively. Thus the majority of respondents' occupation was grouped under the Businessman.

Table 4.2.4: Number of Years

Measure	Characteristics	Frequency	Percentage
Number of years as a customer	< 1 year	36	16.36
	1-3 years	53	24.09
	3-5 years	88	40
	Above 5 years	43	19.55
	Total	220	100

Source: survey, 2016

According to table 4.2.4 the majority of the respondents' duration with the bank is between 3-5 year which covers 40 percent of the total respondents. The rest of the respondents 1-3 years covering 24.09 percent respondents and 19.55 percent of respondents have duration with the bank above 5 years at last 16.36 percent of respondents cover below 1 year. This implies that the majority of the respondents duration with the bank 3 up 5 years.

4.3 Correlation Analysis

The correlation analysis result was performed to see the association between modified SERVQUAL dimensions and overall customer satisfaction. Therefore, the correlation analysis revealed the relationship between Reliability, Responsiveness, Assurance, Empathy, Tangibility, with overall customer satisfaction.

If the correlation result lies between -1 and 0, the two variables are negatively related. But if the correlation result of the two variables lies between 0 and 1, the two variables are positively related. Furthermore, according to Field (2005) general guidelines correlations of 0.1 – 0.29 are considered small, correlations of 0.30 – 0.49 are considered moderate and correlations above = > 0.5 are considered large.

Table 4.3.1: Correlation between service quality dimensions with satisfaction

	TAN	REL	RES	ASS	EMP	CS
TAN	1					
REL	.489**	1				
RES	.164**	.574**	1			
ASS	.332*	.445	.399*	1		
EMP	.485	.514**	.391*	.441**	1	
CS	.117***	.432*	.582**	.516**	.551**	1

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

*. Correlation is significant at the 0.05 level (2-tailed).

Source: survey, 2016

The above correlation matrix shows that responsiveness has positive and highest associations with overall customer satisfaction other than the other dimensions with a value of ($r=0.582$, $p<0.01$). It is followed by empathy and assurance which have equal value ($r = 0.551$, $p<0.01$), assurance ($r = 0.516$, $p<0.01$), reliability ($r=0.432$, $p<0.01$) and tangibility with value ($r = 0.117$, $p<0.01$).

4.4 Descriptive Analysis of overall Customer Satisfaction

TABLE 4.4.1: overall level of CBE Customers' satisfaction

Measure	Frequency	Percentage	Mean
Very dissatisfied	34	15.45	6.8
Dissatisfied	43	19.55	8.6
Neutral	32	14.55	6.4
Satisfied	51	23.18	10.2
Very satisfied	60	27.27	12
Total	220	100	44

Source: survey, 2016

Table no 4.4.1 represents the outcome of the analysis of customer's satisfaction with the service quality of the commercial bank of Ethiopia on their perception. Respondents were asked to rate their overall level of satisfaction with the services provided by CBE ,with 5-point likert scale (1 means very dissatisfied, 2 means dissatisfied, 3 means neutral, 4 means satisfied and 5 means very satisfied).

As the result of the descriptive data analysis in table no 4.5.1 indicates that, 15.45% of respondents reported that: they are very dissatisfied with the services quality of CBE, while 19.55% found to be dissatisfied and 14.55% of them responded as neutral. And the rest 23.18% and 27.27% rated as satisfied and very satisfied respectively. Thus it indicates as the percentage of customers who are very satisfied with the service is more than those who are dissatisfied with the service.

4.5 Hypothesis Test

The dependent variable is customer satisfaction and independent variables are those five service quality dimensions. The “***”sign shows the correlation result between the variables. Thus up on the Pearson correlation analysis obtained from the variables in the above correlation tables, with the significant level is 0.01(P, 0.01) and sample size (N) 220 ,the hypothesis are examined below one by one, to assure weather there is correlation(relationship) between service quality dimensions and customers’ satisfaction in CBE. The hypotheses are as follows

Hypothesis #1:

There is a correlation between reliability and customers’ satisfaction of CBE. In the above table 4.3.1 analysis, it can be seen that the correlation of reliability is 0.432** and the significant level is 0.01(p.01). The analysis shows that the p-value is 0.000, which is less than 0.01. Therefore, the hypothesis is supported, and concluded that there is a positive ($r=0.432$) relationships between reliabilities and customers satisfaction of CBE.

