



**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE DEPARTMENT OF  
MARKETING MANAGEMENT POST GRADUATE PROGRAM**

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**The Effect of Interest Free Banking Service Quality on Customers' Satisfaction: A Study  
on Commercial Bank of Ethiopia**

**A THESIS SUBMITTED TO THE SCHOOL OF COMMERCE DEPARTMENT OF  
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MARKETING MANAGEMENT**

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**ADDIS ABABA**

## STATEMENT OF CERTIFICATION

This is to certify that **Meraf Gebrede Tessma** has done a study on the topic “**The Effect of Interest Free Banking Service Quality on Customers’ Satisfaction: A Study on Commercial Bank of Ethiopia**”. This study is of her original work and all the sources of materials used for the research project paper had been duly acknowledged.

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**The Effect of Interest Free Banking Service Quality on Customers’  
Satisfaction: A Study on Commercial Bank of Ethiopia**

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## **STATEMENT OF DECLARATION**

I hereby declare that “The Effect of Interest Free Banking Service Quality on Customers’ Satisfaction: A Study on Commercial Bank of Ethiopia” project is wholly the work of Meraf Gebrede. I have carried out the present study independently with the guidance and support of the research advisor Mulugeta G/Medhin (PHD). Also any other contributors or sources have either been referenced in the prescribed manner or are listed in the acknowledgement together with the nature and the scope of their contribution. And the study has not been submitted for award of any Degree or Diploma program in this or any other institution. It is in partial fulfillment of the requirement of the program Master’s Degree in Marketing Management

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Meraf Gebrede

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## ABSTRACT

*The diminishing levels of service quality in the financial institutions had resulted in abysmal performance of most banks and other financial institutions in the sector and this challenge has made it imperative for financial firms like CBE to be customer centered in all their operational activities. The purpose of this study is to determine the effect of service quality of IFB on customers' satisfaction using CBE as a case study. The study utilized convenience and random sampling techniques to select 400 customers who served as respondents in the study. Correlation and multiple regression analysis were employed as analytical techniques. The results show that Assurance is highly correlated with customer satisfaction which was followed respectively by compliance, empathy, reliability, responsiveness and tangibility dimensions. It was also discovered that the six service quality dimensions significantly influenced the satisfaction of Commercial Bank of Ethiopia customers' as all gets correlation value more than 0.7. The study recommends that management of the bank should exploit and maneuver the service quality dimensions as a survival strategy for improving customers' satisfaction in an industry characterized by intense competition and environmental dynamism.*

**Keywords:** *Services Quality, Interest Free Banking Services, Customer Satisfaction, Commercial Bank of Ethiopia (CBE)*

## **ABBREVIATIONS**

CBE- Commercial Bank of Ethiopia

CS- Customers' Satisfaction

IBS- Islamic banking system

IFB- Interest Free Banking

IFBCS- Interest Free Banking Customers' Satisfaction

IFBSQ- Interest Free Banking Service Quality

IFBW- Interest Free Banking service Window

NBE- National Bank of Ethiopia

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# CHAPTER ONE

## 1. INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

Islamic banking system has been introduced in the last quarter of the twentieth century, while the concept of Islamic banking system is old. The Islamic banking system (IBS) was introduced due to the reason that there was the need of financial institution for Muslim customers who could satisfy their needs and demands. Because the conventional banking industry is entirely based on the interest based system and that is prohibited in the Islamic shari'ah rules. So the Muslims need such institute which provides them the Islamic platform for their financial transactions. The Islamic finance is defined as a financial service or product principally implemented to comply with the main tenets of Shari'ah (or Islamic law). In turn, the main sources of Shari'ah are the Holy Quran, Hadith, Sunna, Ijma, Qiyas and Ijtihad (Gait and worthington, 2007).

The Qur'an (Kuran), the Muslims' Holy Book, explicitly deals with economic-related matters and how they apply in Islam. The Sharia, the Islamic law of human conduct, is derived from the Qur'an. The Sharia prohibits the so-called 'Riba' (i.e, payment over and above what has been lent-which causes the payment of interest or usury to be wrong). Because of Riba, the Banks which have been aiming to operate based on sharia had to develop financial products and services that are not in conflict with the Islamic principles. As such, interest-free banking as a concept was developed as a result of the religious prohibition of the payment or receipt of interest (Gait and worthington, 2007).

The experiment of interest-free banking started in the mid-1960s, and approved that Islamic methods of banking were practical and relevant for a banking system, albeit with some refinements. The idea continued to develop theoretically until 1975 when the Islamic Development Bank (IDB) was established as an international financial institution of foster economic cooperation and social progress in its member countries and strengthen economic cooperation among them. This was followed by many banks all over the world, particularly in the Middle East region. Since then, interest-free banking or Islamic banking has become a vibrant alternative to conventional banking in the world. It has grown in size and number both in the Muslim and non-Muslim world. (Okumus. H, 2005)

The quality of firms' service is fast becoming a vital determinant of customers' patronage and satisfaction in the market place. A vital part of operational activities of today's banking industry is meeting customers' demand through delivering quality oriented services (Arasli, H., Salime S. & Salih T. (2005). Customers' requirements for higher service quality have been on the increase in the recent past because buyers across the world are now more conscious of service quality (Lee, M. C., & Hwan, I. S. (2005).

Today's customers are now demanding and knowledgeable about the ways they want to be served and they are even prepared to challenge any firm whose services fall below expectation. Operators in the financial services sector such as banks, insurance, hospitality etc. need to offer excellent services to their clients in order to ensure sustainable competitive advantage for their firms in the market (El Saghier, N., & Nathan, D. (2013)

Banks and other financial institutions operating in Ethiopia are consequently put under intense pressure to develop quality services as a strategy to maintain the present clients and to gain more from competitors in the market. To achieve this, banks and other service oriented firms must understand that the key to competitive advantage in the market place is contingent on building sustainable long term relationships which ensure continuous value creation, customers' satisfaction and services improvement.

In view of the above, banking firms such as Commercial Bank of Ethiopia that is offering both conventional and Interest Free Banking service needs to do more in terms of providing quality services to be able to recruit and maintain customers who are quality conscious and who will search for quality services wherever is being offered.

Therefore, the interest of this study is to investigate the service quality of Interest Free- Banking Service that has been rendered by Commercial bank of Ethiopia.

## **1.2 STATEMENT OF THE PROBLEM**

Unlike conventional banks, whose main goal is maximizing profit based on loans, Islamic banks comply with the Islamic law (Shariah), which strictly prohibits the use of interest. Because of this characteristic of Islamic banks, many were skeptical when the first Islamic banks were established, considering that interest-free banking can't survive. Despite this skepticism, Islamic banks are one of the fastest growing financial industries. Interest-free banking doesn't mean

banking without profit, but a more stable and secure ethical alternative, because instead of interest, Islamic banks receive fees and commissions for their services, participate in a profit(loss)-sharing with their clients and they are protected with contracts. (Cerovic, Nikolaj and Maradin, 2017)

Islamic banking, on the one side, is being spread all over the world and regarded as a fastest growing market, on the other side; it is not free from issues, problems, and challenges. The Islamic banking faces serious problems to practice Islamic laws; proper interbank money market is not available and poor regulatory framework for interest free banking (Irfan, Majeed & Zaman 2014).

As a result of lack of supportive regulatory and policy regimes in Ethiopia that facilitate the establishment of Islamic financial institutions, there was no alternative banking systems for those have problem with existing banking system until the NBE's directive has allowed Ethiopian nationals to establish a bank exclusively engaged in interest-free banking which come in to force in October 2011, but started in September 2013. The introduction of Islamic banking Window alongside with conventional operations in 2013 has generated new dimension and phenomenal in banking sector in Ethiopia. (<http://news.videonews.us>, 2013)

Key to success and survival of any business is the deliverance of quality services to customers and Islamic banks are not exception to this. The banking industry is facing very intense competition due to technological advancement and improved communication systems. Financial services provided by banks are generally undifferentiated products. The banks can distinguish themselves on the basis of improved service quality which is critical for expansion of market share (Shafie, S., Azmi, W. N. W., & Haron, S. (2004).

Whenever Islamic banks or conventional banks offered any new product or service, then its success depends upon the customer satisfaction level towards that product or service. In this competition they must have to give extremely high consideration to its primary customers. They must have to produce such level of services and products to its customers that they could attract them and can satisfy them. (Khattak and Ur-Rehman, 2010)

In order to get knowledge about the customer's satisfaction and their attitude towards Islamic banking products and its services there are studies conducted in a different region of the world in both in Islamic and non-Islamic countries.

In Ethiopia where 34% of the population is Muslim according to World Population Review (2017), however, few studies were conducted on the attributes of IFB. Among these studies Mohammed (2012) studied the 'Prospects, Opportunities and Challenges of Islamic Banking in Ethiopia'. Debebe (2015) has conducted a study on 'Factors Affecting Customers to Use Interest Free Banking in Ethiopia' and Teferi (2015) examined about 'Contribution of IFB to economic development and its prospect in Ethiopia'. Besides, Kerima (2016) assessed about 'Challenges on Interest Free Banking Services' where none of these studies have addressed the effect of IFB service quality on the customers satisfaction.

Therefore, this study aims to examine the effect of interest Free Banking Service quality on improving the level of Customers' Satisfaction in the context of Commercial Bank of Ethiopia.

### **1.3 RESEARCH QUESTIONS**

To examine the level of customers' satisfaction of IFB Service of Commercial Bank of Ethiopia, this study targets customers of selected branches in Addis Ababa serving IFB as survey participants. In order to achieve the intended objectives of the study and to address the research problem properly, certain research questions will be designed accordingly. In light of this, the research considers to answer the following research questions:

1. How does compliance of IFB service to Islamic law affect the level of customers' satisfaction at CBE?
2. To what extent CBE's IFB service assurance influence Customers satisfaction at CBE?
3. To what extent reliability of the IFB service influence customers satisfaction at CBE?
4. How does the CBE's IFB Service giving windows tangibility affect the level of Customers Satisfaction?
5. How does CBE's IFB service providing personnel empathy affect Customers' Satisfaction at CBE?

6. To what extent responsiveness of the IFB service influence customers satisfaction at CBE?

## **1.4 OBJECTIVES OF THE STUDY**

### **General Objective of the Study**

The general objective of the study is to identify the effect of interest free banking service quality on customers satisfaction in the context of Commercial Bank of Ethiopia.

### **Specific Objective of the Study**

This study specifically strives to achieve the following special objectives:

1. To examine the effect of Compliance of IFB service to Islamic law on customers satisfaction at CBE.
2. To determine the effect of IFB service assurance on Customers Satisfaction at CBE.
3. To investigate the effect of CBE's IFB service reliability on customers' satisfaction.
4. To determine the effect of IFB service tangibles on CS at CBE.
5. To examine the effect of IFB service providing employees empathy on CS at CBE.
6. To investigate the effect of CBE's IFB service responsiveness on customers' satisfaction.

## **1.5 SIGNIFICANCE OF THE STUDY**

This study will has significance for different parties particularly to the researcher, to the Commercial Bank of Ethiopia, and to other commercial banks in Ethiopia. It will also provide benefit to others who will conduct a research regarding Interest Free Banking Service in the future.

To the researcher, it will helps by building experience in having deep knowledge regarding IFB and the experience of conducting a research. To the Commercial Bank of Ethiopia and other commercial banks of the private sector it will benefits them by providing the information regarding the effect of IFB service quality on improving the level of customers' satisfaction. As IFB service is a new product for Ethiopian banks, understanding the customers' expectation will help banks well in allowing them to design a better IFB service providing windows. Even for other researchers who may be involved in conducting IFB related research, it will help them by providing a reference to have deep knowledge regarding their topic.

## 1.6 SCOPE OF THE STUDY

Commercial Bank of Ethiopia, as of June, 2017 operates IFB service in its 826 branches all over Ethiopia where 294 branches located in different area of Addis Ababa. The research is, therefore, limited to the 80 branches of the bank based in Addis Ababa. However, care will be taken to ensure that the responses to be collected are representative. From the methodological view, this thesis is bonded on quantitative approach and explanatory study design.

## 1.7 DEFINITIONS OF TERMS

**Conceptual definition:** - definitions of terms, concepts or variables from the theoretical perspective are presented here.

- **Service** is defined as activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Kotler (2003)
- **Quality** According to Jones and Lockwood, (1989) quality is defined as the totality of features and characteristics of a product or service that bears on its ability to satisfy given needs. Quality is defined as fitness for purpose.
- **Customer satisfaction** is a global judgment, or attitude, relating to the superiority of the service. Customer satisfaction is related to a specific transaction. Parasuraman, et al, (1988)

### **CARTER dimensions:**

- **Compliance-** What makes an Islamic bank an Islamic bank? Its adherence to Islamic banking principles. The Qur'an, which Muslims believe to be the exact Words of God as revealed to the Prophet Mohammed, sets out the principles of Islamic finance
- **Assurance-** is the knowledge and courtesy of employees and their ability to convey trust and confidence.
- **Reliability-** is the ability to perform service dependably and accuracy.
- **Tangibles-** is the appearance of physical facilities, equipment, personnel, and communication materials.
- **Empathy-** is the caring, individualized attention the institution provides its customers.

## **1.8 ORGANIZATION OF THE STUDY**

This paper has been organized into five chapters, the first chapter deals with the introduction of the study that is, background, statement of the problem, research questions and objective, significance, limitation and delimitation of the study. The second chapter discussed the theoretical and empirical literatures about Interest free/Islamic Banking. The third chapter is about the methodology of the research that is the research design, sampling technique, method of data collection, data collection instruments, method of data analysis and so on.

Chapter four covers results and discussion which entail summarized results of the study and interpretation of the results. The last chapter which is chapter five summarizes, conclude and give recommendations.

## CHAPTER TWO

### 2. REVIEW OF RELATED LITRATURE

#### 2.1. THEORETICAL REVIEW

##### 2.1.1. ISLAMIC BANKING

Islamic Banking is a financial institution which operates on the objective of implementing economic principles and Islamic finance in the banking arena (Kamal et al., 2008). The secretariat of Organization of Islamic Cooperation (OIC) has defined Islamic banking as:

*‘...An Islamic bank is a financial institution whose statute, rules and procedures expressly state its commitment to the principle of Syariah and to the banning of the receipt and payment of interest on any its operations...’*

From the above definitions, Ali and Sarkar (1995) concluded that Islamic banking system is a system based on the following Sharia principles:

1. Prohibition of *riba* (interests).
2. Prohibition of *gharar* (uncertainty, risks, speculation).
3. Involves *halal* activities (permitted by Islam).
4. Based on justice (which is the ethics and aim of the religion).

Islamic banking is also a normative concept that can be defined as banking management that is compatible with the system of Islamic values (CIFP, 2006). Ideally, a banking system can be regarded as Islamic when its business conducts are based on profit and loss sharing, based on a participant's equity. The basis of the business is sharing with the customers, not as debtor and creditor. It does not only mean an elimination of interests, but more than that (Joni and Hadenan, 2006).

##### 2.1.2. THE PRINCIPLES OF ISLAMIC BANKING SYSTEM

Generally, the best aspect of Islamic banking is the concept of justice and truthfulness. According to Ali and Sarkar (1995), among the principles of Islamic banking are:

**i. Prohibition of *Riba*:** Islam prohibits its followers to receive or provide usury even for the purpose of getting a loan or the charged interest rate is low. In Islam, only a number of loans are

allowed, such as *Qard al-Hasan* (benevolent loan), where the borrower is not charged any interest or additional incrimination on the borrowed sum.

