Addis Ababa University

College of Business and Economics

Department of Management

<u>The effect of service quality on customer satisfaction in selected commercial banks.</u>

Presented in Fulfillment of the Requirements for the Degree of Master of Science in Management

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Declaration

Here with I Misker Birhanu, declare that this research thesis is papered for the partial fulfillment of the requirements for the Masters of Management entitled “The effect of service quality on customer satisfaction in selected commercial banks”. This thesis is my original work and has not been used by others for any other requirements in any other university and that all sources of material information in the study have been appropriately acknowledged. I have made it independently with the close advice and guidance of my advisor.

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ABSTRACT

This study was done to investigate how customer satisfaction levels in a few Ethiopian commercial banks are affected by service quality. To examine the connection between the service quality and customer satisfaction, the 22-service quality item of the SERVQUAL model and six items of customer satisfaction were used. The data obtained from the respondents was analyzed using various descriptive and inferential statistical tools. The descriptive analysis shows that customers were satisfied with three of service quality dimensions, responsiveness, reliability and empathy. On the other hand, tangibles dimension of service quality was considered as poor and respondents were moderately satisfied with assurance dimension in the selected commercial banks in Ethiopia. The finding from the correlation result reveals that there is a positive and significant relationship between the responsiveness, reliability and assurance service quality dimensions and customer satisfaction. Responsiveness is found to have the highest correlation with customer satisfaction followed by reliability and assurance. On the other hand, tangibles and empathy are not found to have a relationship with customer satisfaction. From the R square value, it is depicted that 34% of variation in customer satisfaction is explained by the service quality dimensions. In addition, the finding from the regression result indicates that responsiveness, reliability, assurance and empathy service quality dimensions have a positive impact on customer satisfaction and responsiveness is the dominant service quality dimension which affects customer satisfaction.

Key words: Service quality, Customer Satisfaction, Ethiopia, SERVQUAL

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The ever-increasing rivalry, the ongoing rise in customer expectations, and consumers' subsequent demands as service improves are today's major difficulties in commercial organizations. Organizations are required to re-engineer their goods and processes in order to increase service quality and remain competitive in the face of multifaceted problems and the demands of globalization (Yasin et al, 2004). Customers assess a product or service by determining if it meets their requirements and expectations. Therefore, financial service providing companies like banks mostly differentiate themselves by providing quality services as service quality is the most competitive tool for banks. The quality of services offered will determine customer satisfaction and attitudinal loyalty (Almossawi, 2001; Kotler & Armstrong, 2010).

Customers' high-quality demands are becoming more significant as evidence mounts that good service quality contributes to long-term competitive advantage in today's competitive business environment (Sureshchandar et al., 2002). It should come as no surprise that the degree of service quality is the most important factor to consider when developing business strategy in the services industry (Khamalah and Lingaraj 2007). The quality and dependability of products and services play a big role in customer satisfaction. Commercial banks face challenges in achieving customers' service expectations and ensuring customer satisfaction.

Customer happiness is a key factor in determining an organization's success. Customer satisfaction is crucial because it is a key factor in any banking institution's performance. Customer satisfaction has been under the spotlight in the competitive economy due to strong competition where firms are attempting to get a competitive advantage through the human aspect and customers (Singh et al., 2011). Globalization and free trade have transformed the business environment in both developed and developing countries, and global competitiveness is escalating. Because of these factors, managers must be able to deal with unforeseen changes while maintaining customer satisfaction in order to remain competitive and generate appropriate financial returns (Naseemetb al., 2011).

Customer satisfaction and organizational profitability are inextricably linked (Hill, et al.; 2007). Many firms regard customer satisfaction to be a key indicator of success. As a result, it became one of several companies' primary operational aims. "Customer satisfaction is a measure of how an organization's whole product performs in respect to a set of customer needs," they stated. Profits and revenue, according to Cochran (2003), are simply the results of meeting customers' expectations and needs. Customer satisfaction may influence future customer reactions such as willingness to repurchase, willingness to refer, and willingness to pay a higher price without looking for a lower-cost supplier.

Customer satisfaction is recognized as the fundamental factor used by commercial banks to evaluate their connection with the market (Munari et.al. 2013). Furthermore, customer happiness is a key motivator in banks because higher c customer satisfaction indicates lower consumer intention to switch to banks (Hoq and Amin, 2010). Achieving a high level of banking client satisfaction is an important aspect of banking management. Client satisfaction is a combination of several variables that work together to build customer sentiments toward banks.

However, the effect of service quality on customer satisfaction is not studied well in Ethiopian banks. Therefore, the general purpose of this paper is to evaluate how customer satisfaction is influenced by service quality in a few selected commercial banks in Addis Ababa.

1.2. Statement of the Problem

The banking industry, like other financial service industries, is facing a quickly shifting market, novel technologies, uncertainties in economy, stiff competition and more quality conscious customers and the changing environment and these have presented a unique set of challenges to it (Kanojia & Yadav, 2012). Shanka (2012) and Dawit et al. (2018) claim that banks operating in Ethiopia confront numerous difficulties as a result of the fierce rivalry for clients and the need to provide high-quality service in order to succeed and endure in the market.

The link between service quality and customer satisfaction is a contentious question in the literature. Researchers frequently believe that the ideas of service quality and customer pleasure are inextricably linked. Although the meanings of service quality and satisfaction are similar, they are not the same. Customer satisfaction was defined as a specific evaluation of a product or service, whereas service quality was defined as an overall review of a product or service (Tan et al., 2014). In the past, business success was mainly determined by products hereby firms that were able to produce high quality products are considered as the most successful. Indeed, today’s quality products are still crucial in business success, however, the quality issues of the past and quality issue in today are quite different.

Customers should be at the heart of all services and products in order to compete and thrive in the market, as well as to improve bank performance. Customers, according to Zairi (2000), have become a focal point for all banking activities as a result of growing rivalry for market share. Focusing on customer happiness has been the key to boosting service quality in the banking sector in accordance with customer expectations" (Zairi, 2000). According to Hanson (2000), the organization's capacity to satisfy the needs and wishes of its customers is gauged by the level of service quality. As a result, firms must improve their services to fulfill the needs and requirements of their clients.

The importance of customer satisfaction and building and maintaining long-term connections with clients as two essential features that contribute to increased business earnings has been recognized by banking institutions all over the world. Simultaneously, some banking institutions are reporting an increase in retail consumer dissatisfaction (Mistry, 2013).

However, it is unclear if any of these are accurate and how much service delivery strategies influence the final level of client satisfaction/dissatisfaction. Furthermore, there may be other causes that are not included in the above list of plausible causes, although none have been established.

Banks compete fiercely in a highly competitive environment to provide excellent services that meet the expectations of their consumers. Customer happiness has become critical to the success of banking institutions in developing countries. Reasons for the apparent tendency include flexible work, increased mobilization, and completion in the banking industry (Panda, 2003). Thus, understanding customer satisfaction in the banking industry is important not only from an economic standpoint, but also from the standpoint of image building in the industry. Following the domestic liberalization of the banking sector, Ethiopia's banking sector has seen major changes.

The desire to comprehend how great service impacts customer happiness has grown over time as a result of customers' increasingly high expectations and desire for exceptional value (Ajmal et al., 2018). This highlights the need of maximizing customer satisfaction, particularly in the age of globalization and constant competition, which enhances customers' capacity to express dissatisfaction (Cook, 2011; Sarkar and Islam, 2021).

Although there is a wealth of empirical data available in literature from around the world examining the link between service quality and customer satisfaction, Ethiopia's setting has not given much thought to this area. In Ethiopia, some studies on service quality and its links to client satisfaction have been carried out in a single bank. Finding a study that was done in several banks, however, is challenging. In order to better understand how service quality affects customer happiness, this study will focus on a few commercial banks in Addis Ababa, Ethiopia.

1.3. Research Questions

The following are the primary research questions for the investigation:

1. How well-developed are the various services being offered by the Addis Ababa commercial banks?
2. What is the level of customer satisfaction in the targeted banks?
3. Does service quality of selected commercial banks affect customer satisfaction?
4. Which service quality dimensions may enhance customer satisfaction in a better way?

1.4. Objectives of the Study

1.4.1. General Objective

The main goal of this study is to ascertain how customer satisfaction with banking services in particular Addis Ababa commercial banks is impacted by service quality.

1.4.2. Specific Objectives

The following is a list of the study's particular goals:

- ✓ To evaluate the caliber of the various services offered by the targeted banks.
- ✓ To examine the level of satisfaction of the customers in the selected commercial banks.
- ✓ To assess how well the chosen commercial banks' services affect their clients' satisfaction.
- ✓ To ascertain which aspects of service quality may most effectively boost client satisfaction.

Testing the mediating role of demographic variables on the effect of service quality on customer satisfaction.

1.5. Significance of the Study

Gaining a better theoretical and practical knowledge of customer satisfaction, organizational performance, and their relationship is the aim of this research. The theoretical aspect of the study is useful since it offers a fresh method for evaluating organizational performance and customer satisfaction in connection to the bank and Ethiopia's present competitive environment. The banks under investigation will learn how pleased their clients are with their offerings.

The study's practical significance may be seen in the way that it improved the quality of the bank's product design and delivery by ensuring that it was customer-focused. In order to maintain its customer ties while increasing its competitiveness, the bank also benefited from this research. The conclusions may aid other financial institutions in improving their particular performance areas. As a result, they will be able to take measurements to enhance their services. The findings will help researchers and strategists learn more about the connection between customer satisfaction, service quality, and organizational performance.