Hypothesis #2

There is a positive correlation between responsiveness and customers’ satisfaction of CBE. In the above analysis, it can be seen that the correlation of responsiveness is 0.582** and the significant level is 0.01(p.01). The analysis shows that the p-value is 0.000, which is less than 0.01. Therefore, the hypothesis is supported, and concluded that there is a positive ($r=0.582$) relationships between responsiveness and customers’ satisfaction of CBE.

Hypothesis #3

There is a relationship (correlation) between assurance and customers' satisfaction of CBE. As in the table 4.3.1 analysis, the correlation of assurance is 0.516** and the significant level is 0.01(p.01). The analysis shows that the p-value is 0.000, which is less than 0.01. Therefore, the hypothesis is supported, and concluded that there is positive (r=.516) relationships between assurance and customers' satisfaction of CBE.

Hypothesis #4,

There is a correlation between empathy and customers' satisfaction of CBE. In the above analysis, it can be seen that the correlation of empathy is 0.551** and the significant level is 0.01(p.01). The analysis shows that the p-value is 0.000, which is less than 0.01. Therefore, the hypothesis is supported, and concluded that there is positive (r=.551) relationships between empathy and customers' satisfaction of CBE.

Hypothesis #5

There is a correlation between tangibility and customers' satisfaction of CBE. In the above analysis, it can be seen that the correlation of tangibility is 0.117** and the significant level is 0.01(p.01). The analysis shows that the p-value is 0.000, which is less than 0.01. Therefore, the hypothesis is supported, and concluded that there is positive (r=.117) relationships between tangibility and customers' satisfaction of CBE.

In summery from all these tests, the study confirmed that the five dimensions are positive relationship with corporate customer satisfaction, therefore, the result reflects that corporate customer satisfaction is affected by five dimensions variables. From which satisfaction has higher correlation with responsiveness (.582**) and empathy (0.551**).Followed by assurance and reliability (.516**,.432**). And lower correlation value is with tangibility (0.117) dimensions of service quality which has quite small correlation with customer satisfaction (.117**).

CHAPTER FIVE

5. SUMMARY OF FINDING, CONCLUSIONS AND RECOMMENDATION

This chapter includes summary, conclusions and recommendations of the study.

5.1 SUMMARY OF FINDING

Based on the data analysis the major findings are summarized as follows

- ✓ From data analysis the Cronbach's Alpha for this study is 0.814 which shows that there is internal consistency between the items and that measure dimensions of the variables.
- ✓ Correlation analysis result was performed to see the association between modified SERVQUAL dimensions and overall customer satisfaction.
- ✓ Responsiveness dimensions has scored positive and highest association with customer satisfaction also followed by empathy
- ✓ According to guidelines suggested by Field (2005) , correlation coefficient (r) between 0.1– 0.29 is weak; 0.3 – 0.49 is moderate; and ≥ 0.5 is strong. The correlation result shows that the responsiveness and empathy dimension of the service quality are significant and the most important dimensions, statistically significant at ($p < 0.05$).
- ✓ Even though the rest of the dimensions that are tangibles, reliability and, assurance are not statistically significant in the overall customers satisfaction they still have positive correlation with overall customer's satisfaction on the service quality of CBE.

5.2 CONCLUSIONS

The main aim of this study was to assess the impact of service quality on customer satisfaction of Commercial Bank of Ethiopia. For this, the first three specific objective of the study was to identify the most important dimension of service quality that contributes much towards overall customer satisfaction in Commercial Bank of Ethiopia, to identify the relationship between

service quality and customer satisfaction in CBE and to assess' level of customers' satisfaction. To achieve the first specific objective the researcher identified the relationship between service quality and customer satisfaction in CBE Pearson correlation analysis was used. It was found that all five dimensions of service quality are important for customer's satisfaction in CBE. The study revealed that the responsiveness and assurance dimensions of service quality has highest positive and moderate relationship with overall customer satisfaction.