**ii. Participation of Equity:** In Islamic muamalah, the fund provider is the investor. Therefore, the fund provider and merchant will share risks and profits in the business. Apart from that, the concept of funding in Islam is based on the concept of mutual trust between the provider and the merchant. This will increase the growth of economy and encourage the merchants to maximize their effort in a business.

**iii. Money as Potential Capital:** In Islam, money is the medium of exchange that functions as value evaluator tool for a commodity and does not have its own value like other goods. Therefore money should not be used as a medium to generate more money, either through saving process in banks or lent to another party. Money in Islam is considered as possible capital. It can only be the actual capital when combined with other sources in carrying out production activities. Indirectly, this principle encourages Muslims to invest their money in various ventures since savings and frozen money in Islam are *haram* (forbidden) and in economy are considered as leaks (Jomo and Ishak, 2003).

**iv. The Role of Akad (agreement):** Islam holds strongly to the obligation of *akad* and exposure of information as a requirement that must be fulfilled during transaction. This feature is created in order to reduce the problem of information injustice and integrity between two parties who are in agreement. For example, both parties must have complete information on the product in the respective transaction.

**v. Activities Approved by the Sharia:** Islamic banking system is known as a system free of business activities that violate Sharia regulations such as investment in business related to liquor and gambling. Therefore Islamic banks in Malaysia in particular have established their own Syariah Advisory Council, which comprises Sharia experts who act as auditors and advisors to the bank. They are wholly responsible in ensuring that operations and activities of the bank do not breach the values of Islamic ethics.

### **2.1.3. CONVENTIONAL BANKING VS ISLAMIC BANKING**

As the bank is dealer of money; and reward for using money is interest according to capitalist system; so the prime source of revenue and cost of funds to conventional banks is charging interest through lending and accepting deposits for interest respectively. Interest is the major

driver of operations of conventional banks although other valuable services including guarantees, funds transfers, safety of wealth, facilitation in international trade etc. are also provided for reward and form substantial part of income of banks. (Hanif, 2011). Where Islamic banking is defined as banking system which is in consonance with the spirit, ethos and value system of Islam and governed by the principles laid down by Islamic Shariah. While Islamic banking has a broader scope and meaning, it is generally referred to the transformation of conventional money lending system into Asset-backed financing transactions conducted by the Financial Institutions.

**Table 2.1: Conventional vs. Islamic banking**

<b>Conventional bank</b>	<b>Islamic bank</b>
Use money as a commodity	Create link to real sector by using trade related activities
Is based on interest	Is based on profit or rent
Deals in money or papers	Deals in asset
Is based on fixed return	Is based on profit sharing on both sides of balance sheet; deposit on asset side and profit on capital side.
Does not involve itself	Actively participate in trade, in trade and business production, and valid service through valid contracts
Status – creditors and debtors	Status – partners, investor, trader, buyer, and seller
The functions and operating modes of conventional banks are based on man-made principles.	The functions and operating modes of Islamic banks are based on the principles of Shariah i.e. the divine guidance.
Money is treated as a commodity, besides medium of exchange and store of value. Therefore, it can be sold at a price higher than its face value and it can also be rented out.	Money is not regarded as a commodity, though it is used as a medium of exchange and store of value. Therefore, it cannot be sold at a price higher than its face value or rented out.

Conventional banking practices are concerned with the elimination of risk.	Reward should be a consequence of undertaking a risk. It's all about risk taking and risk sharing.
The investor is assured of a predetermined rate of interest.	In contrast, it promotes risk sharing between provider of capital (investor) and the user of funds (entrepreneur).
Time value is the basis for charging interest on capital.	Profit on trade of goods or charging on providing service is the basis for earning profit.
Interest is charged even in case the organization suffers losses by using bank's funds. Therefore, it is not based on profit and loss sharing.	Islamic bank operates on the basis of profit and loss sharing. In case, the businessman has suffered losses, the bank will share these losses based on the mode of finance used (Modaraba, Musharaka).
While disbursing cash finance, running finance or other working capital finance, no agreement for exchange (trade) of goods and services is made.	The execution of agreements for the exchange of goods and services is a must, while disbursing funds under Murabaha, Salam and Istisna contracts (Trade-base transactions).
Conventional banks use money as a commodity which leads to inflation.	Islamic banking tends to create link with the real sectors of the economic system by using trade related activities. Since, the money is linked with the real assets therefore it contributes directly in the economic development.

Source: <http://www.case.hu-berlin.de>; FAQ- Islamic Banking

#### **2.1.4. WHAT IS THE PHILOSOPHY OF ISLAMIC BANKING?**

The philosophy of Islamic banking takes the lead from Islamic Shariah. According to Islamic Shariah, Transactions involving interest/riba, Gharar and Maiser are prohibited. Moreover, they cannot deal in any transaction, the subject matter of which is invalid (haram in the eyes of Islam). Islamic banks focus on generating returns through investment tools which are also Shariah compliant. Islamic Shariah links the gain on capital with its performance. Operating within the ambit of Shariah, the operations of Islamic banking are based on sharing the risk which may arise through trading and investment activities using contracts of various Islamic modes of finance. Islamic Shariah or the divine law of Islam is derived from the following four sources:

1. The Holy Quran
2. The Sunnah of the Holy Prophet (Peace Be Upon Him)
3. Ijma' (consensus of the Ummah)
4. Qiyas (Anology) (Summit Islamic Banking, FAQ)

#### **2.1.4.1. ISLAMIC BANKING SYSTEM**

Islamic banking system has been introduced in the last quarter of the twentieth century, while the concept of Islamic banking system is old. The Islamic banking system (IBS) was introduced due to the reason that there was the need of financial institution for Muslim customers who could satisfy their needs and demands. Because the conventional banking industry is entirely based on the interest based system and that is prohibited in the Islamic shari'ah rules. So the Muslims need such institute which provides them the Islamic platform for their financial transactions. The Islamic finance is defined as a financial service or product principally implemented to comply with the main tenets of Shari'ah (or Islamic law). In turn, the main sources of Shari'ah are the Holy Quran, Hadith, Sunna, Ijma, Qiyas and Ijtihad (Gait and Worthington, 2007).

#### **2.1.4.2. ISLAMIC BANKING MODEL**

In theory, the business model of Islamic banks differs from conventional banks. Islamic banking rests on a two-tier *mudârabah* and *wakalah* model. The first-tier *mudârabah* refers to contracts signed between an investment account holder and the bank, whereby the account holder provides capital and the bank acts as the manager of funds. The second-tier *mudârabah* refers to contracts signed between the bank and a client, where the bank finances the entrepreneur who manages the businesses. Other sources of funds arise from setting reserves in a way unique to Islamic banks (profit equalization reserves (PER)). In practice, Islamic finance often involves structuring *Shari'ah*-compliant products that appear similar to conventional products. According to Krasicka and Nowak (2012) and Chong and Liu (2009), Islamic banks are not different from conventional banks in Malaysia. Other work by Beck, Demirgüç-Kunt, and Merrouche (2010) and Čihák and Hesse (2010) find few significant differences in business orientation, asset quality, efficiency, or stability. Similarities between the two banking models arise from the close alignment of the competitive rates paid by Islamic banks on investment deposits with deposit rates at conventional

banks, as well as with the benchmarking of Islamic financing rates on the asset side of the balance sheet to the LIBOR. (Hussain et al, 2015)

### **2.1.5. DEFINITION & FEATURES OF IFB SERVICES AVAILABLE IN COMMERCIAL BANK OF ETHIOPIA**

Theoretically, both conventional banks and IFBs collect funds and channel them to the real sector, hence facilitating the development of the economy. Before proceeding to the analysis of the customer satisfaction with the service provided by IFB service in CBE's IFB windows, it is essential first to examine in brief the most important interest-free Banking products and services offered by the bank.

The CBE collects funds through two accounts, namely "saving accounts" and "current accounts".

Ø **Saving and Current Account Deposits:** - Under this category of services are found four kinds of accounts. Those are

i. **Wadiah Amanah** (saving with guarantee):- This type of account is opened for unspecified length of time by customers who own the funds in the Bank for safekeeping. Depositors give their consent to the Bank to deal with the whole or any part of their monies in the manner that it deems fit, so long as it is not against sharia. The Bank will guarantee repayment of the whole sum or any outstanding part in the depositor account without any interest when demanded.

ii. **Amanah** (current account), This is interest-free current account opened for unspecified length of time and managed through checks until the depositor demands payment and is paid promptly/right away.

iii. **Mudharabah** (profit sharing saving account), This is a type of investment partnership where a customer deposits money for unspecified length of time and the Bank shares both the profit and loss with her/him. The customer may withdraw his/her deposit at any time, but the Bank may impose some restrictions on the amount to be taken out as this arrangement is both profit and loss sharing partnership.

iv. **Mudharabah** (fixed-time deposit):- Mudharabah is a profit sharing fixed time deposit. To benefit from this service the depositor (customer) should not withdraw the deposited amount

before the agreed date in the contract. If the customer, however, demands the money deposited before the stated date, the Bank may not share the profit.

The other services provided by Interest Free Banking Service window of Commercial Bank of Ethiopia are as follows;

### Ø Trade partnership financing

This service consists of;

a. **Murabah:** - This service involves a request from a customer to the Bank or by the initiative of the Bank to purchase and then on sell to the customer certain goods and/or assets not banned by sharia. The sale by the Bank to the customer is at cost plus on an agreed margin. Payment by the customer is in one or more pre-determined installments at agreed points in time. Ownership of the goods passes to the customer upon delivery by the Bank. Such a sale contract is valid on condition that the price, other cost and the profit margins of the seller are stated at the time of the agreement of sale. The asset/good remains as a mortgage with the Bank until the default is settled. The Bank may ask for collateral, if necessary, for this financial service. Among the services included in Murabaha are the following:

- **Murabaha fixed-time financing** ---- For production inputs, purchase of machinery or short-term project;
- **Murabaha revolving financing** --- For purchase of production inputs;
- **Murabaha LC financing** --- For purchase of production inputs from abroad or for buying machinery;
- **Murabaha pre-shipment and Murabaha post-shipment financing** for purchase of goods to be exported.

b. **Salam:** - This is a financing service that would be made available in cash for operating costs to customers engaged in agriculture as per the agreement to be reached between the Bank and the customer. It is an arrangement whereby the customer delivers the type of product s/he produces in accordance with the type, quality, quantity, price and time agreed upon with the Bank or to the agent/body the Bank has entered salam finance agreement. The Bank may ask for collateral, if necessary.

c. **Istisna:** - Istisna is a contract of sales and purchase of assets by specification or order where the price is paid in advance but the assets are manufactured or produced and delivered at a later date. In line with this, the Bank will deliver industrially produced goods or assembled and constructed items as per the orders/specifications of the customers when they are finalized by the producers. The Bank, based on the job order/specifications of the customer and making a separate agreement with the builders/producers, may make payments to the institutions at once or in installments by assessing the progress of the work. The Bank may ask for guarantee from the customer and producer/builder.

d. **Ijara:-** This is a leasing agreement where the Bank buys agricultural vehicles or industrial machinery for lease/rent in its own initiative or by the order of a customer/client and then leases it back over to him/her/it for a fixed period. Depending on the promise given earlier, the Bank can sell the asset or transfer it freely to the lessee customer on or before the last day of the lease agreement. The Bank may ask guarantee to provide this service.

By making use of these a customer can obtain money for:

- Running costs;
- Purchase of goods/assets;
- Export and import trade;
- Project finance;
- Lease; and
- Operating cost for agricultural works/activities.

Ø **Guarantee:** - The Bank makes available guarantees such as advance payment guarantee, bid bond and performance bond; and it may request collateral for the services.

Ø **International trade support financing:** - The service is provided for customers engaged in export and import trade, and it is an arrangement where customers delegate the Bank or collaborate with it. This service is similar to the international trade support service given regularly interest free.

Ø **Hawallah:** - Local beneficiaries of hawallah can collect money sent to them through branches of the Bank from any part of the country from the closest branch that has interest free banking window and could similarly send money using this service. Besides, customers can similarly utilize the service to receive money sent to them from any corner of the world.

Ø **Foreign Exchange:** - Customers of international trade support service can trade/exchange foreign currencies according to the spot rate of the day. (<http://www.combanketh.et>, 2017)

### **2.1.6. THE CONCEPT OF SERVICE QUALITY AND SATISFACTION**

Prior to the growth of the service industries, the literature was devoted to the concept of the quality of tangible goods (Fornell 2007). The definition of quality is in conformance to manufacturing standards. However, in the modern world, where buyers have more power in the market along with the growing importance of the services industries, one can erroneously define quality as goodness, or luxury, or weight. The definition of service quality wallowed in a sea of confusion in the 90s (Rust and Oliver 1994, p. 23).

This meant that ‘quality’ was used inconsistently in phrases such as good quality, bad quality, or quality of life, which might not reflect the exact meaning of the phrases (Reeves and Bednar 1994). As the word ‘quality’ is difficult to define (Reeves and Bednar 1994), the term ‘service quality’ can be even more difficult to define (Cronin and Taylor 1992; Jun and Cai 2001) and measure (Zeithaml 1988; Jun and Cai 2001). It is difficult to define for several reasons especially when it has a relation with religion, in which judgments are dominated by unique preferences (Reeves and Bednar 1994).

Satisfaction is sometimes defined as an end-state resulting from a consumer’s purchasing experience, which can either emerge as a cognitive reward or an emotional response to an experience. Customer satisfaction has been investigated as a ‘perceptual, evaluative and psychological process’ taking place during service delivery (Vavra 1997). It may derive from any dimension relevant or irrelevant to quality, and judgments may be formed by non-quality components; it also requires experience for its delivery (Taylor and Baker 1994). Scholars have identified customer- and situational-specific determinants that affect overall satisfaction (Zeithaml and Bitner 2000). In relation to high -quality confidence - related services such as

those provided in the context of banking, functional quality is emphasized as the most vital driver for customer satisfaction (Shemwell, Yavas and Bilgin 1998).

Service quality and overall satisfaction have been found to be closely related Anderson and Sullivan (1993). The distinction and coherent relationship between service quality and satisfaction has been a pivotal concern in marketing literature and in academic- as well as practitioner-oriented relevant research, Anderson and Fornell (1994). Although numerous empirical works have concentrated on the causal order of the constructs at issue, there is little consensus as to whether expectations for the delivery of a specific service directly affect satisfaction or whether perceived quality is the main antecedent of satisfaction Bahia et al. (2000).

Bahia et al. (2000) suggest that in case of multidimensional, regularly-performed and high-contact services, such as those delivered in banking settings, service quality is most likely to affect satisfaction. Similarly, Papasolomou (2002) advocates that service quality in the banking sector, viewed as a multivariate construct encompassing dimensions, such as convenience, reliability, service portfolio and service personnel, has had a substantial impact on customer satisfaction. Overall, researchers have emphasized that perceived quality, assumed as an antecedent of customer satisfaction, has a direct and positive impact on overall satisfaction (Hume and Mort 2008).

For IFB service quality measurement there is no specific tool or guidance for measuring customer satisfaction and religiosity, especially in IFB, except for Carter's model, which includes the compliance with *Shari'ah*. Othman and Owen (2001) developed an instrument called CARTER based on 35 items having six dimensions. This was the first time a new dimension was added to SERVQUAL five dimensions called "compliance with Islamic principles" that defines the bank's ability to operate in compliance with the principles of Islamic banking and economy (Abedniya and Zaeim, 2011).