Additionally, it helps the banks create and carry out effective service quality improvement initiatives. In addition, this study offers a justifiable, valid, and trustworthy roadmap for developing workable service delivery improvement strategies for producing and delivering customer value, achieving customer satisfaction and loyalty, forging long-lasting, mutually beneficial relationships with customers, and for achieving sustainable growth in the target banks. The study results may also be used as a source of reference by scholarly and future researchers conducting other studies in the same field.

1.6. Limitation and Scope of the Study

This thesis' main objective is to look into how customer satisfaction is affected by service quality in a few different Addis Ababa commercial banks. Its theoretical scope includes the degree of reliability, responsiveness, assurance, empathy, tangibility aspects of service quality and satisfaction of the customers of the target banks. In terms of geographical breadth, the study concentrated on fourteen chosen branches of five commercial banks operating in Addis Ababa.

This study is limited to examining the factors that affect customer satisfaction in selected commercial banks only. Targeted customers willingness to participate in questionnaire responses were also potentially a problem since as it can be seen in the demographic table that some of the customers can't read and write.

1.7. Organization of the Research

There are five chapters in this paper. The introduction to the paper is covered in the first chapter. A review of pertinent literature is presented in the second chapter. The third chapter describes the research methods used in the study. The fourth chapter is about data analysis and interpretation, which leads to a discussion of the results. The last chapter would provide a summary of the findings, a conclusion, and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

2.1. Theoretical Literature Review

2.1.1. Service Quality

According to Grönroos (2004), services are a continuous process of ongoing interactions between customers and service providers that include a variety of intangible activities offered as premium solutions to customers' problems, as well as any other practical system components involved in providing these services.

It is the quality of service given to the customers that will differentiate the competitors, determine market share and ultimately profitability (Ayling 1991, Ott 1993). Second, the expectation a customer from a bank is mainly service related. Banks must surpass customers' expectation of timeliness, convenience and comfort (Ott, 1993). Most of the literature suggests that customers look at service quality as a multidimensional variable, which is consistent with the Parasuraman's et al. (1988) conception of service quality popularly known as SERVQUAL. SERVQUAL measures service quality based on five dimensions namely reliability, assurance, tangibles, empathy, and responsiveness.

According to Grönross (1984), quality is determined by the individual's opinion of the service. Customer expectations, according to Grönroos, should be targeted, revealed, and adjusted in order to improve long-term quality. They assess service by comparing their expectations to what they feel they received from other service providers, and if the expectations are fulfilled or even surpassed, customers believe the service is of high quality.

Customers' pleasure is determined by their impression of service quality and their trust in the service provider (Ismail et al., 2006; Aydin & zer, 2005; and Parasuraman et al., 1988). By offering higher-quality services to clients, a company improves their opinion of service quality.

Premium service quality, particularly in the banking business, is critical for consumers in evaluating the performance of a service provider and is the key to gaining customer happiness and loyalty. By delivering high-quality services, a bank may acquire a competitive edge and establish long-term relationships with its clients.

The idea of service quality is founded on customer comparisons of their expectations and the perception of the service received. Because clients who experience subpar quality have a tendency to alter their purchase habits, quality of the product and/or service is crucial (Wu et. al., 2014).

The most effective competitive tool nowadays is service quality. A multidimensional idea, quality. As a result, it is challenging to achieve service quality without identifying the crucial elements of quality. A common definition of service quality is the full set of features that enable a service to satisfy the needs of customers (Kotler and Keller, 2006).

2.1.1.1. Dimensions

One of the primary distinctions between services and products is that services are intangible while things (products) are tangible. Services are distinguished from products by four characteristics:

Intangibility, it means that a service cannot be touched or tasted;

Inseparability, which indicates that a service cannot be separated from its provider;

Variability, which means that the quality of a service relies on how and when it is provided; and Perishability, indicates that services cannot be stored for later use (Amstrong and Kotler, 2006).

Because services are intangible, measuring service quality might be more difficult. Service quality measurement refers to how well the service provided satisfies the expectations of the consumers.

Zeithaml et al. (1996) referred to 10 aspects of service quality in their initial studies. However, in subsequent studies, they discovered a high link between these dimensions. In order to create SERVQUAL, a method for gauging service quality, they gathered these attributes and gave them the names Reliability, Responsiveness, Assurance, Empathy, and Tangibles. They emphasize in their research that SERVQUAL is a dependable and long-lasting scale of service quality (Parasuraman et al., 1994). And claimed that this tool can be used in a variety of service settings, including hotels, hospitals, universities, and libraries, and that some of the SERVQUAL statements may be changed or replaced. In their research in a wide range of service fields, several academics have employed SERVQUAL. SERVQUAL was proposed by Parasuraman et al. (1985, 1988), who maintained that the customer's impression of service quality providing is a function of five characteristics defined as Reliability, Assurance, Tangibility, Empathy, and Responsiveness (a service quality measurement tool).

A brief explanation of these dimensions is given below:

1. **Tangibles**

Tangibles are referred as the physical appearance of buildings, equipment, employees, and communication materials. All of these are employed to differing degrees to create a favorable image to consumers. Tangibles will be especially important in situations when the customer's actual presence at a service location is required for consumption to occur, such as a hair salon, hotel, or nightclub. Information and communications technology (ICT) tools, physical facilities and their aesthetics (ambiance, lighting, air conditioning, seating arrangement), as well as the organization's service-delivery personnel, are tangibles in the context of service quality (Blery et al., 2009). Any firm may deploy these tangibles in a random integration to provide services to its clients, who evaluate the quality and usefulness of these tangibles.

2. **Reliability**

Reliability is the ability of a service provider to deliver the promised services precisely and consistently (Blery et al., 2009). Customers desire reliable services they can rely on. It is the capacity to provide the promised service consistently and precisely. It is recognized as the most critical factor of service quality judgments. This dimension is especially important for trains, buses, banks, delivery building societies, insurance company services, and trade services.

3. **Assurance**

The personnel' expertise and civility, as well as the service's capacity to engender trust and confidence Customers of health, financial, and legal services may be particularly concerned about this aspect. The amount of expertise and kindness demonstrated by personnel in providing services, as well as their capacity to inspire trust and confidence in customers, contribute to the development of assurance (Blery et al., 2009).

4. **Empathy**

It implies the caring, individualized attention the service provides to its customers. Small service businesses are better positioned (but not always better at) serving consumers as individuals than their bigger, always standardized equivalents. Relationship marketing, on the other hand, is intended to provide a more personalized approach to large company consumers. Taking care of consumers requires paying them personalized attention and demonstrating empathy (Blery et al., 2009). It entails listening to their issues and resolving their demands and complaints in a timely manner.

5. **Responsiveness**

Being responsive entails being eager to assist clients and give speedy assistance. Customers are very grateful when services are rendered promptly. Reputable service providers are aware of this fact (Iqbal et al., 2010). Furthermore, firms that value efficiency pay attention to the services that they offer so that they can have an advantage and use this to keep off competitors (Karim & Chowdhury, 2014). Bank customers look for banks that willingly help them in their banking operations.

2.1.2. Customer Satisfaction

Customer satisfaction is vague and complicated in nature, and it typically consists of numerous components that are measured using various techniques under various circumstances, according to Wilson (2002). Two different definitions of customer satisfaction have arisen over time as a result of significant research. The first kind believes that client happiness results from a shopping experience (Westbrook and Reilly, 1983). The second definition categorizes customer satisfaction as a contrast between the actual transaction and the client's expectations for the purchase (Hunt, 1977).

Client satisfaction, according to Edvardsson (1996), is a distinct category since every customer interprets it differently. Thus, a network of psychological, social, and physical factors that are connected to the idea of a satisfied client can be seen as constituting customer satisfaction. Customer satisfaction is also seen by Parasuraman, Zeithaml, and Berry (1988) and O'Neill and Palmer as a cognitive concept and a psychological state (2004). Customer satisfaction is essentially an emotional condition that develops from a long-term relationship between customers and service providers, claim Anderson, Fornell, and Lehman (1994). Employees' emotional dependence, according to Ning-jun Zhang et al. (2007), encourages their attempts to please consumers.

Individual expectations play a significant role in the measurement of customer satisfaction, which is very subjective. Some definitions are founded on the premise that whether a consumer is satisfied or dissatisfied, it confirms or contradicts their personal expectations for a good or service.

To prevent issues brought on by the myriad of consumer expectations and variations, some experts urge organizations to "focus on a goal that is more closely tied to customer equity." They push companies to figure out how to hold customers accountable rather than asking if customers are satisfied.

Client satisfaction, according to another viewpoint, also refers to a company's ability to attract and keep customers while fostering long-lasting customer connections. It is typically viewed as satisfaction with the goods or services provided by a company. It is additionally regarded as the secret to sustained success and competition. Knowing how to satisfy customers is essential for exceeding their expectations, retaining them, and determining the effectiveness of an organization's service delivery strategy. When a business knows perceptions, it can decide what steps to take to satisfy the demands of its customers.

Furthermore, it may recognize its own strengths and shortcomings and map out a strategy for future advancement and enhancement of the organization's work practices and procedures (Milan and Martina, 2008).

Customer pleasure is tied to both qualitative and quantitative components of the service, and there is a connection between customer satisfaction, service performance, and perceived customer service performance expectations, claim Parasuraman, Zeithaml, and Berry (1988). (Oliver, 1997). According to Zeithaml and Bitner (2000), a more basic definition of customer satisfaction should be based on how well customers' requests and expectations are met, as this directly affects how dissatisfied customers are.

Both subjective and objective criteria, such as market conditions and customer requirements, can be used to measure customer satisfaction (e.g. product and service features). Numerous studies have been undertaken in the banking industry to examine the qualities that clients look for in a company. The objective elements will be the focus of this investigation.