This requires the company effort to work on these variables too, to satisfy its customers to the acceptable level. Because as it can be seen from the correlation analysis done, it is evident that all the five service quality dimensions have positive and significant correlation with customers' satisfaction. This result indicates that the bank customer place emphasis on all service quality dimensions. Thus it can be concluded that as these attributes increases from the bank, customer satisfaction also increases. Finally the finding have shown that mean score of overall satisfaction with the Service Quality is above average or satisfactory. In addition to this the mean scores with regarding to overall customers satisfaction on all dimensions are almost above average, which implies as more of CBE customers are satisfied with service quality of the bank. And, all the hypotheses were strongly supported.

5.3 RECOMMENDATION

This study has shown the relationship among the service quality dimensions and customer satisfaction of CBE by using SERVQUAL measurement. Since the study confirm the five dimensions of service quality are positively correlated with the bank customer satisfaction, hence the bank should give strong emphasis to all service quality dimension in maintaining and improving the service quality of the bank. Up on this, the following recommendations are forwarded for Commercial bank of Ethiopia by the researcher:

In the current study among these service quality dimensions, responsiveness shows the highest significance positives correlation and with customer satisfaction followed by empathy. The core concept of responsiveness is willingness to help customers to provide prompt service, So CBE should try to give individual attention, and willingness to help customer at convenient operating hours. And its personnel particularly those working in customer service counters need to understand the specific requirements of the customers, since these quality features are highest

determinants of satisfaction. Hence focus should be directed to enhancing the performance of front line staff, and emphasis should be placed on selection and training of frontline personnel.

Thus CBE need to be more marketing oriented, to choose the personnel who interact with the customer, to regularly collect information about customer needs, to ensure customers satisfaction, generally the banks should maintain and improve the responsiveness skill since it is still very important along other dimension.

As it is also cited in Parasuraman, Zeithaml and Berry (1988), keeping customers waiting particularly for no apparent reason creates unnecessary negative perceptions of quality. If a service failure occurs, the ability to recover quickly and with professionalism can create very positive perceptions of quality. So, the bank is advised to pay special attention to responsiveness by developing appropriate programs and providing on-going training on the various attributes of responsiveness to increase employees' responsiveness as well as customer's satisfaction.

- ▲ Empathy also determines customer's satisfaction in commercial bank of Ethiopia. CBE should Carrying and give individualized attention to each customer.
- ▲ Reliability also determines customers' satisfaction in Commercial Bank of Ethiopia. So, in order to satisfy its customers and to make their service distinguishable from other banks, CBE should try to perform the promised services both dependably and accurately on time and without error.
- ▲ Assurance is again other feature of customers' satisfaction in Commercial Bank of Ethiopia. So CBE should try to increase the degree of trust and confidence in order to fell customers assured with the overall competence of the service provider. As well as to fell customers as there is no safety problem in dealing with the banks. Try's to persuade that the bank they always relays on.
- ▲ Tangibility is also being emerged to be as another important factor that determines CBE customer's satisfaction. CBE should provide customer information material such as brochures provided should be well composed, and attractive, frontline personnel providing services should be neat, clean, and well dressed and give pleasing look and

professionally appearing, its facilities and other equipment at sales outlets should be modern and up-to-date.