### 2.1.7. MODELS FOR MEASUREMENT OF SERVICE QUALITY

There are many models for service quality, among them let us see only few as cited by Sangeetha and Mahalingam, (2011).

#### SQ1. Lehtinen and Lehtinen model

They presented three dimensions for service quality:

- **Physical quality:** physical quality refers to products or supportive items of products and services. Financial products have limited physical dimensions and are usually other physical evidence are used for evaluation of service quality. For instance, customers evaluate quality based on decoration, facilities inside branches buildings and etc ...
- **Interactive quality:** interactive quality refers to interactions between customers and service providers. These interactions may occur in different ways. For instance, interactions may be face-to-face or via instruments like telephone or internet.
- **Organizational quality:** organizational quality refers to mental image of an organization and is an intangible dimension. Therefore, it refers to perceptions of general organizational quality mentioned above (Harrison, 2000).

#### SQ2. Gronroos model

Gronroos introduced three dimensions when discussing about service quality:

- **Technical quality of outcome:** technical quality or outcome refers to real outcome of service after the service was evaluated. Outcome is what a customer receives from an organization. Service outcome is usually evaluated objectively by consumers.
- **Functional quality of process:** functional or process quality refers to the quality of processes and procedures in production and service provision for customers. Considering the process of production and consumption of services which are usually occurred simultaneously, process quality is usually evaluated by customer when doing a service. This element of quality refers to interaction between provider and receiver and is perceived mentally.
- **Corporate image:** this dimension is related to customer's perceptions of service organization. Image depends on the quality of output, price, external relational activities, physical status, decoration and cleanliness of branch, competency and behavior of employees. This factor acts like a filter. Gronroos explains: "if corporate image is good in a particular customer's mind, the problems this customer has with the result or process will be ignored to a large degree by means of mental image. If problems take place continuously, positive corporate image becomes

damaged and corporate image becomes negative. In such a state, qualitative problems will be worse than what will be perceived really (SeyeydJavadin and Kimiasi, 2005).

### **SQ3. SERVQUAL model**

This service quality model was presented by Parasuraman et al (1985). It is now a standard instrument for measurement of service quality. In service quality literature, it is known as SERVQUAL model. This instrument has 22 pairs of dimensions in its general and primary form. Half of these dimensions evaluate the expected level of quality from customer's viewpoint and the other half evaluates the perceived quality presented by that special organization or company, Akbariyan, (2004).

### **SQ4. Technical and functional quality model**

A firm in order to compete successfully must have an understanding of consumer perception of the quality and the way service quality is influenced (Gro'nroos, 1984). Managing perceived service quality means that the firm has to match the expected service and perceived service to each other so that consumer satisfaction is achieved. The author identified three components of service quality, namely:

- technical quality,
- functional quality and
- Image.

### **SQ5. Service quality attributes from customers' perspective by Mersha and Adlakha (1992)**

The purpose of the study was to identify and rank quality attributes from the consumers' perspective, the authors modified and extended the SERVQUAL instrument as per the Haywood-Farmer and Stuart model by including additional questions to assess service core, service customization and knowledge and information. This was an attempt to make SERVQUAL more applicable in professional settings. However, the approach used is different. Here, the attributes of "good" and "poor" quality of services are identified and ranked separately. The use of this approach was initiated by the expectation that a particular attribute may have different degrees of importance as an indicator of "poor" or "good" quality of service.

### **SQ6. Importance-performance analysis and service quality by Ennew et al. (1993)**

Approaches to the measurement of service quality have typically been based on the analysis of the relationship between customer expectations of a service and their perceptions of the quality

of provision. Operationalizing these measures has been either as simple comparisons of mean scores or extensive and detailed statistical modeling.

In this study, the authors examine the problems associated with the measurement of the quality of service provision and present a set of indices to provide measures of expectations, perceptions and overall satisfaction. As a result they propose a compromise solution in the form of a series of indices and related scores which makes more thorough use of survey data on expectations and perceptions and which is considerably less complex than the widely used statistical models.

#### **SQ7. Customer service quality scale by Avkiran (1994)**

The purpose of the research was to develop a utilitarian multi-dimensional instrument that can be applied to measuring customer service quality as perceived by branch bank customers. In developing the measurement instrument, results of the first stage scale purification by Parasuraman et al. (1985) was used as the starting point.

A 17-item four-dimensional scale emerged following a study to develop an instrument for measuring customer service quality at trading bank branches, with a focus on retail banking. The four dimensions that emerged are staff conduct, credibility, communication and access to teller services

#### **SQ8. Service quality model by Blanchard and Galloway (1994)**

The objective of the authors was to determine the perceptions of customers regarding the requirements of quality service in retail banking using SERVQUAL. The failure of the SERVQUAL model to provide any particularly useful insights into how service might be improved led to the attempt to develop an alternative model of greater utility. The model proposed by the authors is based on three dimensions; Process/outcome, Subjective/objective and Soft/hard.

#### **SQ9. Service quality factors based on satisfaction by Johnston (1997)**

A disturbing paradox found by the author in the UK banking industry is the amount of reported customer dissatisfaction with banks, despite large-scale efforts of the banks, over many years, to try to improve their service to customers. This led him to derive a framework to help assess the likely impact of any service quality initiative. The study categorizes quality factors in terms of their relative importance and their effect on satisfaction and dissatisfaction. The 18 determinants of service quality proposed are: Access, Aesthetics, Attentive/helpfulness, Availability, Care,

Cleanliness/tidiness, Comfort, Commitment, Communication, Competence, Courtesy, Flexibility, Friendliness, Functionality, Integrity, Reliability, Reliability and Security.

**SQ10. Technology in delivery of perceived service quality by Joseph et al. (1999)**

The use of technology in the delivery of banking services is becoming increasingly prevalent as it is being employed to reduce costs and eliminate uncertainties. This research investigates the role that technology plays in Australian banking and its impact on the delivery of perceived service quality.

Martilia and James (1977) developed a simple importance/performance technique whose most attractive feature is that the mean importance and performance results can be graphically illustrated on a two-dimensional grid.

Hemmasi et al. (1994) redeveloped the importance-performance grid by drawing the axes based on the overall importance and performance means rather than based on the midpoint of the scale. Arguably, the Hemmasi et al. (1994) grid provides a useful alternative tool for strategy development as it provides a clearer picture of the factors that are critical for resource allocation. The authors use the Hemmasi et al. (1994) importance-performance grid and identified a six-factor model consisting of: convenience/accuracy, feedback/complaint management, efficiency, queue management, accessibility, and customization.

**SQ11. Banking service quality model by Bahia and Nantel (2000)**

The instruments available for measuring service quality include either scale contextually developed by specific banks to cope with occasional problems or instruments not especially designed for banking service but rather to measure the perceived service quality across a broad spectrum of services. In view of the non-availability of publicly available and standard scale to measure the perceived quality of banking services, the authors propose the banking service quality (BSQ) scale comprising of 31 items spanning six dimensions, namely: effectiveness and assurance, access, price, tangibles, services portfolio, and reliability.

**SQ12. Service quality model by Sureshchander et al. (2001)**

The criticisms about SERVQUAL in the research literature, made the authors undertake a careful scrutiny of the 22 items of SERVQUAL and it implied that the items at large deal with the element of human interaction/intervention in the service delivery and the rest on the tangible facets of service. The instrument seems to have overlooked some other important factors of service quality, namely: service product or the core service, systematization/standardization of

service delivery (the non-human element) and the social responsibility of the service organization. In an effort to conceptualize service quality, Sureshchandar et al. (2001) identified five factors of service quality covering a total of 41 items as critical from the customer's point of view. These factors are: Core service or service product, Human element of service delivery, Systematization of service delivery, Tangibles of service, and social responsibility.

**SQ13. CARTER model by Othman and Owen (2001, 2002)**

More precisely in Islamic banking, Othman and Owen (2001, 2002) study investigated the service quality by using SERVQUAL dimensions. Their study proposed an insight view that how to improve service and developed a model, called CARTER. Findings suggest that CARTER model is a multi-dimensional variable containing six different dimensions in which Islamic bank's customer emphasize on compliance dimension. These dimensions are; Compliance, Assurance, Reliability, Tangibility, Empathy and Responsiveness.

**SQ14. SYSTRA-SQ by Aldaigan and Buttle (2002)**

The authors' objective to develop a new scale based on the Gronroos model of service quality. In doing so, the authors undertook a three-phase, four-sample, quantitative study to derive a new 21-item scale comprising four dimensions:

Service system quality, Behavioral service quality (BSQ), Service transactional accuracy, and Machine service quality.

**SQ15. Automated service quality model by Al-Hawari et al. (2005)**

Automated service quality has been regained as the factor which determines the success or failure of electronic commerce. The authors claim that the models currently available to measure automated service quality are limited in their focus, encompassing only one electronic channel – the internet – thereby ignoring attributes of the other automated service channels. In relation to the banking sector, research has identified that bank customers tend to use a combination of banking automated service quality. As such, in this research, the authors strive to develop a comprehensive model of banking automated service quality taking into consideration the unique attributes of each delivery channel and other dimensions that have a potential influence on quality issues. They propose five factors as follows: ATM service, internet-banking service, telephone-banking service, core service, and customer perception of price.

### **SQ16. Service quality scale for banking by Karatepe et al. (2005)**

Karatepe et al. (2005) developed a 20-item survey instrument to measure bank customers' perceptions of service quality in Northern Cyprus. The results showed that service quality could be conceptualized and measured as a four-dimensional construct consisting of: service environment, interaction quality, empathy, and reliability.

### **SQ17. Customer expectations and perceived service quality by Ehigie (2006)**

In the attempt to examine how customer expectation, perceived service quality and satisfaction predict loyalty among bank customers in Nigeria, measurement scales were developed to measure the variables of the study using qualitative technique to explore customers' expectations from bank services. The measures of bank customers' expectation in Nigeria were found to be: bank workers' possession of required skill, bank workers possession of knowledge and experience, continuity of service to customer in future years, understand customers' needs, offering of fast and efficient service, providing physical safety to customer, confidentiality of transactions, positive attitude of staff to customer services, trustworthiness of bank, bank's good reputation, staff friendliness, keeping people informed, listening to customers, introduction of Saturday banking, extended banking closing hours, and insurance cover for customers.

## **2.2. EMPIRICAL LITERATURE REVIEW**

### **2.2.1. EMPIRICAL REVIEW AT INTERNATIONAL LEVEL**

At international experience, many studies on Interest Free Banking service quality on customers' satisfaction have been conducted. Thus, the researcher has reviewed some of the studies and has presented as follows.

A study conducted in Nigeria on quality of Non-Interest Banking Service and Customers' Satisfaction by Mustepha, Y. et al. (2017) demonstrated that, bank managers who desire improved customer satisfaction or need to remedy their firms' abysmal performance should adopt service quality as an appropriate strategy. The managerial implication of the conclusion was that the service quality dimensions of compliance to Islamic laws, reliability and assurance are areas of strategic advantage that Jaiz bank management should focus on in order to retain current customers and win new customers in study area. Furthermore, the observable contribution of this study to extant body of knowledge is that the researchers appreciate how CARTER model

developed to explain the impact of service quality on customers' satisfaction in advanced economies was tested to establish its applicability in an emerging economy such as Nigeria.

A study conducted in Pakistan by Khan and Ahmad (2013), examined the relationship among service quality, customer satisfaction and bank performance by comparing Islamic and conventional banks operating in Pakistan. The researchers found that customer satisfaction level is found high in Conventional bank as compared to Islamic bank, because of good global image, high varieties of products awareness programs and many other activities. It is very strong and functioning from very beginning. The people are reliance upon conventional banking; it provides different varieties of products to customers. Advance technologies also play a key role in their promotion. The researchers suggestion as to IFB was; Islamic banking is needed awareness program among people in country that to know every individual who are doing business with banks are familiar about it. Because people are not aware about it. So a comprehensive awareness campaigns is required for the promotion of Islamic banking. It is also required for Islamic banking to set up their branches at every small city of different areas; because to provide their services to individuals at their door step. It is also necessary to introduce new services to people. It is required for Islamic banking to financially strong and reduces transaction time and provide different type of products to customers; because to attract the customers towards Islamic banking. Conventional banking is required to reduce their interest. And it is also required to reduce their service charges. For more improving it is necessary to provide online facilities in every branch.

According to a study made in Pakistan by Khattak N. and Rehman K., (2010) a research on "Customer satisfaction and awareness of Islamic banking system in Pakistan" where their study indicates that the customer's awareness level towards Islamic banking products is good in some of the general products such as current accounts, time deposit account. But most of the customers are unaware of the different Islamic financial products such as Murabaha, Ijara.

Regarding the Islamic banking selection criteria most of the customers have adopted Islamic banking due to the religious reasons, but there are some other factors that motivate the customers for the adoption of the Islamic banking system such as, bank efficiency in the transaction, their confidentiality to its customers, its working hours etc. Accordingly the results suggest that over

all IFB customers are mostly satisfied with the Islamic banking services been provided to them and the banking efficiency in their transactions.

The research made by Okumus and Genc(2013) in Turkey reveals that the customer satisfaction, it appears that low customer satisfaction about the limited number of branches, the availability of a wide range of credits with favorable terms and high service commission and fees means that the PBs do need to pay attention to improve these aspects of their product and service features. On the other hand, the factor such as rate of return is ranked the last among the other banks' selection criteria. This study found support for the arguments by Metawa & Almosawi, 1998; Naser et.al., (1999); Gaith & Worthington (2008), and Lee & Ullah (2011) suggesting that religious motivation is the key driver to select a bank operating in compliance with Islamic principles.

In another study conducted by Hamdani S., (2017) customer satisfaction was found as important but several boundaries should be considered. The study suggested that researchers have to recognize that how image and loyalty shows results in the model should be measured for further research. Hamdani added that Islamic banks should have to focus on the profit offered to the customers so that customer remains with the same banks. Hence upcoming studies should contain that what are the other factors which are to be measured to improve the image of the banks that will results in the loyalty and satisfaction of the customers in the direction of the Islamic banks.

A study by Shafie (2004) suggests a new model to measure service quality called CARTER, which is an extension of the SERVQUAL model. The findings of this study showed significant validity for all CARTER's 35 items and six dimensions in terms of their importance in both weights and percentages. Amongst all six dimensions included in the model, the compliance dimension was reported to be most important by respondents of the study. This clearly shows the importance for Islamic banks to place cultural difference in front when adopting service quality. Also, the strong link between service quality and customer satisfaction has been discussed and the study defined it as a system of CARTER items processes inputs and overall satisfaction outputs. Hence, the results of this study support the works of Othman and Owen (2001a, 2001b).

According to *Othman & Lynn (n.d.)*, the banking industry today is moving toward the goal of integrated financial services because of the strong competition and quick changes of technology. Islamic banks must therefore pay attention to this movement and start to think strategically by providing high quality products and services to satisfy their customers. This study indicates that it is important for Islamic banks to put cultural differences at the front when adopting SQ, and suggests a new model to measure SQ called CARTER which is based on 34 items. The study shows validity significant for all CARTER items that have appeared in both important items' weights and percentages. Also, the strong link between SQ and customer satisfaction has been discussed and the study has defined it as a system of CARTER-items processes inputs and overall satisfaction outputs. Finally the study suggests a scenario plan for KFH to adopt SQ and shows the importance of training to do so.