Customer satisfaction is a word that is widely used in business literature to describe how a company's products and services satisfy the expectations of its consumers. It is a measure of how well a firm meets or exceeds the expectations of its consumers. Customer happiness is mostly tied to the customer's whole consuming experience.

Oliver (1997) lists several components of consumer satisfaction, including:

- ✓ Contentment with the results in general
- ✓ Contentment with the outcomes of consuming; and
- ✓ Contentment with the degree of satisfaction attained

According to Oliver (2010), satisfaction is the consumer's response to contentment. A product or service feature, or the product or service itself, must be determined to have provided (or to be providing) a satisfying level of consumption-related pleasure, including under- or over-fulfillment.

Customer expectations and needs have an impact on interactions with service providers and other customers, which leads to customer satisfaction. The customer's decision to repurchase the service, his retention, his desire to recommend the service to other potential customers, as well as his desire to pass along pertinent information regarding the service's quality and delivery, are all influenced by the quality of this contact. Several ways of interacting with the environment are associated with customer satisfaction. A positive referral is a relational action that raises long-term profitability, decreases transaction costs, and client retention (Jamieson, 1994, Mackey, 2005).

2.1.3. The relationship between Service Quality and Customer Satisfaction

One of the most critical parts of a premium client experience in the banking business is service quality. To ensure maximum customer satisfaction and to improve customer retention and loyalty, the majority of businesses routinely evaluate the quality of their services. By meeting the needs and expectations of the client and providing services that are up to proportionate with industry standards, one can achieve customer satisfaction. (Gitomer, 1998). A pleasant consumer consuming experience assures that his overall sentiments about the items or services consumed are positive. Client pleasure, on the other hand, does not ensure repurchase, customer retention, or loyalty.

Several pieces of evidence cited in According to the research, there is a significant connection between customer satisfaction and service quality (Sureshchandar et al., 2002; Boulding et al., 1993; and Bitner, 1990). While Spreng and Mackoy (1996) found a strong link between customer loyalty and service excellence.

Numerous organizational studies have suggested that customer happiness and retention are strongly influenced by service quality. Customer loyalty is influenced by service quality, which is a factor in customer satisfaction (Cronin et al., 2000). Customer satisfaction is significantly impacted by service quality. It is a crucial tool that banks must employ in order to grow their revenue and market share (Muyeed, 2012).

The SERVQUAL model (Parasuraman, Ziethaml, & Berry, 1988) postulates that quality perceptions originate from differences between consumers' expectations of the performance of a broad class of service providers and their assessment of the actual performance of a single business in that class. As a result, the first step in satisfying customers is assessing the level of customer service through service quality evaluation. Academics dispute, however, as to whether consistently good service quality always results in pleasure. Service quality was described as the customer's overall perception of the relative superiority/inadequacy of a company and its service offerings by Bitner et al. (1990), who also proposed an alternative methodology. Antreas (1997) discovered that perceived service is a function of service provider views of client satisfaction.

2.2. Empirical Literature Review

Jabnoun and Al-Tamimi (2003) assert that banks with better environments increase customer satisfaction. In the Swedish banking industry, Zineldin looks into the connection between service excellence and client satisfaction (2005). He found that banks can forge enduring relationships with their customers by including both tangible and intangible high-quality qualities into their goods and services.

Customer satisfaction is known as a result of service quality, which implies that it is identified with the nature of the items or administrations gave to the client in a positive way (Yeo, Thai, & Roh, 2015). Amiri Aghdaie and Faghani (2012) used the SERVQUAL model for measuring the customer satisfaction in m-banking services in Iran. The results showed that the four variables, tangibility, reliability, responsiveness and empathy, would correlate with satisfaction significantly. Concentrating on this aspect will allow them to get the greatest benefits (Swar & Sahoo, 2012). Ladhari et al., (2011) also describe the concept of tangibles' importance in the banking industry succinctly. Service quality is a critical instrument for capturing the attention of customers. Customers' varying actions and attitudes necessitate great service quality in order to achieve their perception of service.

A corporation's performance and profitability are directly related to the quality of its services. General Electric (GE) has made enormous investments in high-quality service, which has led to consistent, sizable earnings. GE believed that both the tangible and intangible aspects of service quality were essential to the success of the company (Tax & Brown, 2012).

Businesses can change their rules globally for a particular area by using the environment and culture of different locations as a guide. Their stores' and branches' design must change. To maintain a standard, the banking sector follows comparable office ambiance sets and installs similar service equipment all over the world. However, catering to the cultural demands of certain locations would help customers feel more at ease and loyal (Ganguli & Roy, 2011).

Ibáez et al. evaluated the relationship between service quality factors and customer satisfaction (2006). They discovered a substantial link between service dependability and consumer happiness.

The literature demonstrates When face-to-face connection between the client and the employee is the major focus, there is a higher degree of positive association between service quality, customer happiness, and performance (both financial and non-financial). The choice of service delivery standards and service marketing strategies has been significantly impacted by the development of technology. Several possible competitive advantages have arisen as a result of this, including higher productivity and revenue generation from new services (Muyeed, 2012).

In addition to intangibles like reliability and responsiveness, assurance was identified by Parasuraman et al. as an essential element of service quality (1988). They claim that each of these elements significantly raises customer satisfaction. It is believed that client satisfaction levels can be significantly raised if employees of financial institutions perform in a trustworthy manner. Additionally, it might positively affect customers' intentions to make another purchase (Ndubisi, 2006; and Ndubisi & Wah, 2005).

Iglesias and Guillén discovered a favorable and substantial link between empathy and customer satisfaction (2004). Another research study stated that if there is a gap in empathy, clients may remain dissatisfied with service quality. Al-Marri et al. (2007) have shown that empathy has a considerable influence on customer satisfaction. It satisfies consumers and, in the long term, acts as a significant predictor in increasing the financial achievement of the organization.

Experimental research on the role of empathy in service quality and its impact on client satisfaction was conducted by Wieseke et al. in 2012.It has been proven that consumers who are handled enthusiastically are more likely to return and are more willing to forgive any faults that may arise. Empathy fosters an emotional bond with customers, giving them a sense of importance in the business. This results in customer retention and the creation of a new customer pool.

Juneja (2011) investigated the relationship between service quality parameters and customer satisfaction in the banking business of Bangladesh. It was discovered that empathy may be used to gain consumer loyalty. Empathy may help to increase service quality, client loyalty, and, ultimately, satisfaction. Karatepe (2011) investigated the influence of empathy and dependability on customer satisfaction in the service environment. Empathy acts as a mediator between client satisfaction and quality. Empathy has the potential to affect a customer's behavior.

2.3. Conceptual Framework

The empirical study by Dehghan (2006), which is shown in Figure 1, served as the basis for the study's framework, which was then modified. The relationship between service quality, customer satisfaction, and the traits or variables that determine each of them are shown in the figure.

The idea holds that customer pleasure can be predicted by perceived quality (Woodside et al., 1989; Reidenbach & Sandifer-Smallwood, 1990; Cronin &Taylor, 1992; Fornell, 1992; Anderson & Sullivan, 1993; Gotlieb et al., 1994; Spreng & Mackoy, 1996). It implies that customer satisfaction may be influenced by the SERVQUAL variables' measures of service quality. Although many different constructs have been used in conceptual discussions and empirical studies of customer satisfaction, they all appear to share (at a very high level of aggregation) the idea that they all refer to the customer's relationship with one particular object (a vendor, a brand, a service provider, etc.) over time (Soderlund, 2005).

Additionally, Mittal and Lassar (1998) found a connection between customer happiness and service quality. Elnan and Andersen (1999) found a link between customer satisfaction and service quality in the Norwegian bus industry. A recent study in the telecoms industry by Ojo (2010) found a link between customer satisfaction and service quality. The same link is shown by both Cook (2008) and Oyeniyi and Abiodun (Oyeniyi and Abiodun) (2008). According to Fornell et al. (1996), perceived quality—which is characterized as the served market's evaluation of recent consumption—would have a direct and advantageous impact on overall customer satisfaction. According to the creators of the American Customer Satisfaction Index, there are three factors that contribute to overall customer satisfaction, particularly for ASCI. These antecedents include client expectations, perceived value, and perceived service excellence. In light of the literature reviewed above, the study's research model is developed as follows.