- ▲ Even if more than half of the respondents expressed their level of satisfaction as they are satisfied. The rest percentage of customers are dissatisfied, So in an era where service providers are working for customer delight CBE has to do a lot to bring improvement in quality of its service and better satisfy all its existing customers as well as to attract the new ones.
- ▲ Furthermore in the current scenario of competitive banking industry, to survive with in this industry as well as to maintain sustainable competitive advantage the bank should focus on customer satisfaction by offering different services. And the Banks should continually assess how customers perceive bank services so as to know whether the bank meets or exceeds or is below the expectations of their customers. And, it is pertinent that all the components of service quality dimensions should be strictly followed and implemented effectively

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Appendix

A study on, impact of service quality on customer satisfaction the case commercial bank of Ethiopia

Dear respondents; I am post graduate student at Addis Ababa University School of Commerce. Currently I am conducting a research entitled “A study on impact of quality service on customer satisfaction of commercial bank of Ethiopia”. The purpose of the study is to fulfil a thesis requirement for the Master of Arts in Marketing Management. Your highly esteemed responses for the questions are extremely important for successful completion of my thesis. The information that you provide will be used only for the purpose of the study and will be kept strictly confidential. Finally, I would like to thank you very much for your cooperation and spending your valuable time for my request.

- **Note: Please put a “√” mark with the option that reflects your response with the given statement.**

PART ONE: Personal profile of the respondent

1. Gender: Male Female

2. Age: 18-30 31-45 above 45

3. Highest educational level achieved:

Primary education First Degree Secondary education Masters and above Diploma

4. Occupation:

Government employee Non-government employee

Business man other (please specify) _____

5. Number of years of service usage:

Below 1 year 1-3years 3-5 years above 5 year

PART II: SERVICE QUALITY ATTRIBUTES The following statements relate to your perception about commercial bank of Ethiopia service quality & customer satisfaction. For each statement, please show the extent to which you believe commercial bank of Ethiopia has the feature described by the statement. Circling a “1” means that you strongly disagree, “2” disagree, “3” neutral, “4” agree, and “5” strongly agree.

No	Measurement items	Measurement scales				
		strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	strongly agree (5)
	Tangibles					
1	Commercial bank of Ethiopia has modern-looking equipment	1	2	3	4	5
2	Commercial bank of Ethiopia's physical facilities(such as office layout, furniture etc.) are visually appealing	1	2	3	4	5
3	Commercial bank's employees are well dressed and neatly-appeared.	1	2	3	4	5
4	Materials associated with the service (such as pamphlets or statements) are visually appealing at commercial bank	1	2	3	4	5
	Reliability					
5	When commercial bank's promises to do something by a certain time, it does so	1	2	3	4	5
6	When you have a problem, commercial bank of Ethiopia shows a sincere interest in solving	1	2	3	4	5

	it					
7	Commercial bank performs the service right the first time	1	2	3	4	5
8	Commercial bank provides its services at the time it promises to do so	1	2	3	4	5
9	commercial Bank of Ethiopia insists an error-free records or the service provider keep its records accurately	1	2	3	4	5
	Responsiveness					
10	Employees of commercial bank tell you exactly when services will be performed	1	2	3	4	5
11	Employees of commercial bank of Ethiopia give you prompts service	1	2	3	4	5
12	Employees of commercial bank of Ethiopia are always willing to help	1	2	3	4	5
13	Employees of commercial bank are never too busy to respond to your requests	1	2	3	4	5

	Assurance					
14	The behavior of employees of commercial bank instills confidence in customers	1	2	3	4	5
15	You feel safe in your transactions with commercial bank of Ethiopia	1	2	3	4	5
16	Employees of commercial bank of Ethiopia are consistently courteous with you	1	2	3	4	5
17	Employees of commercial bank of Ethiopia have the knowledge to answer your questions	1	2	3	4	5
	Empathy					
18	Commercial bank of Ethiopia has convenient operating hours	1	2	3	4	5
19	Commercial bank of Ethiopia gives you individual attention	1	2	3	4	5
20	Dose CBE employee give you individual attention	1	2	3	4	5

21	Commercial bank of Ethiopia understands your best interests at heart.	1	2	3	4	5
22	Employees of commercial bank understand your specific needs.	1	2	3	4	5
	Customers overall satisfaction	Very satisfied	satisfied	neutral	Dissatisfied	Very dissatisfied
	Your overall satisfaction with the bank	5	4	3	2	1

Thank you for your corporation!!!