A research by Amin and Zaidi Isa (2008) results indicated that Islamic banking service quality consisting of six dimensions has appropriate reliability and each dimensions has a positive significant relationship with Islamic banking service quality. For Malaysian Islamic banking service quality, reliability was the key driver of service quality, followed by empathy, tangible, responsiveness, assurance, and compliance, respectively.

### **2.2.2. EMPIRICAL REVIEW AT NATIONAL LEVEL**

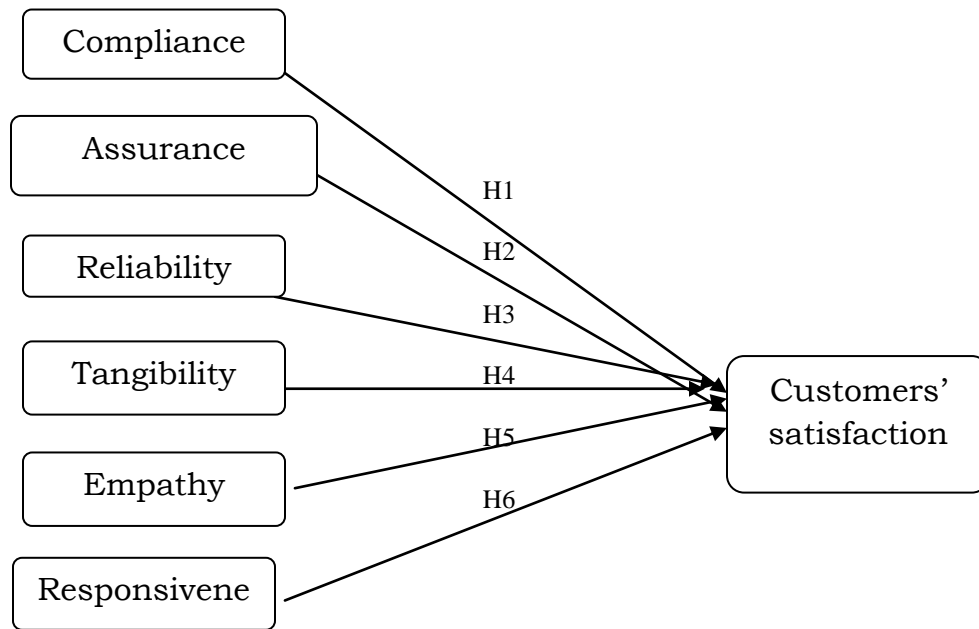
As shown in the empirical review at international level most of studies were emphasized on countries with large number of Muslim culture and community than those are Christian dominated country like Ethiopia which both the communities (Christians and Muslims) live in peace and harmony. As to the service quality model most of the researchers used the multidimensional model developed by Othman and Owen (2001) which is CARTER model. The CARTER model is gaining acceptance in the measurement of customer satisfaction in IFB as it incorporates an additional dimension, Compliance with *Shari'ah*, to Servqual's five dimensions.

Further, to the best knowledge of the researcher, there is paucity of research work on the topic under study in Ethiopian context as the product is new as started in 2013. Even if some study conducted regarding Islamic banking in Ethiopia for example by Mohammed (2012), Debebe (2015) and Kerima (2016) none of these researchers address service quality of the IFB and its

effect on Customers satisfaction. Accordingly the researcher believed this will make the study to contribute to knowledge and fill the gap in the area.

### 2.3. CONCEPTUAL FRAMEWORK

Based on the literature review, the researcher decided to rely on CARTER's six dimensions which were then conceptualized as the proposed framework for measuring quality of services in Islamic banks. According this framework, service quality dimension directly affect customers' satisfaction on service quality components. The study examines several of these dimensions on customers' satisfaction based on the framework, it can be hypothesized that:



**Figure1.** Research conceptual model

(Source: Abedniya and Zaeim(2011), Vazifehdoost and Raeiszadeh, 2015)

### Research Hypothesis

Based on the conceptual framework developed, the researcher has established the relationships among them through logical reasoning in the theoretical framework, then test whether the relationships that are theorized, does in fact comply. Thus, to solve the problem, researcher has developed 6 specific hypotheses for this research. Followings the hypotheses that have been developed;

- H1: Compliance of IFB service has a positive and significant effect on Customers' satisfaction.

- H2: Assurance of IFB service has a positive and significant effect on Customers' satisfaction.
- H3: Reliability of IFB service has a positive and significant effect on Customers' satisfaction.
- H4: Tangibility of IFB service has a positive and significant effect on Customers' satisfaction.
- H5: Empathy of IFB service has a positive and significant effect on Customers' satisfaction.
- H6: Responsiveness of IFB service has a positive and significant effect on Customers' satisfaction.

## **CHAPTER THREE**

### **3. RESEARCH DESIGN AND METHODOLOGY**

#### **3.1. DESCRIPTION OF THE STUDY AREA**

This research is limited to commercial bank of Ethiopia where the population was branches located in Addis Ababa providing FIB service. The research has been conducted at Commercial Bank of Ethiopia focusing IFB windows specifically to identify the effect of service quality of the window's products on customers' satisfaction.

CBE, a state-owned institution established in 1942 and it is the largest bank in the country 1,222 branches nationwide as of June 30, 2017 constituted in 15 districts. It provides both conventional and IFB products and services to its customers. The bank has started providing IFB services since October 2013. As of June 30, 2017 the bank provides IFB products through its selected 826 branches.

#### **3.2. RESEARCH APPROACH**

This study is quantitative since the researcher collected quantitative data on the service quality measurement dimensions by using questionnaires developed based on the CARTER model (Othman and Owen, 2001). The model offers six dimensions to measure banking service quality. These six dimensions are the independent variables which are compliance, assurance, reliability, tangibility, empathy and responsiveness. The effect of the independent variables on the dependent variable i.e., customer satisfaction was measured by this study.

#### **3.3. RESEARCH DESIGN**

The researcher uses explanatory research design as the main aim of explanatory research is to identify any causal links between the factors or variables that pertain to the research problem. Hence the study has used explanatory research so that the researcher can characterize the hypotheses that specify the nature and direction of the relationships between or among variables and can explain the relationship between the dependent and independent variables and attempt to connect variables to recognize the cause and effect.

### 3.4. POPULATION

The researcher wanted to measure the effect of IFB services on customers' satisfaction in commercial banks of Ethiopia from the view point of the customers in accordance with the conceptual model of measuring service quality. Therefore, the population under this study is all customers of commercial banks of Ethiopia who have been using IFB services started from 2013 up to now hence CBE starts offering the service since 2013.

### 3.5. SAMPLING METHODS AND SAMPLE SIZE

This study used multistage sampling techniques; probability and non- probability to reach at the specific respondents. The districts are selected on a purposive base which we can consider them as strata. Thus, here we have four strata. A method developed by Carvalho (1984) has been used to determine the branch sample size.

**Table 3.1: Sample Size Determination**

N	51-90	91-150	151-280	281-500	501-1200	1201-3200	3201-10000	10001-35000	35001-150000
Small	5	8	13	20	32	50	80	125	200
Medium	13	20	32	50	80	125	200	318	500
Large	20	32	50	80	125	200	315	500	800

Therefore, based on Carvalho sample size determination method the researcher selected a large sample size which is 80 branches of CBE with IFB windows in Addis Ababa district from the population of 294 branches wherein the larger number is considered to increase the accuracy of the data. Since the number of branches in each stratum is not the same, the researcher has to use proportional computation to the size of each stratum, that is to determine the number of branches from each district, the proportion of each district's branch in relation to the total number of branches has been considered. Thus, the numbers of branches from the respective districts have been computed as follows based on Cochran (1963:75) formula.

$$N = \frac{z^2 (pq)}{e^2}$$

Where:  $n_0$  = the sample size

$Z^2$  = the abscissa of the normal curve that cuts off an area  $\alpha$  at the tails ( $1 - \alpha$  equals the desired confidence level, i.e. 95%)

e = the desired level of precision

p = the estimated proportion (standard deviation) of an attribute that is present in the population, and q is 1-p.

The value for Z is found in statistical tables which contain the area under the normal curve.

$$No = \frac{(1.96)^2 (0.5)(0.5)}{(0.05)^2} = 385.$$

$$(0.05)^2$$

### 3.6 POPULATION AND SAMPLE SIZE DETERMINATION

As the geographic area of Addis Ababa is divided into four sub areas (districts) which include north, south, east and west district, the selected CBE's branches from each district were taken proportionately and randomly with proportional number of customers as described in Table 3.2.

**Table 3.2: Population and Sample size determination**

District	Total Number of Customers	percentage from total population	Total number of customer sample	Number sample branch
East Addis	13,181	10%	39	18
North Addis	17,336	13%	50	17
South Addis	12,777	9%	35	19
West Addis	90,886	68%	261	26
Total	134,180	100%	385	80

*Source: CBE-MIS Report 2017*

After determining the number of sample customers from each branch, convenience sampling was used to collect data from the sample respondents. This is a non-probability sampling technique in which a sample is drawn from that part of the population that is close to hand, readily available, or convenient. Thus, in the selected branches questionnaire will be distributed to customers on a walk in basis i.e. questionnaire is given to a customer who just arrived to get the service until the expected number of sample from the selected branch has been satisfied.

### **3.7 DATA SOURCE AND TYPES**

Both primary and secondary has been used by this study. Primary data was collected from questionnaire from customers who holds account for IFB service. In addition, secondary data has been used from the bank's report.

### **3.8 DATA COLLECTION PROCEDURES**

In this study the primary data has been collected through close-ended structured questionnaire items through the adaptation and modification of instruments from previous studies in the area.

The structured questionnaire that contains questions about the dependent and independent variables designed questionnaire for IFB account holders using both English and Amharic language. Independent variables are adapted from CARTER model of (Othman and Owen, 2001, 2002) comprising of 35 items spanning six dimensions, namely: compliance, assurance, reliability, tangibles, empathy and responsiveness.

For measuring this information the Likert scale method has been used to range of responses toward these 35 items on a five-point Likert-scale, ranging from: (1-strongly disagree), (2-disagree), (3-Neutral), (4-Agree), and (5-strongly agree). As Neuman (2003) explained, likert-scale is used to ask many people the same questions and examining their answers research questions. So that the researcher would used cross sectional survey in which independent and dependent variables are measured at the same point in time using a single questionnaire.

### **3.9 ETHICAL CONSIDERATIONS**

Participants have been assured about confidentiality of the information obtained in the course of the study by not using personal identifiers and analyzing the data in aggregates. Respondents were not asked to write their name in order to increase the confidentiality of the information they give. And also the questionnaire explains that the purpose of research will be only for academic purpose.

### **3.10 DATA ANALYSIS APPROACH**

The data that has been collected from the questionnaire and were analyzed using Statistical Package for Social Sciences (SPSS version 21). Descriptive statistics such as frequency, mean, standard deviations of the respondent's answers will be calculated. In inferential Cronbach's Alpha test will be tasted to assure reliability of the items. Simple regressions and correlation analysis has also been used to analyze the impact and the relationship between the dependent and independent variables.

### 3.11 RELIABILITY AND VALIDITY

Reliability and validity are the two pillars of scientific research methods. According to Cooper and Schindler (2003, p. 236), “a measure is reliable to the extent that it supplies consistent results”. The reliability of the measuring instrument shall be ensured even before considering the validity of the measurement instrument. From a measurement perspective, reliability is defined as the degree to which the measures are free from error so that the consistency of the results is assured (Fuchs & Diamanto puolos, 2009).reliability will be checked using the Cronbach’s Alpha test. When Cronbach’s Alpha values are higher than 0.7 thus the questions will be used to measure variables in this research will show the high reliability and meet the standards recommended for research purposes.

Based on the results of the reliability analysis, one can conclude that the items are internal consistent. George and Malley (2003, cited in Matkar) provide the following techniques:

Cronbach’s alpha reliability coefficient Cronbach $\alpha$	$\alpha \geq 0.9$	$0.8 \leq \alpha < 0.9$	$0.7 \leq \alpha < 0.8$	$0.6 \leq \alpha < 0.7$	$0.5 \leq \alpha < 0.6$	$\alpha < 0.5$
consistency	Excellent	Good	Acceptable	Questionable	Poor	Unacceptable

Therefore the variability of the study will be used in the analysis if their respective chronbach’s alpha is greater or equal to 0.70.

Validity is defined as how much any measuring instrument measures what it is intended to measure, Bryman and Bell (2003) also suggested that the important issue of measurement validity relates to whether measures of concepts really measure the concept. “Validity refers to the issue of whether an indicator (or set of indicators) that is devised to measure a concept really measures that concept. Several ways of establishing validity are: face validity; concurrent validity; predictive validity; construct validity; and convergent validity. (Bryman and Bell, 2003,) In this study, face validity has been applied to measure the standard questionnaire.

## **CHAPTER FOUR**

### **4. RESULTS AND DISCUSSION**

#### **4.1 INTRODUCTION**

In this chapter, the data collected from respondents has been analyzed and interpreted. A structured questionnaire was distributed to 400 IFB service users of Commercial Bank of Ethiopia. Out of 400 questionnaires administered to the target respondents, 326 usable questionnaires were dully completed and returned. This shows 82% rate of response which is reasonable given the total number of target respondents. SPSS version 23 was used for the analysis.

The analysis had the objective of measuring the effect of Interest Free Banking service on customers' satisfaction in Commercial Bank of Ethiopia, using the conceptual model (CARTER) that establishing the relationship between service quality dimensions and customer satisfaction. The hypotheses that IFB service quality measurement dimensions have a significant effect on customer satisfaction have been tested. In order to proceed with the analysis the reliability and validity of the construct was tested.

#### **4.2 RELIABILITY AND VALIDITY ANALYSIS**

To measure the internal consistency (reliability) of the scales the Cronbach alpha coefficient was used. Therefore all the six IFB service quality dimensions were found to be high in their internal consistency (Table 4.1). The dimensions for measuring IFB service quality as explained in the literature are established by the conceptual model as Compliance, Assurance, Reliability, Tangibility, Empathy and Responsiveness (CARTER) where validity of the instrument for the present study was ensured as the service quality dimensions and items are identified from the literature and were reviewed by other academicians and by my advisor.

**Table 4.1: Cronbach Alpha Coefficient for each variable**

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Customer Satisfaction	22.0951	12.706	.959	.962
Compliance	21.8971	14.017	.953	.963
Assurance	21.9714	13.737	.951	.963
Reliability	22.0339	15.411	.873	.972
Tangibility	22.6861	12.561	.844	.976
Empathy	22.2757	13.889	.943	.964
Responsiveness	22.0959	13.883	.914	.965

Source: Survey Result, 2018

**Table 4.2: Reliability Statistics**

Cronbach's Alpha	N of Items
.971	7

Source: Survey Result, 2018

As can be seen from Table 4.1 and 4.2, all the dimensions have relatively the same Cronbach Alpha results which are over 0.70 this implies that all the IFB service quality dimensions have excellent internal consistency.

**Table 4.3: Model Summary for Reliability**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.981 <sup>a</sup>	.963	.962	.15037

a. Predictors: (Constant), RESPO, RELIAB, TANG, EMPH, COMP, ASSUR

Source: Survey Result, 2018

The result of regression analysis on the independent variables (CARTEL) with the dependent variable (customer satisfaction) indicates existence of positive and statistically significant relationship between them. Table 4.3 depicts that the independent variables explain

96.3% ( $R^2 = .963$ ) of variation in the customer satisfaction. This shows that there are other variables which can influence the IFB customers' satisfaction level of Commercial Bank of Ethiopia.