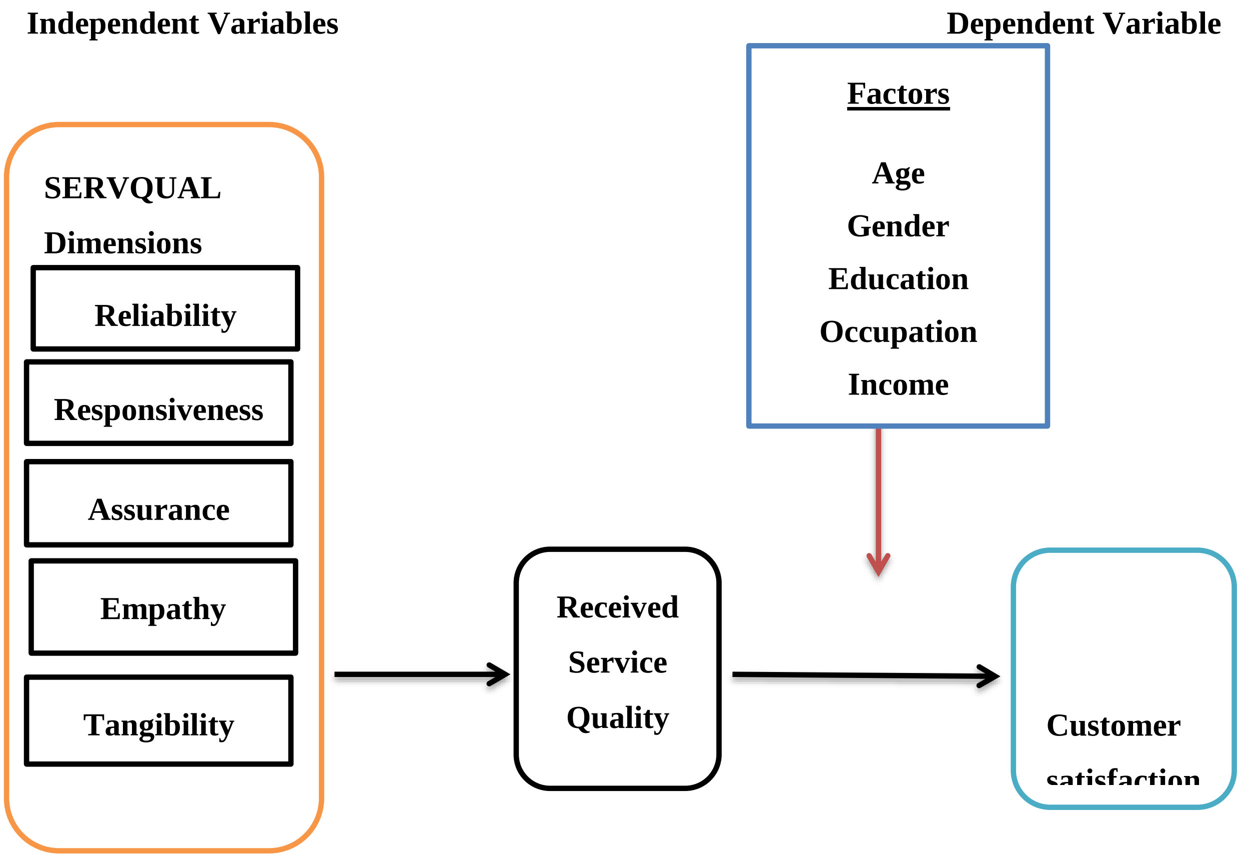

Figure 1: Conceptual framework of the study

Source: Developed by the researcher

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Design

This study uses a cross-sectional survey descriptive research design as its methodology. Since the benefit of cross-sectional research design is that it allows the researchers to compare many different variables at the same time. According to Bryman and Bell (2011), descriptive research is used to gather data that will allow for an accurate portrayal of the participants. It is usually concerned with describing a population with respect to specific variables. One of the main advantages of using descriptive research design is that it provides a relatively whole picture of what is occurring at a given time. It also allows the development of questions for further studies. A survey is a method of collecting data from participants who answer questions administered through interviews or questionnaires.

Because it gives a "snapshot" of the results and features associated with it at a certain point in time rather than following the same sample across time and making frequent observations, the study design for this investigation is cross-sectional on the basis of time horizon. Due to the use of statistical or numerical analysis to establish a relationship between the variables, the study's methodology is quantitative rather than qualitative. In order to obtain the most factual and reliable information, the quantitative method was chosen to collect the empirical data.

3.2. Source and types of Data

For this study primary data was considered to collect the required data. Particularly, the data was directly collected from the customers of the selected banks using questionnaire.

3.3. Sampling Technique and Sample Size

Abyssinia bank, Dashen bank, Awash, bank, Hibret bank and Bunna Bank the selected banks the study is conducting in. Three branches each from the three banks was selected randomly. Because it is difficult to access a customer list easily, convenient sampling was used to choose a sample of customers. The study population consisted of clients who visited the banks during the data collection period. The data collector chose the participants based on their willingness to participate.

A daily average of 130 customers receives banking services at each branch, according to data gathered from the banks. As a result, the target branches serve 1950 customers each day. The total population, assuming a three-day data collection period, was 5850. Taro Yemane's sampling formula was used to select 31 respondents from each branch, for a total of 156 respondents.

Total Target Population: 5850

Sample size: 156

Taro Yamane (1967) with 8% error tolerance

$n = N / (1 + Ne^2)$

n =Sample Size

N = Population Size

e = error tolerance

$n = N / (1 + Ne^2)$

$n = 5850/(1+5850(0.08)^2$

n = <u>156</u>

The information was gathered over the course of three days straight from every branch. Sample size was 172 after 10% non-response rate was added.

3.4. Data Collection Instruments

The relevant data was gathered using a structured questionnaire as a data collecting tool. The questionnaire is an adaptation of scales that have been used in the literature for earlier investigations. Three sections make up the final questionnaire.

Demographic details like gender, marital status, age, education, profession, and occupation are included in the survey's initial section. The second component, which is organized into five segments by topics such tangibles, reliability, assurance, responsiveness, and empathy, offers information about the study's independent variables. SERVQUAL, a scale created by Parasuraman et al. (1988), was used to evaluate the service quality. It is regarded as a trustworthy paradigm for assessing service quality. Using a seven-point Likert scale to assess both customer expectations and perceptions, the SERVQUAL instrument's 22 items (Appendix I) measure performance across these five dimensions (Gabbie and O'neill, 1996). Six statements are measured on a five-point Likert scale in the third section of the survey, which is used to gauge customer satisfaction.

3.5. Description of Variables

3.5.1. Dependent variables

Customer satisfaction is the study's dependent variable. A measure of how well services is provided to clients is customer satisfaction. Managers must be willing to comprehend the discrepancy between customer perceptions and expectations in order to create service standards and procedures. (Titko et al., 2013). Customers’ decisions are affected by the service support available after delivery of the service. Delivery of high-quality service helps to build and maintain long-term relationships with bank customers. As a result of this, banks try to work on customer retention and market share by aiming at special target markets. How service quality in selected banks in Addis Ababa, Ethiopia affects customer satisfaction is the main core of the present study.

3.5.2. Independent Variables

The independent variables are categorized in to four groups. Socio-demographic characteristics include age, sex, educational status, and degree of satisfaction. Service quality dimension includes reliability, tangibility, responsiveness, assurance and empathy.

Tangibles: Physical facilities, equipment, external appearance of store and appearance of personnel.

Reliability: The capability of the company to deliver the promised service precisely and reliably.

Response: The company's readiness to assist clients and deliver fast service.

Assurance: The level of expertise and politeness among employees as well as their capacity to foster confidence and trust. Along with competence and courtesy, this dimension also involves security.

Empathy: Caring and personalized attention that the firm provides to its customers. This dimension also includes access, communication and understanding the customer (Lim et al., 1999).

3.6. Data Analysis Methods

The Statistical Package for the Social Sciences was used to code the collected data (SPSS 25). It was done using both descriptive and inferential data analysis techniques. Frequency, percent, mean, and standard deviation were also used to analyze the degree of customer satisfaction and service quality.

In the demographic analysis of data, the distribution of respondents by gender, age, occupational, educational, and salary were presented and then statistical analysis of research questions was carried out. Reliability of the scales selected from the literature, primarily by using the Cronbach-alpha indicator, including a series of questions that measure the overall satisfaction of the customers was demonstrated.

Considering that the purpose of the research is primarily the effect of the selected five dimensions on overall satisfaction, the researcher was first examining whether the scales of the dimensions of service quality are individually correlated with the target variable also demography of respondent's impact on customer satisfaction is also tested. Because the dimensions that do not correlate with the target variable are not important and unnecessary for further analysis.

Correlation and multiple linear regression were used to measure the relationship between independent and dependent variables and effects of service quality and customer satisfaction. Regression analysis shows how much assessments do each independent variable affect customer dependent variable. One can evaluate the direct association between variables using this regression analysis, as well as demonstrate the causal relationship and the type of relationship between variables (Aiken et al., 1991; Foster et al., 2004).

The model was written as follows:

$$\mathbf{Y_i = \alpha + \beta_1 X_1 + \beta_2 X_2, \ldots + \beta_5 X_5 + e}$$

Y_i, is the dependent variable (customers satisfaction) as is y intercept, i.e., the value of y when X=0. β1, β2, β3, β4, and β5, is the regression coefficient of tangibility, reliability, assurance, responsiveness, and empathy which indicates the amount of change in Yi given a unit change in X and finally X is the value of dependent variable. In other words, for each 1-unit change in X, Y will change by β units keeping other variables constant.

3.7. Ethical Considerations

The university research committee sent a letter of affirmation to the chosen banks. After obtaining the bank managers' permission, the study's goal was explained and the respondent's agreement was formally obtained. The data that was gathered from the participants will all be kept private. The chosen customers received a guarantee that their names would not appear in the survey or research report. Participants also verbally consented before the data collection process began. All participant responses will remain private because everyone who took part did so voluntarily.

CHAPTER FOUR

RESULT AND DISCUSSIONS

4.1. Introduction

In this section, the data collected from customers using questionnaire are presented and discussed. The first section contains demographic characteristics of respondents including sex, age, educational status, marital status, income and customer ship. Then descriptive statistics result of study variables is presented. Diagnostic test and regression analysis results and interpretations are also presented in this chapter.

4.2. Demographic Information

The demographic profile of the respondents including sex, age, education level, occupation income and years of service are described as follows:

As shown in table 1, out of 156 respondents, 83 (53.2%) were males and 73 (46.8%) were females. The table also indicates the respondent age distribution. Half of the respondents 83 (53.2%) were in the age range of 25-35 at the time of data collection. Respondents who had 46-55 years old were 29 (18.6%) while those were between 36 and 45 covers 28 (17.9%). Generally speaking, the greatest group of respondents 63.5% were between the ages of 18 and 35.