### 4.3. DESCRIPTIVE ANALYSIS

#### 4.3.1. DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS AND THEIR RELATIONSHIP WITH THE BANK

In order to carry out the data analysis, descriptive statistics were employed. The questionnaire included a section on customers' profile to be able to define the features of those who use interest-free products and services in commercial Bank of Ethiopia. In addition, since various demographic factors were likely to influence the use of interest-free products and service and degree of satisfaction with the products and services and degree of satisfaction with the products and service offered by CBE, it is necessary to reveal the CBE's customer profile (Table 4.4).

The Table 4.4 reveal that, almost 63 percent of the respondents are males whereas females account for approximately 37 percent. More than 55 percent of the respondents are between 26 and 35 years of age. All the respondents (100 percent) are followers of Islamic religion (are Muslims). The table also reveals that more than 54 percent of the respondents hold a Diploma and above 29 percent have at least a high school certificate.

**Table 4.4: Demographic characteristics of respondents**

Demographic Characteristic	Out Come	
	Frequency	Percentage
<b>Gender</b>		
Male	207	63.5
Female	119	36.5
Total	326	100%
<b>Age</b>		
<25	34	10.4
26-35	181	55.5
36-45	111	34.0
Total	326	100%

<b>Religion</b>		
Muslim	326	100.0
<b>Educational Background</b>		
Secondary school	52	16.0
High School Certificate	97	29.8
Diploma and above	177	54.3
Total	326	100%

Source: Survey Result, 2018

**Table 4.5: Respondents Relationship with the bank**

Item	Frequency	Percentage
<b>Respondents Relationship with the bank</b>		
Less than 1 year	20	6.1
1-3 years	82	25.2
3-5 years	112	34.4
>5 years	112	34.4
<b>Respondents' window usage type</b>		
Interest free banking window	246	75.5
Both window	80	24.5
<b>Respondents' IFB Account type affiliation</b>		
Wadiah (saving account)	244	74.8
Qard (current account)	82	25.2

Source: Survey Result, 2018

As far as the respondents' relationship with the bank, more than 68 percent of the respondents have 3 years and above relationship with the bank. 75% of the respondents uses only the IFB windows whereas 25% of the respondents uses both the conventional and IFB windows. Regarding the IFB account type usage, 75 percent of the respondents hold Wadiah and the remaining 25 percent hold Qard account.

#### **4.4. DESCRIPTIVE ANALYSIS OF IFB SERVICE QUALITY DIMENSIONS**

The six dimensions and their mean and standard deviation were calculated using a one sample T test; the result is presented on the table below.

**Table 4.6: Descriptive Statistics**

Descriptive Statistics							
	N	Minimum	Maximum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
Compliance	326	2.40	4.80	3.9454	.03294	.59482	.354
Assurance	326	2.00	4.67	3.8712	.03517	.63510	.403
Reliability	326	3.00	5.00	3.8086	.02434	.43950	.193
Tangibility	326	1.80	4.40	3.1564	.04886	.88220	.778
Empathy	326	2.10	4.40	3.5669	.03425	.61849	.383
Responsiveness	326	2.00	4.60	3.7466	.03522	.63593	.404
Valid N (listwise)	326						

Source: Survey Result, 2018

Table 4.6 above shows the scores of means and standard deviations of the six variables of service quality. The uppermost mean is scored by compliance with Islamic laws after which is assurance and reliability. The minimum mean score was recorded by Tangibility.

From this table, it can be implied that compliance to Islamic laws with a mean score of 3.9454 is an important reason why most customers of Commercial Bank of Ethiopia patronize the bank. Compliance with Islamic laws dimension indicates the capacity of the bank to conform to Islamic laws and values in carrying out its activities such as providing non- interest loans and provision of Islamic products among others.

The assurance variable is second because of the rating of the customers with score of 3.8712 and this suggests that the customers maintained that the employees of Commercial Bank of Ethiopia are knowledgeable about their firms' products and they have ability to render services to customers accurately.

The least service quality dimension according to the respondents is Tangibility with a mean score of 3.1564 and this implies that the physical appearance of the things and facilities provided by CBE are not usually appealing to the customers.

#### **4.5. CUSTOMER SATISFACTION**

To see the levels of customer satisfaction in the CBE, the researcher used categorized satisfaction level i.e., ranges from extremely dissatisfied, somewhat dissatisfied, Neutral, somewhat satisfied, and Very satisfied.

The researcher investigated the association and effect of IFB service quality dimensions with customer satisfaction. As the one – sample statistics table below shows the respondents for their level of satisfaction, the standard deviation (.77611) of customers’ satisfaction level indicates that there was small variability in overall customers’ satisfaction in the data.

**Table 4.7: One-Sample Statistics**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Std. Error Mean</b>
Customer Satisfaction	326	3.7474	.77611	.04298

Source: Survey Result, 2018

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	180.211	1	180.211	3754.646	.000 <sup>b</sup>
	Residual	15.551	324	.048		
	Total	195.762	325			

a. Dependent Variable: CS

b. Predictors: (Constant), SQ

#### **4.5.1. CORRELATION ANALYSIS BETWEEN CUSTOMER SATISFACTION IN IFB AND IFB SERVICE QUALITY DIMENSIONS**

To determine the existence and level of association, the researcher used bivariate correlation from which Pearson correlation coefficient is considered.

**Table 4.8: Correlation results of service quality and customer satisfaction.**

<b>Variables</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Customers Satisfaction	1.000						
Compliance	.948**	1.000					
Assurance	.945**	.979**	1.000				
Reliability	.862**	.876**	.827**	1.000			
Tangibility	.814**	.779**	.780**	.801**	1.000		
Empathy	.951**	.883**	.876**	.874**	.881**	1.000	
Responsiveness	.899**	.933**	.967**	.732**	.792**	.836**	1.000

Source: Survey Result, 2018

Table 4.9 above shows all the six Service Quality variables are significantly related to customer satisfaction, the table reveals that the maximum correlation occurred between Assurance and customer satisfaction with the value of 0.979, this was followed by Compliance by Islamic laws with the value of 0.948. The value of Reliability variable is 0.827, while Empathy variable had the value of 0.881. Responsiveness variable had the value of 0.836 and the lowest value of 0.801 was recorded by Tangibility variable.

The correlation results in table 4.9 shows that service quality and customer satisfaction are positively correlated and this simply implies that better service quality enhance high level of customer satisfaction. However, it must be stated that the most critical service quality dimension that correlates with customer satisfaction according to this results is Assurance.

Further to align and see the consistency of the above finding with the literature review, we have seen from the empirical review part that in most studies their findings showed significant validity for all CARTER's six dimensions in terms of their importance in both weights and percentages. Amongst all six dimensions included in the model, the compliance dimension was reported to be most important of the studies.

## **4.6 INFERENTIAL STATISTICAL ANALYSIS**

### **4.6.1 REGRESSION ANALYSIS**

In this section regression analysis for dimensions of customer satisfaction on IFB have been undertaken to understand the relationship between customer satisfaction on IFB and the explanatory variables used were (compliance, assurance, reliability, tangibility, empathy and responsiveness).

#### **4.6.1.1 DIAGNOSIS TEST**

Before applying regression analysis some tests were conducted in order to ensure the appropriateness of the data to assumption regression analysis as follows.

##### **1. Multicollinearity Test between Study Variables**

Multicollinearity refers to a situation in which two or more explanatory variables in a multiple regression model are highly linearly related. Here below we have VIF value below 10 except with compliance and assurance which VIF value is 14.747

**Table 4.9: Multicollinearity Test**

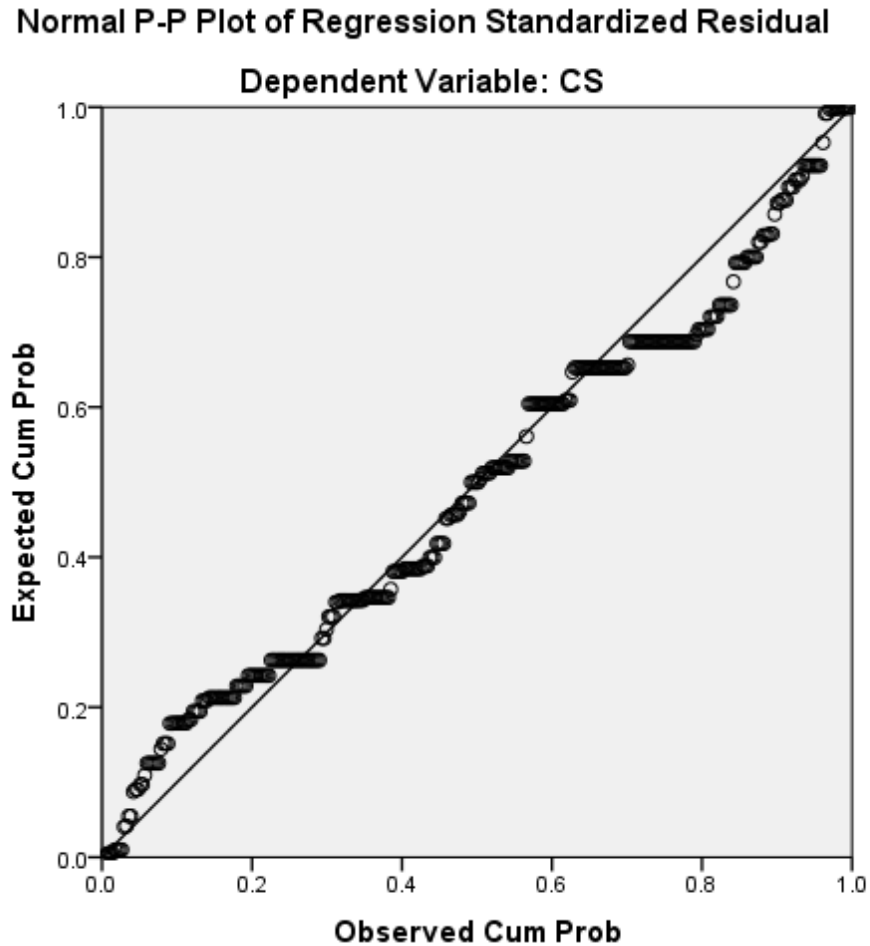
		Coefficients <sup>a</sup>	
		Collinearity Statistics	
Model		Tolerance	VIF
1	Compliance	.068	14.747
	Reliability	.110	9.053
	Tangibility	.186	5.385
	Empathy	.104	9.643
	Responsiveness	.141	7.080

a. Dependent Variable: Assurance  
*Source: Survey Result, 2018*

## 2. LINEARITY TEST

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables. To determine whether the relationship between the dependent variable customer satisfaction on interest free banking service and the independent variables Compliance, Reliability, Assurance, Tangibility, Empathy and Responsiveness is linear; plots of the regression residuals through SPSS software had been used.

**Figure1. Normal point plot of standardized residual**



*Source: Survey Result, 2018*

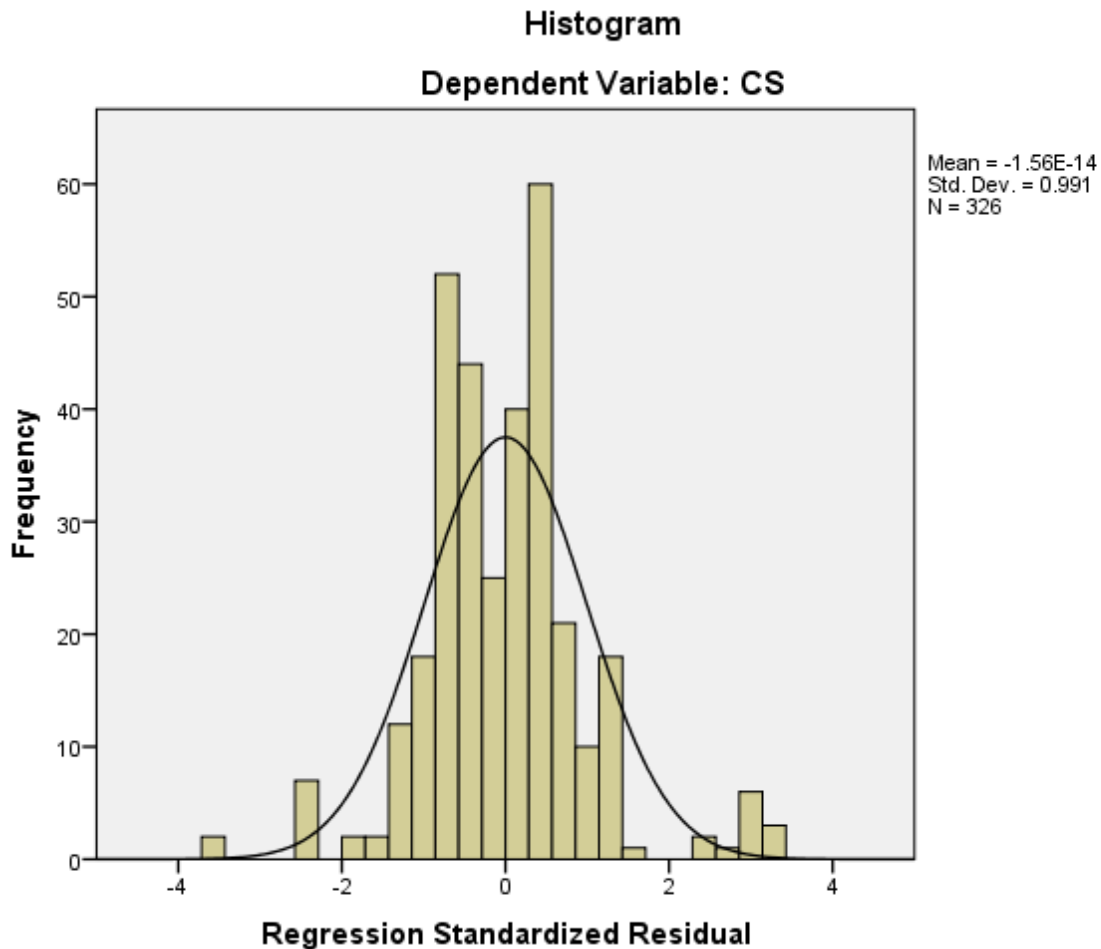
The p plot of residuals reveals no large deviation in the spread of the residuals as we look from left to right on the figure and it is almost all residuals lay on the linear straight line therefore this tells us the relationship between the predictor variables (CARTER) and the dependent variable (customers satisfaction on IFB) is linear.

### **3. NORMALITY TEST**

In an ideal world our data would be distributed symmetrically around the centre of all scores. As such, if we drew a vertical line through the centre of the distribution then it should look the same

on both sides. This is known as a normal distribution and is characterized by the bell-shaped curve with which you might already be familiar. And also As per the classical linear regression models assumptions, the error term should be normally distributed or expected value of the error term should be normally distributed or expected value of the errors terms should be zero.

**Figure 2 Frequency Distribution of Standardized Residual**



*Source: Survey Result, 2018*

Though the figure 2 displays some standard residuals are a little bit far away from the curve, many of the residuals are fairly close more to the curve and the histogram is bell shaped. This shape basically implies that the majority of scores lie around the centre of the distribution (so the largest bars on the histogram are all around the central value. Therefore, this indicates that the residuals or (disturbance or errors) are normally distributed.

To get strong assurance of the residual or errors are normally distributed In addition to the above test for normality, normal distribution is detected based on skewness and kurtosis statistics. Skewness is a measure on the asymmetry of a distribution. Whereas, kurtosis measures the extent to which observations cluster around a central point.

**Table 4.10 Normality of Distribution Using Descriptive Statistics**

	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Compliance	326	3.9454	-1.156	.135	1.388	.269
Assurance	326	3.8712	-1.558	.135	2.007	.269
Reliability	326	3.8086	.694	.135	.471	.269
Tangibility	326	3.1564	-.586	.135	-1.101	.269
Empathy	326	3.5669	-.505	.135	-.406	.269
Responsiveness	326	3.7466	-1.721	.135	1.779	.269
Valid N (list wise)	326					

Source: Survey Result, 2018

Thus, according to the above diagnosis information presented in all the four tests there are no significant data problems that violate the assumptions of multiple regressions.

#### **4.6.2.3. REGRESSION ANALYSIS BETWEEN CUSTOMERS SATISFACTION ON IFB**

The researcher tested the six hypothesis set out to be tested at the beginning based on the regression analysis. The researcher believes that the bank can use the result of the regression analysis for future decision making via identifying which IFB service quality dimension got the highest effect on customer satisfaction.

Collinearity test was performed, Collinearity Statistics gives two values—Tolerance and VIF (variance inflation factor). As one can see Tolerance is just the inverse of VIF. In social sciences re- search, a VIF value as high as 10 is considered to be acceptable. In turn, tolerance values greater than 0.1 have very serious collinearity effects. (Gaur & Gaur, 2009) Therefore, variables like Compliance, Assurance, Tangibility, Empathy and Responsiveness were selected and included in the regression analysis. (see Appendix B)

## 4.7. HYPOTHESES TESTING

**Table 4.11: Regression results of service quality and customer satisfaction**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.985	.111		-8.859	.000
Compliance	.364	.086	.279	4.238	.000
Assurance	.394	.099	.322	3.983	.000
Reliability	-.108	.061	-.061	-1.770	.078
Tangibility	-.084	.025	-.095	-3.410	.001
Empathy	.772	.041	.615	19.067	.000
Responsiveness	-.082	.073	-.067	-1.130	.259

a. Dependent Variable: CS

Source: Survey Result, 2018

Table 4.11 shows that three (3) of the service quality variable have positive effect on customer satisfaction while the remaining three do not have positive effect on customer satisfaction at 95% confidence level. Specifically, the table shows that Empathy, Compliance and Assurance have t-values value of 19.067, 4.238 and 3.983 respectively which are significant at 95% level of confidence. However, Reliability, Tangibility and Responsiveness dimensions with t – values of -1.770, -3.410 and -1.130 are not significant at 95% confidence level.

The multiple regressions by Beta value can also be used to differentiate which variable among the independent variables impact on the dependent variables mostly. If the value of Beta is high, the effect of independent variable on dependent variable will have more effects on respondents. By observing the beta, one noticed that beta has the greater number of 0.615 for Empathy and this is followed by beta values of 0.322, 0.297 for Assurance and Compliance respectively.

#### 4.7.1 SUMMERY OF HYPOTHESES TEST

**Table 4.12: Summery of hypotheses test**

No.	Hypothesis	Sig.	Confirmed
H1	Compliance of IFB service has a positive and significant effect on Customers' satisfaction.	.000	Yes
H2	Assurance of IFB service has a positive and significant effect on Customers' satisfaction.	.000	Yes
H3	Reliability of IFB service has a positive and significant effect on Customers' satisfaction.	.078	No
H4	Tangibility of IFB service has a positive and significant effect on Customers' satisfaction.	.001	No
H5	Empathy of IFB service has a positive and significant effect on Customers' satisfaction.	.000	Yes
H6	Responsiveness of IFB service has a positive and significant effect on Customers' satisfaction.	.259	No

As shown from the above regression and correlation result the three variables with high value of beta and mean and have significant value of 0.000, therefore, these three hypothesis for the service quality dimension of compliance, assurance and empathy has been confirmed and the rest three dimensions with low (negative) value of beta, low mean value and high significant value were not confirmed.

## 4.8. INDEPENDENT TEST AND ANOVA FOR DEMOGRAPHIC PROFILE OF RESPONDENTS

### 4.8.1 GENDER

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CS	Equal variances assumed	.765	.382	1.727	324	.085	.15368	.08901	-.02143	.32880
	Equal variances not assumed			1.679	225.801	.095	.15368	.09154	-.02669	.33406

According to table shown above gender and customer satisfaction has no significant effect, gender has no impact on customer satisfaction.

### 4.8.2 AGE

ANOVA

Customer Satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.244	2	.122	.202	.818
Within Groups	195.518	323	.605		
Total	195.762	325			

According to table shown above age and customer satisfaction has no significant effect, age has no impact on customer satisfaction.

### 4.8.3 RELIGION

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Your Religion	326	1.0000	.00000 <sup>a</sup>	.00000

a. t cannot be computed because the standard deviation is 0.

As the one-sample statistics table above reveals religion significantly affect the dependent variable customer's satisfaction at  $P < 0.05$ .

### 4.8.4 EDUCATION BACKGROUND

ANOVA

Customer Satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.697	2	1.349	2.256	.106
Within Groups	193.064	323	.598		
Total	195.762	325			

According to table shown above Education Background and customer satisfaction has no significant effect at  $P < 0.05$ , education background has no impact on customer satisfaction.

### 4.8.5. YEARS OF AFFILIATION WITH THE BANK

ANOVA

CS

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7.602	3	2.534	4.337	.005
Within Groups	188.159	322	.584		
Total	195.762	325			

As the ANOVA table above reveals years of affiliation with the bank significantly affect the dependent variable customer's satisfaction at  $P < 0.05$ .

#### 4.8.6. TYPE OF WINDOW USAGE

##### ANOVA

CS

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.494	1	.494	.820	.366
Within Groups	195.268	324	.603		
Total	195.762	325			

According to ANOVA table shown above Type of window usage and customer satisfaction has no significant effect at  $P < 0.05$ , education background has no impact on customer satisfaction.

#### 4.8.7. TYPE OF ACCOUNT

##### ANOVA

CS

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.515	1	.515	.855	.356
Within Groups	195.246	324	.603		
Total	195.762	325			

According to table shown above type of account and customer satisfaction has no significant effect at  $P < 0.05$ , education background has no impact on customer satisfaction.

#### 4.9. DISCUSSION OF RESULTS

Descriptive statistics are used to have a snapshot of demographic characteristics of the respondents. While Pearson correlation and regression test is applied to examine the relationship between Interest Free banking service quality and customer satisfaction in Commercial Bank of Ethiopia. Demographics of the respondents reflect that male customers are greater than female customers where 63% are male customers and 37% of the sample is represented by female customers. The distribution of customers according to age reflects that young and mature people (25-35) are more interacted with IFB.

The study examined the consequence of Interest Free Banking service quality on the side of satisfaction of customers of CBE. To do this, the study adopted the CARTER six service quality dimensions. Out of the six dimensions, CBE was discovered to be rendering superlative services in the dimensions of empathy, compliance, and assurance. The mean score values of the remaining three dimensions (reliability, responsiveness, and tangibility) are lower and the

implication of this is that the bank needs to re-strategize on how to improve on these three service quality dimensions to further increase its customers' satisfaction.

Furthermore, the outcome indicates that though there is perfect significant correlation among the six service quality variables and customers' satisfaction but empathy, compliance and assurance had the paramount relationship with customer satisfaction at CBE.

Finally, the findings of the current work are not strange as it is consistent with the findings of a number of studies in this area. For instance, the study's results is in line with the results of the study made in Nigeria by Mustepha, Y. et al. (2017) which posit that There is relationship between service quality dimensions and satisfaction of customers of Jaiz bank Plc, Kaduna. and the study of Hallouz and Benhabib, 2014 that discovered that service quality variables of Compliance, assurance, reliability and empathy influence customers' evaluation of service quality of banking services in Algeria.

## **CHAPTER FIVE**

### **5. CONCLUSION AND RECOMMENDATION**

The study examined the consequence of service quality on the side of satisfaction of customers of Commercial Bank of Ethiopia. To do this, the study adopted the CARTER six service quality dimensions. Out of the six dimensions, CBE was discovered to be rendering superlative services in the dimensions of empathy, assurance and compliance with Islamic laws. The mean score values of the remaining three dimensions (reliability ,responsiveness, and tangibility) are lower and the implication of this is that the bank needs to re-strategize on how to improve on these three service quality dimensions to further increase its customers' satisfaction.

Furthermore, the outcome indicates that though there is perfect significant correlation among the six service quality variables and customers' satisfaction but empathy, assurance and compliance with Islamic laws had the paramount relationship with customer satisfaction at CBE.

#### **5.1 CONCLUSION**

Customers of CBE are satisfied with the service quality dimensions of the bank especially in areas of service quality dimensions of compliance to Islamic laws, empathy and assurance. It is statistically evident that there is perfect significant correlation between the six service quality dimensions and customers' satisfaction of the bank. That CARTER service quality dimensions had significant effect on customers' satisfaction at CBE.

The implication of this conclusion is that, the study result provides useful insight to assist management of CBE who might be interested in enhancing their organizational performance through customer satisfaction. Precisely, bank managers who desire improved customer satisfaction or need to remedy their firms' abysmal performance should adopt service quality as an appropriate strategy.

The managerial implication of the conclusion is that the service quality dimensions of empathy, compliance to Islamic laws, and assurance are areas of strategic advantage that CBE management should focus on in order to retain current customers and win new customers in study area. Furthermore, the observable contribution of this study to extant body of knowledge is that it allows us to appreciate how CARTER model developed to explain the impact of service

quality on customers' satisfaction in advanced economies was tested to establish its applicability in an emerging economy such as Ethiopia.

## **5.2 RECOMMENDATION**

From the analysis and conclusions of the study, it is recommended that CBE's management should improve on the firm's service quality variables of reliability, responsiveness, and tangibility to satisfy their customers more in these areas. The bank should make its physical locations and facilities more tangible, the front office staff should be more responsive to their customers' wants and be responsive in handling customers' request.

Exploit and plan the CARTER service quality dimensions as a strategy, CBE could do this by properly projecting its product line such as interest free-based products, profit and loss sharing investments windows and religion oriented operations to its actual and potential customers.

This study has shown the effect of IFB services on Customer satisfaction in the case of selected branches of Commercial Bank of Ethiopia in Addis Ababa. Since the study confirm dimensions of IFB service quality on customers' satisfaction, the bank should give strong emphasis to each IFB service quality dimension in maintaining and improving the IFB service quality that is to provide service which is compliant with Islamic law, deliver prompt assurance, shows the bank's reliability, have good tangibility, emphatic service by the employees and prompt responsive to customers' request.

As the regression analysis result of IFB service quality dimensions empathy, assurance and compliance to Islamic law show the highest effect on customer satisfaction in this study CBE should work on all the indicators such as reliability, responsiveness and tangibility to maximize their customers' satisfaction in IFB services the bank provide.

## **5.3 IMPLICATIONS FOR FURTHER RESEARCH**

The study is evidently limited by a number of factors. Firstly, the study is limited in terms of coverage because it only examined service quality and satisfaction level of the bank's customers in Addis Ababa. This ordinarily implies that the scope of study is narrow in terms both the sample size and the study area. Thus, it is recommended that future study should be conducted to

cover a wider sample area to provide basis for a more generalized conclusion. The second limitation is that service quality might not be the only driver of customer satisfaction in the banking industry; hence, it is recommended that further study should be considered to unearth other variables that might drive customer satisfaction in the banking industry (i.e. social media platform, information technology) aside service quality dimensions. Finally, this study measured the effect of IFB services on customer satisfaction. However, variables in this study explained 96.2% of the variance the other 3.8% variance in the customers' satisfaction must be due to other factors. Further research on these areas might find other customers' satisfaction factors not covered by this study.

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University of Wollongong School of Accounting and Finance.

# Appendix- A

**Addis Ababa University**  
**School of Commerce**  
**Department of Marketing Management**

Dear respondents, I am conducting a research in partial fulfillment of my Masters Degree study in Marketing Management at the School of Commerce, Addis Ababa University. The purpose of this study is to examine the effect of Interest Free Banking Service Quality with particular reference to commercial bank of Ethiopia. Therefore, this is to kindly request you to take some of your precious time to fill the questionnaire. Your honest and accurate response will make this study more valuable. Your responses are only meant for academic purpose and will be kept confidential. So, please read it carefully and give your opinion.

**Thank you in advance for your time!**

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**Important aspects of the questionnaire**

1. There is no need to write your name or any other personal identity
2. For all questions, mark or circle the alternative numbers of your choice
3. Select more than one answer, if applicable

**Part One: Demographic Information**

Please use this  $\sqrt{\quad}$  mark for each question to indicate your response

1.1 Gender:  Male  Female

1.2 Age:  25 or below  26-35  36-45   $\geq 46$

1.3 Your religion?  Muslim  Non- Muslim

1.4 Educational Background:  No formal education  Primary school  
 Secondary school  High School Certificate  
 Diploma and above

1.5 For how long you have been customer of CBE?

Less than 1 year  1-3 years  
 3-5 years   $\geq 5$  years

1.6 Which window you are currently using?

Interest free banking window     Conventional window     Both

1.7 Which interest free banking accounts you have with CBE?

(You can choose more than one)

Wadiah Amanah (saving account)  
 Amanah (current account)  
 Mudarabah (Profit sharing)  
 Mudarabah (Fixed time deposit)

**Part Two: Customers' Perception**

The following statement relates to your feeling about the service quality of Commercial Bank of Ethiopia's Interest Free Banking Service. Please indicate how much each of the following factors or criteria (were) are important to your service satisfaction by circling the number for each statement that is closest to your evaluation of the question using the following scale:

KEY:            1= Strongly Disagree            4= Agree  
                   2= Disagree                            5= Strongly Agree  
                   3= Neutral

S. N	Statements of Service Quality	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>COMPLIANCE</b>						
1	CBE's Interest Free Banking (IFB) service offered based on Islamic law and principles	1	2	3	4	5
2	CBE's Interest Free Banking (IFB) service has no interest payment nor collection on savings and loans	1	2	3	4	5
3	CBE's IFB service giving windows provide products and services acceptable by Islamic law.	1	2	3	4	5
4	Using CBE's Interest Free Banking Service is an opportunity to get free interest loans.	1	2	3	4	5
5	The bank provides profit-sharing investment service.	1	2	3	4	5
6	I am satisfied with the compliance of CBE's IFB service with Sharia law.	1	2	3	4	5

<b>ASSURANCE</b>						
7	Staff of the CBE providing IFB services are polite and friendly	1	2	3	4	5
8	Employees of the bank serving in the IFB service giving window can provide financial advice when needed.	1	2	3	4	5
9	CBE has an attractive interior comfort in IFB service giving windows.	1	2	3	4	5
10	There is ease access to my interest free account information.	1	2	3	4	5
11	Employees of the bank serving Interest Free Banking service are knowledgeable and experienced.	1	2	3	4	5
12	I am satisfied with the service assurance of CBE's Interest Free Banking service	1	2	3	4	5
<b>RELIABILITY</b>						
13	Service provided by Interest Free Banking (IFB) service giving windows takes short time for service anywhere.	1	2	3	4	5
14	There is wide range of products and services in the Interest Free Banking Service.	1	2	3	4	5
15	There is security of transaction in Interest Free Banking Service.	1	2	3	4	5
16	There are sufficient Interest Free Banking Service giving windows opened at peak time	1	2	3	4	5
17	Employees of the bank serving IFB service provide service at the time they promise to do so.	1	2	3	4	5
18	I am satisfied with reliability of the service I get from Interest Free Banking Service of CBE	1	2	3	4	5
<b>TANGIBILITY</b>						
19	CBE's IFB service providing windows are appealing or attractive from the outside.	1	2	3	4	5
20	CBE's IFB service providing windows offers speedy and efficient transactions	1	2	3	4	5
21	CBE's IFB service windows have operating hours convenient to its customers.	1	2	3	4	5