Regarding educational level of study participants, 64 (41%) of them were first degree holders followed by number of diploma holders 33 (21.2%) and high school graduate comprises 27 (17.3%) of the customers. While elementary school graduate is comprising of 20 (12.8%) and master's degree holders 12 (7.7%). This implies that most of the clients were degree and diploma holder whereas, the least were master's degree holders and respondents who have completed primary education.

Table 1: Demographic Characteristics of respondents (n= 156)

		Frequency	Percent
Sex	Male	83	53.2
	Female	73	46.8
Age	18-24	16	10.3
	25-35	83	53.2
	36-45	28	17.9
	46-55	29	18.6
What is your educational qualification?	Elementary school	20	12.8
	High school	27	17.3
	Diploma	33	21.2
	First Degree	64	41.0
	Master's Degree	12	7.7
Marital Status	Married	86	55.1
	Unmarried	65	41.7
	Divorced	2	1.3
	Widowed	3	1.8
Income	1000-3500	28	17.9
	3500-5000	35	22.4
	5000-10000	52	33.3
	10000-15000	14	9.0
	Above 15000	27	17.3
Customer ship	1-5 years	99	63.5

	6-10 years	40	25.6
	11-15 years	11	7.1
	16-20 years	6	3.8
	Total	156	100.0

Source: Survey data

In respect to marital status, more than half of respondents 86 (55.1%) are found to be married and 65 (41.7) are unmarried. The proportion of divorced and widowed found to be the least having 2 (1.3%) and 3 (1.8%) frequencies. The income level of respondents is dispersed as Fshown in the table below. One third 52 (33.3%) of the respondents said that their salary is between 5000-10000 birr while 35 (22.4%) have a salary of 3500-5000 birr. Respondents that have a salary of between 1000-3500 birr and above 15,000 birr have covered 28 (17.9%) and 27 (17.3%) of the total participants respectively. The final information is about their customer ship years, 99 (63.5%) said that they have a customer ship of one to five years in the specific banks while 40 (25.6%) reported that they have a customer ship of six to ten years.

4.3. Level of Service Quality

In this part, descriptive statistics, specifically frequency and percentile, were presented to illustrate the level of service quality as reported by customers of selected banks. The responses of the respondents for the variables indicated below were measured on five-point Likert scale with: 1= extremely dissatisfied, 2= dissatisfied, 3 = neutral, 4= satisfied and 5= extremely satisfied.

4.3.1. Descriptive Statistics Analysis for Reliability

Based on the table below (table 2), majority of the respondents 127 (81.4%) agreed with the service provision as promised. While 23 (14.7%) disagreed with the statement that the banks provided the services as promised. More than half of the respondents 96 (61.5%) satisfied on the dependability in handling customers’ service problems while 38 (24.4%) were neutral/undecided.

About 118 (75.6%) of the respondents replied satisfied for the performing services right first time and 128 (82%) said that the banks provide services at the promised time. Finally, regarding recordings, 119 (76.2%) of the respondents reported that their banks maintain error-free record. This implies that majority of the respondents believe that their banks provide reliable services for their customers.

Table 2: Service quality in terms of Reliability (n= 156)

		Frequency	Percent
Providing service as promised	Extremely dissatisfied	3	1.9
	Dissatisfied	20	12.8
	Neutral	6	3.8
	Satisfied	6	3.8
	Extremely satisfied	121	77.6
Dependability in handling customers’ service problems	Extremely dissatisfied	8	5.1
	Dissatisfied	14	9.0
	Neutral	38	24.4
	Satisfied	69	44.2
	Extremely satisfied	27	17.3
Performing services right first time	Extremely dissatisfied	3	1.9
	Dissatisfied	13	8.3
	Neutral	22	14.1
	Satisfied	79	50.6
	Extremely satisfied	39	25.0

Providing services at the promised time	Extremely dissatisfied	4	2.6
	Dissatisfied	18	11.5
	Neutral	6	3.8
	Satisfied	54	34.6
	Extremely satisfied	74	47.4
Maintaining error-free record	Extremely dissatisfied	6	3.8
	Dissatisfied	26	16.7
	Neutral	5	3.2
	Satisfied	62	39.7
	Extremely satisfied	57	36.5
	Total	156	100.0

Source: Survey data

4.3.2. Descriptive Statistics Analysis for Responsiveness

Responsiveness refers to the prompt response to the service need of the customer and the readiness of employees to provide service. It is the speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service to respond promptly to customer service requests, with minimal waiting and queuing time. When the customer is kept waiting for no apparent reason creates unnecessary negative perceptions of quality. As it shown on the table below (table 3), majority of the respondents 117 (75%) said that they are satisfied with informing customers of the time of service. while 28 (17.9%) reported as they dissatisfied. Similarly, 141 (90.4%) of the respondents agreed that the banks prompt service to customers. It is contrary to the common complaining of most customers of being treated badly.

Table 3: Service Quality in terms of Responsiveness

		Frequency	Percent
Keeping the client informed of the date and time of the service	Extremely dissatisfied	1	.6
	Dissatisfied	27	17.3
	Neutral	11	7.1
	Satisfied	54	34.6
	Extremely satisfied	63	40.4
Prompt service to customers	Dissatisfied	7	4.5
	Neutral	8	5.1
	Satisfied	64	41.0
	Extremely satisfied	77	49.4
Willingness to help customers	Extremely dissatisfied	2	1.3
	Dissatisfied	14	9.0
	Neutral	17	10.9
	Satisfied	110	70.5
	Extremely satisfied	13	8.3
Readiness to respond to customers' requests	Extremely dissatisfied	12	7.7
	Dissatisfied	17	10.9
	Neutral	31	19.9
	Satisfied	40	25.6
	Extremely satisfied	56	35.9
	Extremely dissatisfied	4	2.6
	Dissatisfied	31	19.9

Employees will instill confidence in customers	Neutral	14	9.0
	Satisfied	7	4.5
	Extremely satisfied	100	64.1
	Total	156	100.0

Source: Survey data, 2022

Serving customers in a humble and willing manner is expected from banks. The respondents who replied satisfied for the statement willingness to help customers covers 123 (78.8%) of the sample. This indicates that employees of the targeted banks are willing to help customers. Similarly, the proportion of respondents who satisfied for the statement ‘readiness to respond to customers’ requests’ is found to be 96 (61.5%). Therefore, majority of the respondents agreed that their banks are willing to serve and ready to respond to their customer’s disputes. One hundred seven respondents (68.6%) were satisfied with the statement employees will instill confidence in customers while 35 (22.5%) replied disagree. As indicated on the analysis above, majority of the respondent’s response was agreed for the statements. Therefore, we can infer that the responsiveness is maintained in majority of the banks.

4.3.3. Descriptive Statistics Analysis for Assurance

For a customer to feel as though they are in courteous, capable, and competent hands, personnel must have the knowledge, courtesy, and ability to inspire trust and confidence. It relates to the capability of the service provider to deliver the output, specifically in terms of the knowledge, politeness and trustworthiness of the employees to the customer of the service firm. This dimension is about the behavior and ability of the employees to instill confidence, secure transactions, courtesy of the employees and the knowledge of the employees to answer questions from customers. The finding of this study in terms of assurance is presented below.

Highest number of the respondent 124 (79.5%) disagreed for the item ‘making customers feel safe in their transactions’. This indicates that majority of the customers are not confident in the transaction they make through the targeted banks. Regarding employee’s courteousness, majority of the respondents 140 (89.7%) responded disagree for the statement ‘employees who are consistently courteous. This implies that majority of the employees lack courteousness.

Respondents were not inclined to satisfied or dissatisfied regarding the employee's knowledge to answer customer's disputes. Less than half 68 (43.6%) of the respondents agreed that employees have the knowledge to answer customers' questions while 48 (30.8%) are dissatisfied.

Table 4: Service Quality in terms of Assurance

		Frequency	Percent
Making customers feel safe in their transactions	Extremely dissatisfied	34	21.8
	Dissatisfied	90	57.7
	Neutral	16	10.3
	Satisfied	14	9.0
	Extremely satisfied	2	1.3
	Total	156	100.0
Employees who are consistently courteous	Extremely dissatisfied	56	35.9
	Dissatisfied	84	53.8
	Neutral	9	5.8
	Satisfied	7	4.5
	Total	156	100.0
Employees who have the knowledge to answer customers' questions	Extremely dissatisfied	17	10.9
	Dissatisfied	31	19.9
	Neutral	40	25.6
	Satisfied	56	35.9
	Extremely satisfied	12	7.7

	Total	156	100.0

Source: Survey data, 2022

4.3.4. Descriptive Statistics Analysis for Empathy

Empathy is providing caring and individualized attention to customers to make them feel they are receiving caring services and individualized attention. Service empathy characterizes both the service provider’s willingness and capability to respond to individual customer desires. This means putting one’s self in the shoes of the customer. The respondents were asked to indicate their level of agreement or disagreement on empathy of employees. The results in Table 5 indicated that about half of the respondents, 79 (50.7%) agreed that employees give customers individual attention while 72 (46.1%) reported that they are dissatisfied with the attribute. Respondents who disagreed with the statement ‘employees who deal with customers in a caring fashion’ covers 83 (53.2%) of the respondents while 57 (36.5%) were satisfied.

Table 5: Service Quality in terms of Empathy

		Frequency	Percent
Giving customers individual attention	Extremely dissatisfied	52	33.3
	Dissatisfied	20	12.8
	Neutral	5	3.2
	Satisfied	33	21.2
	Extremely satisfied	46	29.5
	Total	156	100.0
Employees who deal with customers in a caring fashion	Extremely dissatisfied	47	30.1
	Dissatisfied	36	23.1
	Neutral	16	10.3
	Satisfied	45	28.8
	Extremely satisfied	12	7.7
	Total	156	100.0

Having the customer’s best interests at heart	Extremely dissatisfied	56	35.9
	Dissatisfied	5	3.2
	Neutral	8	5.1
	Satisfied	19	12.2
	Extremely satisfied	68	43.6
	Total	156	100.0
Employees who understand the needs of their customers	Extremely dissatisfied	4	2.6
	Dissatisfied	18	11.5
	Neutral	6	3.8
	Satisfied	54	34.6
	Extremely satisfied	74	47.4
	Total	156	100.0
Convenience business hour	Extremely dissatisfied	7	4.5
	Dissatisfied	35	22.4
	Neutral	13	8.3
	Satisfied	44	28.2
	Extremely satisfied	57	36.5
	Total	156	100.0

More than half 87 (55.8%) of respondents agreed with a statement ‘having the customer’s best interests at heart’, while 61 (39.1%) disagreed. Regarding the employees understanding of their customer’s needs, 128 (82%) reported that they are satisfied with employees understanding of the needs of their customers while 22 (14.1%) disagreed. In terms of working hour, 101 (64.7%) said that business hour their banks are using is convenience while 42 (26.9%) are dissatisfied.

4.3.5. Descriptive Statistics Analysis for Tangibles

The term "tangibility" describes how things like physical infrastructure, tools, people, and communication materials seem. As shown in table 6, majority of the respondents 94 (60.3%) reported that they are dissatisfied with availability of modern equipment while 42 (26.9%) remained neutral. Similarly, 92 (59%) said that they are dissatisfied with visually appealing facilities of the targeted banks while 45 (28.8%) remained neutral. In the same way, high number of respondents 122 (78.2%) disagreed that employees have a neat, professional appearance and 69 (61.6%) disagreed with visually appealing materials associated with the service. Generally, majority of the respondents are dissatisfied with tangibles (visual appearance of the targeted banks).

Table 6: Service Quality in terms of Tangibles

		Frequency	Percent
Availability of Modern equipment	Extremely dissatisfied	36	23.1
	Dissatisfied	58	37.2
	Neutral	42	26.9
	Satisfied	7	4.5
	Extremely satisfied	13	8.3
	Total	156	100.0
Visually appealing facilities	Extremely dissatisfied	42	26.9
	Dissatisfied	50	32.1
	Neutral	45	28.8
	Satisfied	11	7.1
	Extremely satisfied	8	5.1
	Total	156	100.0
Employees who have a neat, professional appearance	Extremely dissatisfied	77	49.4
	Dissatisfied	45	28.8
	Neutral	22	14.1
	Satisfied	2	1.3

	Extremely satisfied	10	6.4
	Total	156	100.0
Visually appealing materials associated with the service	Extremely dissatisfied	38	24.4
	Dissatisfied	58	37.2
	Neutral	41	26.3
	Satisfied	8	5.1
	Extremely satisfied	11	7.1
	Total	156	100.0

Source: Survey data, 2022

4.3.6. Descriptive Statistics Analysis for Customer Satisfaction

The dependent variable in this study was customer satisfaction. Thus, the finding is presented in table 7. As presented in table 7, 136 (87.1%) of the respondents are dissatisfied with a statement 'I feel safe and satisfied when I using the Bank service from the bank', while 18 (11.5%) satisfied. Similarly, majority 120 (76.9%) of the participants are dissatisfied with the statement 'employees of bank has been giving the bank service according to my expectations' whereas 25 (16%) are satisfied.

Regarding the tangibles, 84 (53.9%) said that they dissatisfied with appealing materials in the bank whereas 44 (28.2%) are neutral/undecided. Regarding time, the majority of respondents, 110 (70.6%), indicated they were happy with the length of time it took for the bank to deliver their services, while only 41 (26.3%) were not. The agreement of the respondent is nestled in both sides as well. The majority of respondents, 73 (46.8%), stated they were unsatisfied with the work ethic and skills of the bank's staff, while 72 (46.1%) said they were satisfied.

Generally, 84 (53.9%) are satisfied with the overall banking service at the bank and 67 (42.9%) are dissatisfied with the overall services of the targeted banks. Therefore, even if the majority percentage of respondents are somehow satisfied by the service provided by the selected banks 42.9% of the respondents are dissatisfied from this one can infer that the bank needs to work more to change this result and highly satisfy its customers.

Table 7: Descriptive analysis for Customer Satisfaction

		Frequency	Percent
I feel safe and satisfied when I use the Bank service from the bank	Extremely dissatisfied	84	53.8
	Dissatisfied	52	33.3
	Neutral	2	1.3
	Satisfied	18	11.5
	Total	156	100.0
The employees of bank have been giving the bank service according to my expectations	Extremely dissatisfied	56	35.9
	Dissatisfied	64	41.0
	Neutral	11	7.1
	Satisfied	17	10.9
	Extremely satisfied	8	5.1
	Total	156	100.0
I am satisfied associated with appealing materials in the bank	Extremely dissatisfied	21	13.5
	Dissatisfied	63	40.4
	Neutral	44	28.2
	Satisfied	23	14.7
	Extremely satisfied	5	3.2
	Total	156	100.0
I am satisfied with time it took to the delivered speed of services by the bank	Extremely dissatisfied	22	14.1
	Dissatisfied	19	12.2
	Neutral	5	3.2
	Satisfied	38	24.4
	Extremely satisfied	72	46.2
	Total	156	100.0
	Extremely dissatisfied	8	5.1
	Dissatisfied	64	41.0
	Neutral	11	7.1

I am satisfied with the workwise and the capability of the staffs at the bank	Satisfied	56	35.9
	Extremely satisfied	17	10.9
	Total	156	100.0
I am satisfied with the overall banking service at the bank	Extremely dissatisfied	44	28.2
	Dissatisfied	23	14.7
	Neutral	5	3.2
	Satisfied	63	40.4
	Extremely satisfied	21	13.5
	Total	156	100.0

Source: survey data, 2022

4.3.7. Descriptive Statistics Analysis for customer satisfaction based on gender

The dependent variable in this study was customer satisfaction. Thus, the finding is presented in table 8. Regarding reliability as presented in table 8, 84.6% of men are satisfied with a statement that providing service as promised while 78.2 % of women are satisfied. Similarly, majority 83% of female participants are satisfied with the statement that providing service at promised time while 81% of men are satisfied.

Regarding the Responsiveness, 88.4% of men said that they are satisfied with prompt service to customer while 92.4% of women are satisfied. In addition, 83.4% of women are satisfied with the statement of willingness to help customers and 74.2% of men are satisfied. Regarding assurance, about 46.6 of women and 40.6 of men are satisfied with employee who have knowledge to answer customers questions. In regards of Empathy 86.0% of men and 78% of women are satisfied with the statement of employee who understand the need of their customers. In case of tangible dimension only 7.9% of men and 7.5% of women are satisfied with statement that say employee who have neat professional appearances. Finally, the over all customer satisfaction 73.6% of men and 75.6% of women are satisfied with the statement I am satisfied with time it took to the delivered speed of service by the bank.

Table 8: Descriptive analysis for Customer Satisfaction based on gender

customer satisfaction service quality factors	*Satisfaction*	
	Male	*Female*
Service quality interms of reliability (n=156)		
Providing service as promised	84.60%	78.20%
Dependablility in handling customers service problems	62.50%	60.50%
performing services right first time	73.80%	77.40%
Providing services at the promised time	81.00%	83.00%
maintaining error-free record	78.40%	74.00%
Service quality in terms of responsiveness		
Keeping the client informed of the date and time of the service	74.00%	76.00%
prompt service to customer	88.40%	92.40%
Willingness to help customers	74.20%	83.40%
Readiness to respond to customers' request	59.50%	63.50%
Employees will instill confidence in customers	68.80%	68.40%
Service quality in terms of Assurance		
Making customers feel safe in their transactions	10.60%	10.00%
Employees who are consistently courteous	10.20%	10.40%
Employees who have the knowledge to answer customers' questions	40.60%	46.60%
Service quality in terms of Empathy		
Giving customers individual attention	48.10%	53.30%
Employees who deal with customers in a caring fashion	39.00%	34.00%
Having the customer's best interests at heart	58.60%	53.00%
Employees who understand the needs of their customers	86.00%	78.00%
Convenience business hour	61.60%	67.80%
Service.q in terms of Tangibles		
Availability of modern equipment	10.40%	15.20%
Visually appealing facilities	15.70%	8.70%
Employees who have a neat professional appearance	7.90%	7.50%
Visually appealing materials associated with the service	14.60%	9.80%
Descriptive analysis for customer satisfaction		
I feel safe and satisfied when I use the bank service from the bank	9.80%	13.40%
The employees of bank have been giving the bank service according to my expectations	15.80%	16.20%
I am satisfied associated with appealing materials in the bank	19.30%	16.60%

I am satisfied with time it takes to the delivered speed of services by the bank	73.60%	75.60%
I am satisfied with the workwise and the capability of the staff bank	50.30%	43.30%
I am satisfied with the overall banking service at the bank	54.00%	53.80%

4.3.8. Descriptive Statistics Analysis for customer satisfaction based on age

The dependent variable in this study was customer satisfaction. Thus, the finding is presented in table 9. Regarding reliability as presented in table 9, 85.5% of age b/n 46 and 55 are satisfied with a statement that providing service as promised while 78 % of age b/n 18 and 24 are satisfied. Similarly, majority 84.5% of age b/n 36 and 45 participants are satisfied with the same statement.