22	CBE's IFB service providing windows are convenience to get the service.	1	2	3	4	5
23	CBE's IFB service provides overdraft privileges on current account( Qard)	1	2	3	4	5
24	I am satisfied with the tangibility of the Interest Free Banking service of CBE.	1	2	3	4	5
<b>EMPATHY</b>						
25	CBE's IFB service providing windows are located in easy getting areas.	1	2	3	4	5
26	CBE's is a bank you can rely on.	1	2	3	4	5
27	CBE is has the capacity to provide IFB service customers need.	1	2	3	4	5
28	CBE's branches providing IFB service has sufficient parking area for customers	1	2	3	4	5
29	There is confidentiality of transaction in CBE's IFB service providing windows.	1	2	3	4	5
30	I have confidence in the CBE's IFB service providing windows team	1	2	3	4	5
31	My business with IFB service of CBE provides better profit comparing with the interest in conventional bank.	1	2	3	4	5
32	CBE's IFB service providing windows charges low service charge	1	2	3	4	5
33	CBE's employees providing IFB service are knowledgeable about my business	1	2	3	4	5
34	I am satisfied with the empathy (dependability) of CBE.	1	2	3	4	5
<b>RESPONSIVENESS</b>						
35	Employees of the bank in IFB service providing windows have knowledge of customers' business and have willingness to help	1	2	3	4	5
36	CBE's IFB service providing windows' staffs provides courteous counter service	1	2	3	4	5
37	CBE offers credit on favorable terms for its IFB service customers.	1	2	3	4	5

38	There are availed numbers of branches of CBE's offering IFB service.	1	2	3	4	5
39	CBE's employees providing IFB service provide fast and efficient services	1	2	3	4	5
40	I am satisfied with the responsiveness of Interest Free Banking service providing employees of the bank.	1	2	3	4	5

**Part Three: Overall satisfaction**

Please rate CBE's IFB services and performance by circling the number from the 5- point scale below that reflects your satisfaction level.

KEY:

1= extremely dissatisfied

4= somewhat satisfied

2= somewhat dissatisfied

5= Very satisfied

3= Neutral

41	The overall satisfaction with CBE's IFB services	1	2	3	4	5
42	I am very satisfied with my personal contact with CBE's staff	1	2	3	4	5
43	The quality of service	1	2	3	4	5

**Thank you for taking time to complete this questionnaire!**

**አዲስ አበባ ዩኒቨርሲቲ**  
**የንግድ ሥራ ትምህርት ቤት**  
**የማርኬቲንግ ማኔጅመንት ማስተርስ ፕሮግራም**

ይህ መጠይቅ የአዲስ አበባ ዩኒቨርሲቲ በማርኬቲንግ ማኔጅመንት ማስተርስ ተማሪ የተዘጋጀ ሲሆን አላማው በኢትዮጵያ ንግድ ባንክ ስለሚሰጡ ከወለድ ነፃ የባንክ አገልግሎት መረጃ ለመሰብሰብ ነው። መረጃው የሚያገለግለው ለጥናቱ ርዕስ “የኢትዮጵያ ንግድ ባንክ የወለድ ነፃ አገልግሎት የሚሰጠው አገልግሎት በደንበኞች እርካታ ላይ ያለው ተፅዕኖ ” ለሚለው ነው። የሚሰበሰበውም መረጃ ለጥናቱ ብቻ የሚውል ነው። ስለዚህ የእናንተ መጠይቁን በትክክል መሙላት ጥሩ ጥናት እንዲደረግ ይጠቅማል እና እባክዎ የሚከተሉትን ጥያቄዎች በታማኝነት እንድትሞሉልኝ እየጠየኩኝ ጊዜዎን ሰውተው በታማኝነት መጠይቁን ስለሞሉልኝ አመሰግናለሁ።

ቢያስገልግም በዚህ አድራሻ ያግኙኝ  
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**ማሳሰቢያ**

1. ስምዎን መፃፍ አያስፈልግም
2. ለሁሉም መጠይቅ የተሰጡትን አማራጮች አክብቡ
3. በሚያስፈልግበት ቦታ ከአንድ በላይ መልስ መምረጥ ይቻላል።

**መደብ አንድ፡** ስለ ምላሽ ሰጪዎች መረጃ  
 እባክዎን መልስ ይሆናል ብለው ያሰቡት ላይ √ ምልክት ያድርጉ

- 1.1. የታ  ሴት  ወንድ
- 1.2. እድሜ  ከ 25 በታች  26-35  36-45  ≥ 46
- 1.3. የትኛው የሃይማኖት ተከታይ ኖት?  ሙስሊም  ሙስሊም ያልሆነ
- 1.4. የትምህርት መረጃ  
 የመደበኛ ትምህርት ያልወሰደ  የመጀመሪያ ደረጃ  
 ሁለተኛ ደረጃ  ዲፕሎማ እና ከዛ በላይ
- 1.5. የስንት ዓመት የኢትዮጵያ ንግድ ባንክ ደንበኛ ኖት?  
 ከ 1 ዓመት በታች  1-3 ዓመት  3-5 ዓመት  ከ5 ዓመት በላይ
- 1.6. የትኛውን የኢትዮጵያ ንግድ ባንክ የአገልግሎት መስጫ መስኮት ይጠቀማሉ?  
 ከወለድ ነፃ  የነባሩን መስኮት  ሁለቱንም
- 1.7. ከወለድ ነፃ የባንኩ አገልግሎቶች የየትኛው ሂሳብ ተጠቃሚ ነዎት?

- ዋዲያ-ኢ.ማናህ (በአደራ ተቀማጭ)
- ሙዳራባህ ትርፍ ኪሳራ አጋሪ የቁጠባ ሂሳብ
- ቃርድ/ የተንቀሳቃሽ ሂሳብ
- ትርፍና ኪሳራ አጋሪ ሙዳራባህ በጊዜ ገደብ ተቀማጭ ሂሳብ

**መደብ ሁለት፡** ስለ ወለድ ነፃ የባንክ አገልግሎት የተጠቃሚ ግንዛቤ በተመለከት የሚከተሉትን መጠይቆች ከእናንተ የወለድ ነፃ እይታ ጋር የተያያዙ ናቸው። እባካችሁ እንደስምዎታችሁ እና አለመስማማታችሁ መጠን ከታች በቀረቡት አማራጮች መሠረት ይህን ልዩ ምልክት ያድርጉ።

ተ.ቁ	የአገልግሎት ጥራት መገለጫዎች	አማራጮች				
		በጣም አልስማማም	አልስማማም	መሀል	እስማማለሁ	በጣም እስማማለሁ
<b>የእስልምና መርሆችን ስለመከተል</b>						
1	የኢትዮጵያ ንግድ ባንክ የወለድ ነፃ አገልግሎት በእስልምና ህግ እና ደምብ ላይ የተመሰረተ ነው።	1	2	3	4	5
2	የኢትዮጵያ ንግድ ባንክ በወለድ ነፃ አገልግሎት በተቀማጭ ሆነ በብድር ላይ ወለድ አይከፍልም ወይም አይሰበስብም።	1	2	3	4	5
3	በኢትዮጵያ ንግድ ባንክ የወለድ ነፃ አገልግሎት መስጫ መስኮቶች የሚሰጡት አልግሎቶች በእስልምና ህግ ተቀባይነት አላቸው።	1	2	3	4	5
4	በኢትዮጵያ ንግድ ባንክ የወለድ ነፃ አገልግሎት መጠቀም በእስልምና ህግ መሰረት ገንዘብ ለማንቀሳቀስ እድልን ይፈጥራል።	1	2	3	4	5
5	ባንኩ የትርፍ መጋራትን አገልግሎትን ይሰጣል።	1	2	3	4	5
6	ባንኩ የሚሠጠው ከወለድ ነፃ አገልግሎት በእስልምና መርህ በመሆኑ በአገልግሎቱ እረክቻለሁ።	1	2	3	4	5
<b>መተማመኛ / ዋስትና/</b>						
7	በኢትዮጵያ ንግድ ባንክ የወለድ ነፃ አገልግሎት መስጫ መስኮቶች ላይ የሚያገለግሉ ሠራተኞች ትህትና እና ቤተሰባዊነት ያላያሉ።	1	2	3	4	5
8	የባንኩ ሠራተኞች የተፈለገውን የወለድ ነፃ አገልግሎት ምክር ይሰጣሉ።	1	2	3	4	5
9	በባንኩ የወለድ ነፃ መስኮት ሲጠቀሙ የተመቸ አገልግሎት ያገኛሉ።	1	2	3	4	5
10	ስለ ሂሳብዎ የፈለጉትን መረጃ ለማግኘት ቀላል ነው።	1	2	3	4	5
11	የወለድ ነፃ አገልግሎት ሰጪ ሠራተኞች ልምድ እና እውቀት ያላቸው ናቸው።	1	2	3	4	5
12	ከባንኩ በማገኘጣጠሙ የአገልግሎት ዋስትና እረክቻለሁ።	1	2	3	4	5

<b>ታማኝነት</b>						
13	የወለድ ነፃ አገልግሎት ሰጪ መስኮቶች ላይ የሚያገልግሉ ሠራተኞች ቀልጣፋ አገልግሎት ይሰጥዎታል።	1	2	3	4	5
14	በባንኩ የወለድ ነፃ አገልግሎት ሰጪ እና የተለያዩ የባንክ አገልግሎቶች ይገኛል።	1	2	3	4	5
15	ከባንኩ ጋር በማደርገው ግብይቶች እምነት ይሰማኛል።	1	2	3	4	5
16	ባንኩ የወለድ ነፃ አገልግሎት ለመስጠት አስፈላጊ እና በቂ የሆኑ ሠራተኞች አሉት።	1	2	3	4	5
17	የባንኩ የወለድ ነፃ አገልግሎት ሰጪ ሠራተኞች እርስዎን ለመርዳት ሁልጊዜ ዝግጁ እና ቃላቸውንም አከባሪ ናቸው።	1	2	3	4	5
18	ባንኩ ባልጣ ተአማኝነት እረክቻለሁ።	1	2	3	4	5
<b>ተጨማሪ ሁኔታዎች</b>						
19	የወለድ ነፃ አገልግሎት መስጫ መስኮቶች የተለያዩ ምልክቶች እና አገልግሎቱን የሚገልፁ ምስሎች አላቸው።	1	2	3	4	5
20	ከወለድ ነፃ መስኮቶች ፈጣን እና ከስህተት የፀዳ አገልግሎት ያገኛሉ።	1	2	3	4	5
21	የባንኩ የወለድ ነፃ አገልግሎት አመቺ የሆነ የስራ ሰዓት አለው።	1	2	3	4	5
22	ከወለድ ነፃ አገልግሎት መስጫ መስኮቶች በአመቺ ቦታ ላይ ይገኛሉ።	1	2	3	4	5
23	በቃርድ/Current Account/ ላይ የአብሮት አገልግሎት ማግኘት ይቻላል።	1	2	3	4	5
24	የወለድ ነፃ አገልግሎት ሰጪ መስኮቶች ባላቸው ምልክቶች እና ቁሶች እረክቻለሁ።	1	2	3	4	5
<b>ተደራሽነት</b>						
25	ከወለድ ነፃ አገልግሎት የሚሰጡ ቅርንጫፎች ለደንበኞች ምቹ የሆኑ ቦታዎች ላይ ይገኛሉ።	1	2	3	4	5
26	የኢትዮጵያ ንግድ ባንክ ሊተማመኑበት የሚችሉበት ባንክ ነው።	1	2	3	4	5
27	የወለድ ነፃ አገልግሎት ሰጪ ቅርንጫፎች በቂ የሆኑ የመኪና ማቆሚያ ቦታ አላቸው።	1	2	3	4	5
28	የኢትዮጵያ ንግድ ባንክ ከወለድ ነፃ አገልግሎትን					

	ለደንበኞች ለመስጠት የሚያስችል በቂ አቅም አለው።					
29	ከባንኩ ጋር ያለኝ የወለድ ነፃ ሂሳብ እንቅስቃሴ ሚስጥራዊነት እተማመናለሁ።	1	2	3	4	5
30	የኢትዮጵያ ንግድ ባንክ የወለድ ነፃ አገልግሎት ተዓማኒነት አለው።	1	2	3	4	5
31	በወለድ ነፃ አገልግሎት በመጠቀሚያ ከተለመደው የባንክ አገልግሎት የተሻለ ጥቅም አግኝቻለሁ።	1	2	3	4	5
32	ባንኩ በወለድ ነፃ አገልግሎት ላይ የሚያስከፍለው ክፍያ አነስተኛ ነው።	1	2	3	4	5
33	የባንኩ ሠራተኞች የወለድ ነፃ አገልግሎት ዕውቀት አላቸው።	1	2	3	4	5
34	ባንኩ ባለው ተደራሽነት እረክቻለሁ።	1	2	3	4	5
<b>ምላሽ ሰጪነት/ግልፅኝነት/</b>						
35	የባንኩ ሠራተኞች የወለድ ነፃ ለመስጠት አስፈላጊ እና በቂ የሆነ ዕውቀት አላቸው።	1	2	3	4	5
36	የባንኩ ሠራተኞች እርስዎን ለመርዳት ሁልጊዜ ዝግጁ ናቸው።	1	2	3	4	5
37	ባንኩ አመቺ የሆነ የብድር አገልግሎት ይሰጣል።	1	2	3	4	5
38	ባንኩ አስፈላጊውን (በቂ የሆነ) ያህል የወለድ ነፃ አገልግሎት የሚሰጡ ቅርንጫፎቹ አሉት።	1	2	3	4	5
39	የባንኩ ሠራተኞች ቀልጣፋ እና ተዓማኒነት ያለው አገልግሎት ይሰጥዎታል።	1	2	3	4	5
40	የባንኩ ሠራተኞች ባላቸው ግልፅኝነት እረክቻለሁ።	1	2	3	4	5

**መደብ ሶስት:** አጠቃላይ ስለባንኩ የወለድ ነፃ አገልግሎት አስተያየት እባክዎን ስለወለድ ነፃ አገልግሎት በአጠቃላይ የሚሰማዎትን ከተሰጡት ነጥቦች አክብብ ይግለፁ።

**ማሳሰቢያ**

- 1. ምንም አልረካሁም
- 2. አልረካሁም
- 3. መሀል ላይ
- 4. ረክቻለሁ
- 5. በጣም ረክቻለሁ

41	በአጠቃላይ በኢትዮጵያ ንግድ ባንክ የወለድ ነፃ አገልግሎት።	1	2	3	4	5
42	ከወለድ ነፃ አገልግሎት መሐሰጫ መስኮት ከሚገኙ ሠራተኞች ጋር ያለኝ ግንኙነት እረክቻለሁ።	1	2	3	4	5
43	በአገልግሎት ጥራት።	1	2	3	4	5