Regarding the Responsiveness, 93.9% of age b/n 46 and 55 said that they are satisfied with prompt service to customer while 86.4% of age b/n 18 and 24 are satisfied. Regarding assurance, about 47.1% of age b/n 46 and 55 are satisfied with employee who have knowledge to answer customers questions while 39.6% of respondents who are satisfied with this same statement are age b/n18 and 24. In regards of Empathy 85.5% of age b/n 46 and 55 are satisfied with the statement of employee who understand the need of their customers while 78 % of satisfied respondents are from age 18-24. In case of tangible dimension only 3.7% of age b/n 18 and 24 are satisfied with statement that say employee who have neat professional appearances while 11.2% of age b/n 46 and 55 are satisfied with this same statement. Finally, the overall customer satisfaction 78.1% of age b/n 46 and 55 are satisfied with the statement I am satisfied with time it took to the delivered speed of service by the bank while 70.6% of respondents with the age b/n 18 and 24 are satisfied with this statement.

Table 9: Descriptive analysis for Customer Satisfaction based on age

customer satisfaction service quality factors	Satisfaction			
	18-24 years	25-35 Years	36-45 years	46-55 Years
Service quality interms of reliability				
Providing service as promised	77.40%	79.40%	83.90%	84.90%
Dependablility in handling customers service problems	57.50%	59.50%	64.00%	65.00%
performing services right first time	71.60%	73.60%	78.10%	79.10%
Providing services at the promised time	78.00%	80.00%	84.50%	85.50%
maintaining error-free record	72.20%	74.20%	78.70%	79.70%
Service quality interms of responsiveness				
Keeping the client informed of the date and time of the service	71.00%	73.00%	77.50%	78.50%
prompt service to customer	86.40%	88.40%	92.90%	93.90%
Willingness to help customers	74.80%	76.80%	81.30%	82.30%
Readiness to respond to customers' request	57.50%	59.50%	64.00%	65.00%
Employees will instill confidence in customers	64.60%	66.60%	71.10%	72.10%
Service quality interms of Assurance				
Making customers feel safe in their transactions	6.30%	8.30%	12.80%	13.80%
Employees who are consistently courteous	6.30%	8.30%	12.80%	13.80%
Employees who have the knowledge to answer customers' questions	39.60%	41.60%	46.10%	47.10%
Service quality interms of Empathy				
Giving customers individual attention	46.70%	48.70%	53.20%	54.20%
Employees who deal with customers in a caring fashion	32.50%	34.50%	39.00%	40.00%
Having the customer's best interests at heart	51.80%	53.80%	58.30%	59.30%
Employees who understand the needs of their customers	78.00%	80.00%	84.50%	85.50%
Conveinence business hour	60.70%	62.70%	67.20%	68.20%
Service.q interms of Tangibles				
Availability of modern equipment	8.80%	10.80%	15.30%	16.30%
Visually appealing facilities	8.20%	10.20%	14.70%	15.70%
Employees who have a neat professional appearance	3.70%	5.70%	10.20%	11.20%
Visually appealing materials associated with the service	8.20%	10.20%	14.70%	15.70%
Descriptive analysis for customer satisfaction				
I feel safe and satisfied when I use the bank service from the bank	7.60%	9.60%	14.10%	15.10%
The employees of bank have been giving the bank service according to	12.00%	14.00%	18.50%	19.50%
I am satisfied associated with appealing materials in the bank	13.95%	15.95%	20.45%	21.45%
I am satisfied with time it took to the delivered speed of services by th	70.60%	72.60%	77.10%	78.10%
I am satisfied with the workwise and the capability of the staff bank	42.80%	44.80%	49.30%	50.30%
I am satisfied with the overall banking service at the bank	49.90%	51.90%	56.40%	57.40%

4.4. Relationship between Service Quality and Customer Satisfaction

The Pearson correlation coefficient (r) gauges how strongly two variables are related. Theoretically, there could be a perfect positive correlation between variables which is represented by 1.0 (plus1), or a perfect negative correlation which would -1.0 (minus 1) while correlation ranges between -1.0 and +1.0 as per Marczyk, et al., (2005).

Correlation analysis shows the relationship between the two variables to know how strong the relationship is, in what direction the relationship goes. General guidelines of correlations of .01 to .30 are considered small, correlations of .30 to .70 are considered moderate, correlations of .70 to .90 are considered large, and correlations of .90 to 1.00 are considered very large. According to Franzblau (1985), the correlation coefficient can be interpreted as follows: -

Table 10: Pearson Product Moment Correlation Result

		Tang	Reliab	Respon	Assur	Emp
Satisfaction	Pearson Correlation	.018	.431**	.493**	.176*	.082
	Sig. (2-tailed)	.826	.000	.000	.028	.308
	N	156	156	156	156	156

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

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

As can be seen from Table 10 there was a significant positive correlation between three independent variables (responsiveness, reliability, and assurance) and the dependent variable (customer satisfaction). The variable with highest correlation is responsiveness with correlation coefficient of 0.493 and sig (.000) and the second variable are reliability with.

correlation coefficient of 0.431 and sig (.000). The least one is assurance with correlation (0.176**) and sig (<0.05). The rest two variables, tangibles, empathy are found to be dimensions of service quality with no relationship with customer satisfaction.

4.5. Impact of Service Quality on Customer Satisfaction

Regression analysis is a statistical measurement used for estimating the relationships among variables. It enables to determine the strength of the relationship between variables and the predictive power of the independent variables on the dependent variable. In short, regression helps a researcher understand to what extent the change of the value of the dependent variable causes the change in the value of the independent variables, while other independent variables are held unchanged. Regression analysis is a way of statistically sorting out the variables that have indeed an impact. While there are many types of regression analysis, at their core they all examine the influence of one or more independent variables on a dependent variable. The following part presents the multiple linear regression analysis result.

1. **Linearity Test**

The linearity of associations between the dependent and independent variables can be tested by looking at the P-P plot for the model. The closer the dots lie to the diagonal line, the closer to normal the residuals are distributed. As depicted in the below graph, the visual inspections of the p-p plot revealed that there exists linear relationship between the dependent and independent variables.

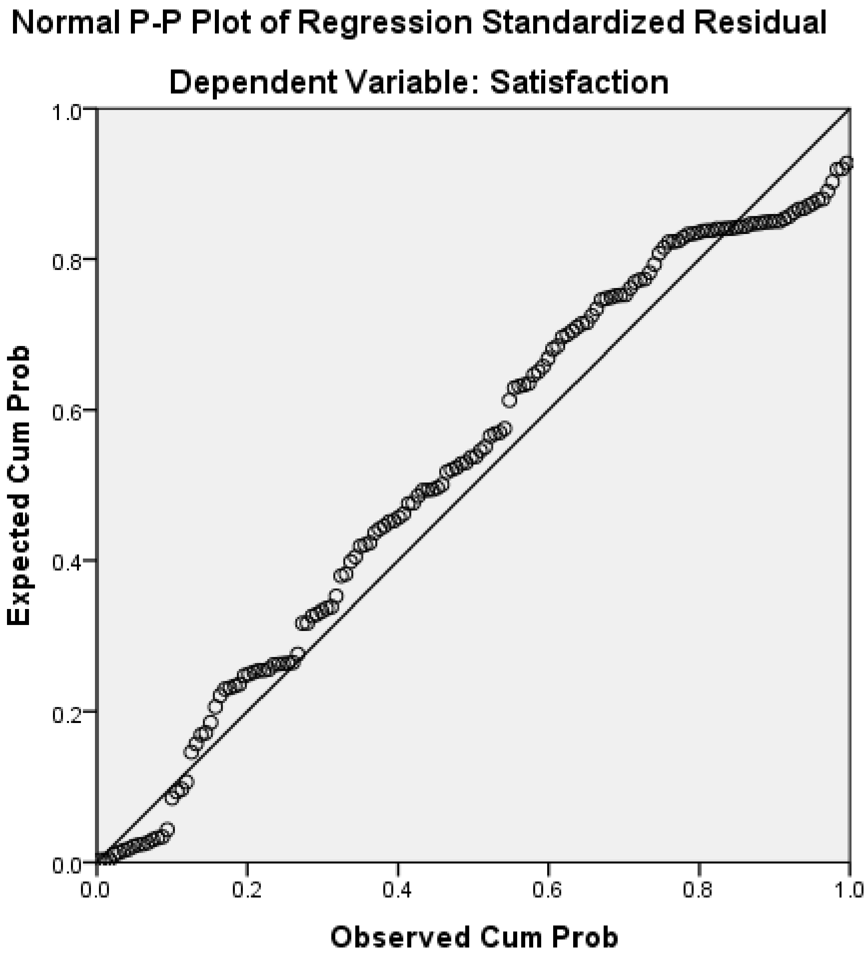

Figure 2: P-P Plot of Regression Standardized Residual

2. **Homoscedasticity Test**

The assumption of homoscedasticity refers to equal variance of errors across all levels of the independent variables (Osborne & Waters, 2002). This implies it requires even distribution of residual terms or homogeneity of error terms throughout the data. Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value (Osborne & Waters, 2002). If the error terms are distributed randomly with no certain pattern, the problem is not detrimental for analysis. The scatterplot in Fig 3 shows that the standardized residuals in this research are distributed evenly which shows that no violation of homoscedasticity.