**አመሰግናለሁ!**

# Appendix- B

## Frequency Table

### Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<25	34	10.4	10.4	10.4
	26-35	181	55.5	55.5	66.0
	36-45	111	34.0	34.0	100.0
	Total	326	100.0	100.0	

### Your Religion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Muslim	326	100.0	100.0	100.0

### Educational Background

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Secondary school	52	16.0	16.0	16.0
	High School Certificate	97	29.8	29.8	45.7
	Diploma and above	177	54.3	54.3	100.0
	Total	326	100.0	100.0	

### For how long you have been customer of CBE?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	20	6.1	6.1	6.1
	1-3 years	82	25.2	25.2	31.3
	3-5 years	112	34.4	34.4	65.6
	>5 years	112	34.4	34.4	100.0
	Total	326	100.0	100.0	

### Which window you are currently using?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Interest free banking window	246	75.5	75.5	75.5
	Both	80	24.5	24.5	100.0
	Total	326	100.0	100.0	

**Gender**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	207	63.5	63.5	63.5
	Female	119	36.5	36.5	100.0
	Total	326	100.0	100.0	

**Which interest free banking accounts you have with CBE?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Wadiah (saving account)	244	74.8	74.8	74.8
	Qard (current account)	82	25.2	25.2	100.0
	Total	326	100.0	100.0	

**CBE's Interest Free Banking (IFB) service offered based on Islamic law and principles**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	23	7.1	7.1	7.1
	Neutral	28	8.6	8.6	15.6
	Agree	223	68.4	68.4	84.0
	Strongly Agree	52	16.0	16.0	100.0
	Total	326	100.0	100.0	

**CBE's Interest Free Banking (IFB) service has no interest payment nor collection on savings and loans**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	23	7.1	7.1	7.1
	Neutral	13	4.0	4.0	11.0
	Agree	241	73.9	73.9	85.0
	Strongly Agree	49	15.0	15.0	100.0
	Total	326	100.0	100.0	

**CBE's IFB service giving windows provide products and services acceptable by Islamic law.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	22	6.7	6.7	6.7
	Neutral	29	8.9	8.9	15.6
	Agree	214	65.6	65.6	81.3
	Strongly Agree	61	18.7	18.7	100.0
	Total	326	100.0	100.0	

**Using CBE's Interest Free Banking Service is an opportunity to get free interest loans.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	35	10.7	10.7	10.7
	Neutral	7	2.1	2.1	12.9
	Agree	216	66.3	66.3	79.1
	Strongly Agree	68	20.9	20.9	100.0
	Total	326	100.0	100.0	

**The bank provides profit-sharing investment service.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	28	8.6	8.6	8.6
	Neutral	100	30.7	30.7	39.3
	Agree	198	60.7	60.7	100.0
	Total	326	100.0	100.0	

**I am satisfied with the compliance of CBE's IFB service with Sharia law.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	22	6.7	6.7	6.7
	Agree	177	54.3	54.3	61.0
	Strongly Agree	127	39.0	39.0	100.0
	Total	326	100.0	100.0	

**Staff of the CBE providing IFB services are polite and friendly**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	60	18.4	18.4	18.4
	Agree	266	81.6	81.6	100.0
	Total	326	100.0	100.0	

**Employees of the bank serving in the IFB service giving window can provide financial advice when needed.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	19	5.8	5.8	5.8
	Neutral	27	8.3	8.3	14.1
	Agree	280	85.9	85.9	100.0
	Total	326	100.0	100.0	

**CBE has an attractive interior comfort in IFB service giving windows.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	11	3.4	3.4	3.4
	Neutral	27	8.3	8.3	11.7
	Agree	221	67.8	67.8	79.4
	Strongly Agree	67	20.6	20.6	100.0
	Total	326	100.0	100.0	

**There is ease access to my interest free account information.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	13	4.0	4.0	4.0
	Neutral	19	5.8	5.8	9.8
	Agree	222	68.1	68.1	77.9
	Strongly Agree	72	22.1	22.1	100.0
	Total	326	100.0	100.0	

**Employees of the bank serving Interest Free Banking service are knowledgeable and experienced.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	41	12.6	12.6	12.6
	Neutral	23	7.1	7.1	19.6
	Agree	227	69.6	69.6	89.3
	Strongly Agree	35	10.7	10.7	100.0
	Total	326	100.0	100.0	

**I am satisfied with the service assurance of CBE's Interest Free Banking service**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	36	11.0	11.0	11.0
	Neutral	10	3.1	3.1	14.1
	Agree	240	73.6	73.6	87.7
	Strongly Agree	40	12.3	12.3	100.0
	Total	326	100.0	100.0	

**Service provided by Interest Free Banking (IFB) service giving windows takes short time for service anywhere.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	27	8.3	8.3	8.3
	Agree	283	86.8	86.8	95.1
	Strongly Agree	16	4.9	4.9	100.0
	Total	326	100.0	100.0	

**There is wide range of products and services in the Interest Free Banking Service.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	11	3.4	3.4	3.4
	Neutral	218	66.9	66.9	70.2
	Agree	90	27.6	27.6	97.9
	Strongly Agree	7	2.1	2.1	100.0
	Total	326	100.0	100.0	

**There is security of transaction in Interest Free Banking Service.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	30	9.2	9.2	9.2
	Agree	247	75.8	75.8	85.0
	Strongly Agree	49	15.0	15.0	100.0
	Total	326	100.0	100.0	

**There are sufficient Interest Free Banking Service giving windows opened at peak time**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	60	18.4	18.4	18.4
	Agree	223	68.4	68.4	86.8
	Strongly Agree	43	13.2	13.2	100.0
	Total	326	100.0	100.0	

**Employees of the bank serving IFB service provide service at the time they promise to do so.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	12	3.7	3.7	3.7
Neutral	118	36.2	36.2	39.9
Agree	147	45.1	45.1	85.0
Strongly Agree	49	15.0	15.0	100.0
Total	326	100.0	100.0	

**I am satisfied with reliability of the service I get from Interest Free Banking Service of CBE**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Neutral	28	8.6	8.6	8.6
Agree	239	73.3	73.3	81.9
Strongly Agree	59	18.1	18.1	100.0
Total	326	100.0	100.0	

**CBE's IFB service providing windows are appealing or attractive from the outside.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	110	33.7	33.7	33.7
Neutral	47	14.4	14.4	48.2
Agree	169	51.8	51.8	100.0
Total	326	100.0	100.0	

**CBE's IFB service providing windows offers speedy and efficient transactions**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	92	28.2	28.2	28.2
	Agree	217	66.6	66.6	94.8
	Strongly Agree	17	5.2	5.2	100.0
	Total	326	100.0	100.0	

**CBE's IFB service windows have operating hours convenient to its customers.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	80	24.5	24.5	24.5
	Neutral	13	4.0	4.0	28.5
	Agree	183	56.1	56.1	84.7
	Strongly Agree	50	15.3	15.3	100.0
	Total	326	100.0	100.0	

**CBE's IFB service providing windows are convenience to get the service.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	88	27.0	27.0	27.0
	Agree	167	51.2	51.2	78.2
	Strongly Agree	71	21.8	21.8	100.0
	Total	326	100.0	100.0	

**CBE's IFB service provides overdraft privileges on current account( Qard)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	108	33.1	33.1	33.1
	Disagree	170	52.1	52.1	85.3
	Neutral	48	14.7	14.7	100.0
	Total	326	100.0	100.0	

**I am satisfied with the tangibility of the Interest Free Banking service of CBE.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	93	28.5	28.5	28.5
	Neutral	64	19.6	19.6	48.2
	Agree	169	51.8	51.8	100.0
	Total	326	100.0	100.0	

**CBE's IFB service providing windows are located in easy getting areas.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	180	55.2	55.2	55.2
	Agree	67	20.6	20.6	75.8
	Strongly Agree	79	24.2	24.2	100.0
	Total	326	100.0	100.0	

**CBE's is a bank you can rely on.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	326	100.0	100.0	100.0

**CBE is has the capacity to provide IFB service customers need.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	26	8.0	8.0	8.0
	Agree	235	72.1	72.1	80.1
	Strongly Agree	65	19.9	19.9	100.0
	Total	326	100.0	100.0	

**CBE's branches providing IFB service has sufficient parking area for customers**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	66	20.2	20.2	20.2
	Agree	234	71.8	71.8	92.0
	Strongly Agree	26	8.0	8.0	100.0
	Total	326	100.0	100.0	

**There is confidentiality of transaction in CBE's IFB service providing windows.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	27	8.3	8.3	8.3
	Agree	184	56.4	56.4	64.7
	Strongly Agree	115	35.3	35.3	100.0
	Total	326	100.0	100.0	

**I have confidence in the CBE's IFB service providing windows team**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	8	2.5	2.5	2.5
	Disagree	19	5.8	5.8	8.3
	Agree	181	55.5	55.5	63.8
	Strongly Agree	118	36.2	36.2	100.0
	Total	326	100.0	100.0	

**My business with IFB service of CBE provides better profit comparing with the interest in conventional bank.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	16	4.9	4.9	4.9
	Disagree	28	8.6	8.6	13.5
	Neutral	116	35.6	35.6	49.1
	Agree	166	50.9	50.9	100.0
	Total	326	100.0	100.0	

**CBE's IFB service providing windows charges low service charge**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	146	44.8	44.8	44.8
	Agree	180	55.2	55.2	100.0
	Total	326	100.0	100.0	

**CBE's employees providing IFB service are knowledgeable about my business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	19	5.8	5.8	5.8
	Disagree	58	17.8	17.8	23.6
	Neutral	69	21.2	21.2	44.8
	Agree	180	55.2	55.2	100.0
	Total	326	100.0	100.0	

**I am satisfied with the empathy (dependability) of CBE.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	37	11.3	11.3	11.3
	Agree	200	61.3	61.3	72.7
	Strongly Agree	89	27.3	27.3	100.0
	Total	326	100.0	100.0	

**Employees of the bank in IFB service providing windows have knowledge of customers' business and have willingness to help**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	73	22.4	22.4	22.4
	Neutral	5	1.5	1.5	23.9
	Agree	205	62.9	62.9	86.8
	Strongly Agree	43	13.2	13.2	100.0
	Total	326	100.0	100.0	

**CBE's IFB service providing windows' staffs provides courteous counter service**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	59	18.1	18.1	18.1
	Agree	267	81.9	81.9	100.0
	Total	326	100.0	100.0	

**CBE offers credit on favorable terms for its IFB service customers.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	49	15.0	15.0	15.0
	Neutral	9	2.8	2.8	17.8
	Agree	268	82.2	82.2	100.0
	Total	326	100.0	100.0	

**There are availed numbers of branches of CBE's offering IFB service.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	15	4.6	4.6	4.6
	Neutral	31	9.5	9.5	14.1
	Agree	280	85.9	85.9	100.0
	Total	326	100.0	100.0	

**CBE's employees providing IFB service provide fast and efficient services**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	30	9.2	9.2	9.2
	Neutral	12	3.7	3.7	12.9
	Agree	279	85.6	85.6	98.5
	Strongly Agree	5	1.5	1.5	100.0
	Total	326	100.0	100.0	

**I am satisfied with the responsiveness of Interest Free Banking service providing employees of the bank.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	28	8.6	8.6	8.6
	Neutral	7	2.1	2.1	10.7
	Agree	267	81.9	81.9	92.6
	Strongly Agree	24	7.4	7.4	100.0
	Total	326	100.0	100.0	

**The overall satisfaction with CBE's IFB services**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Somewhat Dissatisfied	36	11.0	11.0	11.0
	Somewhate Satisfied	173	53.1	53.1	64.1
	Very Satisfied	117	35.9	35.9	100.0
	Total	326	100.0	100.0	

**I am very satisfied with my personal contact with CBE's staff**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	somewhat dissatisfied	24	7.4	7.4	7.4
	Neutral	13	4.0	4.0	11.3
	somewhat satisfied	206	63.2	63.2	74.5
	Very satisfied	83	25.5	25.5	100.0
	Total	326	100.0	100.0	

**The quality of service**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	somewhat dissatisfied	33	10.1	10.1	10.1
	somewhat satisfied	229	70.2	70.2	80.4
	Very satisfied	64	19.6	19.6	100.0
	Total	326	100.0	100.0	

**Descriptive**

**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
COMP	326	2.40	4.80	3.9454	.59482
ASSUR	326	2.00	4.67	3.8712	.63510
RELIAB	326	3.00	5.00	3.8086	.43950
TANG	326	1.80	4.40	3.1564	.88220
EMPH	326	2.10	4.40	3.5669	.61849
RESPO	326	2.00	4.60	3.7466	.63593
Valid N (listwise)	326				

**One-Sample Test**

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
COMP	119.761	325	.000	3.94540	3.8806	4.0102
ASSUR	110.055	325	.000	3.87117	3.8020	3.9404
RELIAB	156.465	325	.000	3.80859	3.7607	3.8565
TANG	64.601	325	.000	3.15644	3.0603	3.2526
EMPH	104.127	325	.000	3.56687	3.4995	3.6343
RESPO	106.375	325	.000	3.74663	3.6773	3.8159

**Correlations**

**Correlations**

		CS	COMP	ASSUR	RELIAB	TANG	EMPH	RESPO
CS	Pearson Correlation	1	.948**	.945**	.862**	.814**	.951**	.899**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	326	326	326	326	326	326	326
COMP	Pearson Correlation	.948**	1	.979**	.876**	.779**	.883**	.933**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	326	326	326	326	326	326	326
ASSUR	Pearson Correlation	.945**	.979**	1	.827**	.780**	.876**	.967**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	326	326	326	326	326	326	326
RELIAB	Pearson Correlation	.862**	.876**	.827**	1	.801**	.874**	.732**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	326	326	326	326	326	326	326
TANG	Pearson Correlation	.814**	.779**	.780**	.801**	1	.881**	.792**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	326	326	326	326	326	326	326
EMPH	Pearson Correlation	.951**	.883**	.876**	.874**	.881**	1	.836**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	326	326	326	326	326	326	326
RESPO	Pearson Correlation	.899**	.933**	.967**	.732**	.792**	.836**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	326	326	326	326	326	326	326

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

## Regression

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.981 <sup>a</sup>	.963	.962	.15037

a. Predictors: (Constant), RESPO, RELIAB, TANG, EMPH, COMP, ASSUR

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	188.548	6	31.425	1389.701	.000 <sup>b</sup>
	Residual	7.213	319	.023		
	Total	195.762	325			

a. Dependent Variable: CS

b. Predictors: (Constant), RESPO, RELIAB, TANG, EMPH, COMP, ASSUR

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.985	.111		-8.859	.000
	COMP	.364	.086	.279	4.238	.000
	ASSUR	.394	.099	.322	3.983	.000
	RELIAB	-.108	.061	-.061	-1.770	.078
	TANG	-.084	.025	-.095	-3.410	.001
	EMPH	.772	.041	.615	19.067	.000
	RESPO	-.082	.073	-.067	-1.130	.259

a. Dependent Variable: CS

## Reliability

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
COMP	18.1497	8.981	.946	.949
ASSUR	18.2239	8.757	.943	.949
RELIAB	18.2865	10.088	.869	.962
TANG	18.9387	7.764	.847	.970
EMPH	18.5282	8.890	.931	.950
RESPO	18.3485	8.859	.909	.952