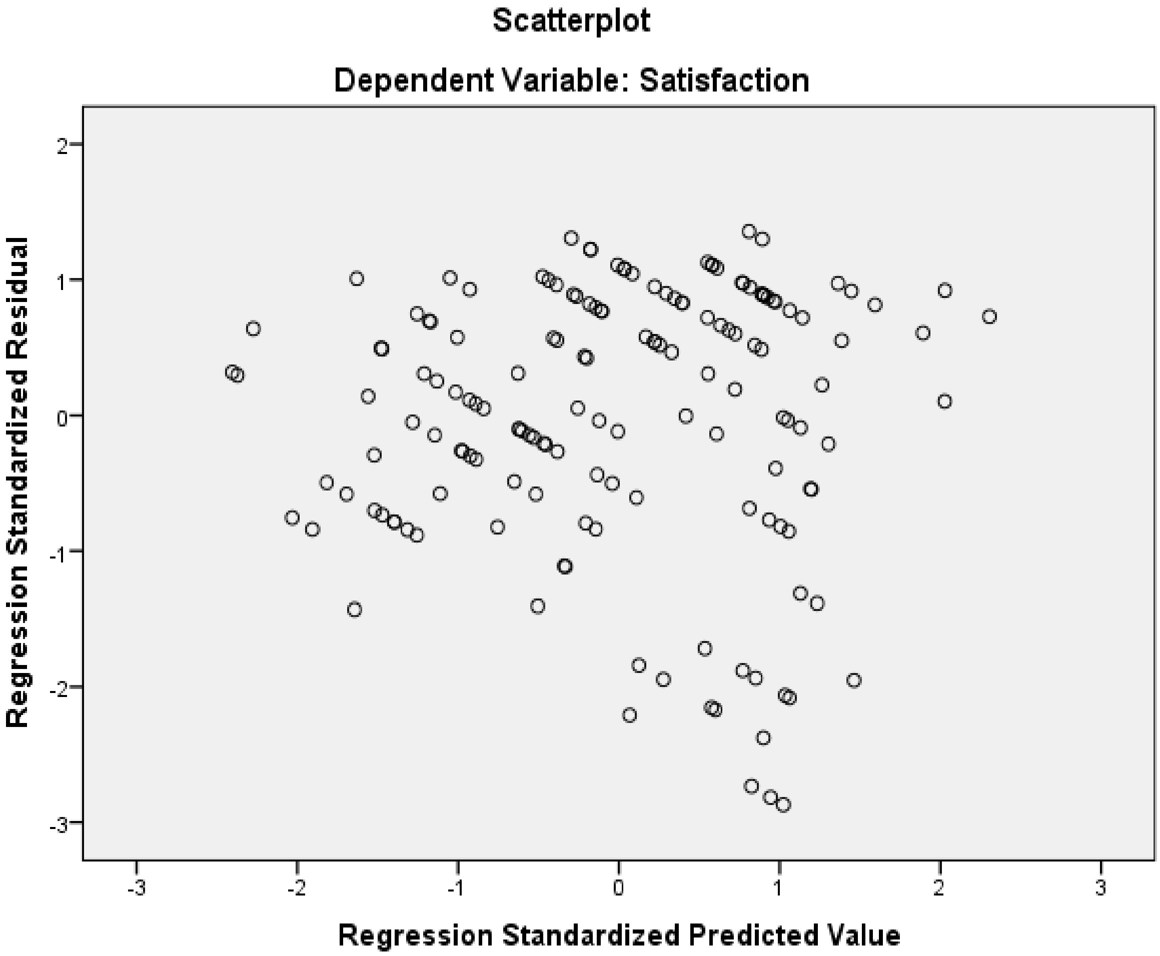

Figure 3: Scatterplot of Standardized Residuals

3. Auto Correlation (Durbin Watson Test)

Autocorrelation or independence of errors refers to the assumption that errors are independent of one another, implying that subjects are responding independently (Stevens, 2009). Durbin-Watson statistic can be used to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For this assumption to be met, the Durbin-Watson value needs to be close to 2 (Field, 2006). Values below 1 and above 3 are problematic and causes for concern. To check this assumption, we need to look at the Model Summary box presented below (Table 11).

Table 11: Auto Correlation test using Durbin Watson statistics

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	**Durbin-Watson**
1	.583[a]	.340	.318	.48739	**2.370**

a. Predictors: (Constant), Empathy, Assurance, Tangibles, Responsiveness, Reliability

b. Dependent Variable: Satisfaction

Table 11 above reveals that errors are responding independently, and autocorrelation is not a concern with Durbin-Watson value of 2.37. Therefore, it is possible to say the auto-correlation test has been met.

4. **Normality Test**

Multiple regressions require the independent variables to be normally distributed. This means that errors are normally distributed, and that a plot of the values of the residuals will approximate a normal curve (Keith, 2006).

Frequency distribution comes in many different shapes and sizes. Therefore, it is quite important, to have some general description for common types of distributions. In an ideal world our data would be distributed symmetrically around the center of all scores. As such, if we draw a vertical line through the center of the distribution then it should look the same on both sides. This is known as a normal distribution and is characterized by bell-shaped curve. This shape basically implies that the majority of scores lie around the center of the distribution (Field, 2006). The normal distribution graph was shown on Fig 4 below and revealed that the assumption of normality of has been met.

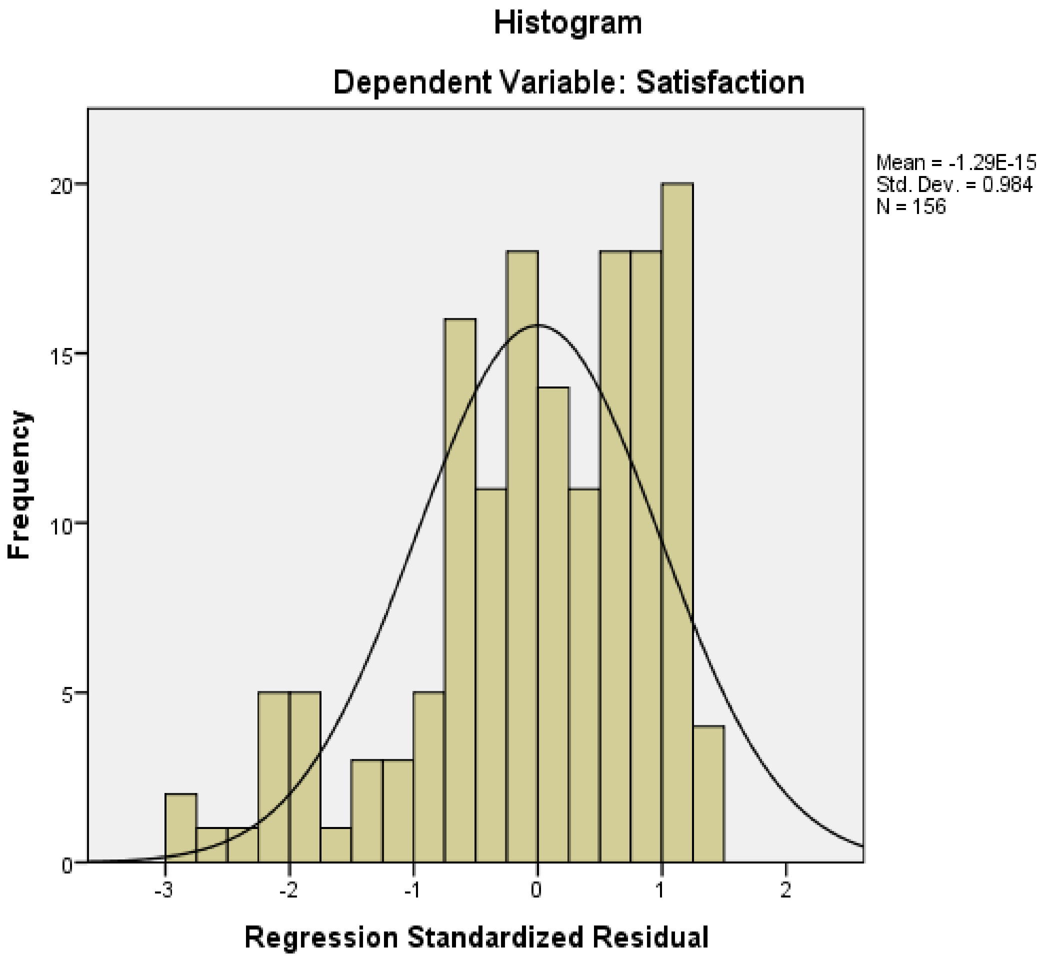

Figure 4: Normality Test

5. Multi-collinearity Analysis

Before running regression, one should check for the problem of multi-collinearity which is present if there is high correlation between some of the independent variables. The study checks this with the variance Inflation Factor (VIF) which calculates the influence of correlation among the independent variables on the precision of regression estimates.

The VIF should not exceed 10. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variable in the model and is calculated using the formula $1-R^2$ for each variable. If this value is less than 0.1 it indicates that there is possibility of multi-collinearity, but if it is greater than 0.1 it means that there is no multi-collinearity problem with in the model.

Table 12: Multi-collinearity Analysis

Model		Sig.	Correlations			**Collinearity Statistics**	
			Zero-order	Partial	Part	**Tolerance**	**VIF**
1	(Constant)	.473					
	Tangibles	.166	.018	.113	.092	**.951**	**1.051**
	Reliability	.001	.431	.266	.224	**.652**	**1.534**
	Responsiveness	.000	.493	.414	.369	**.692**	**1.444**
	Assurance	.012	-.068	.204	.169	**.802**	**1.246**
	Empathy	.035	.082	.171	.141	**.896**	**1.116**

a. Dependent Variable: Satisfaction

Source: Survey data, 2022

It assumes that predictors are not highly correlated with each other. Based on this assumption, it is tested using Variance Inflation Factor (VIF) statistic. As shown on table 12 above, all tolerance levels are above 0.1 (Menard, 1995), and VIF is below 10 (Myers, 1990) proving that multi co linearity does not exist.

Regression Analysis

In order to answer the question to what degree different dimensions of service quality can predict perceived customer satisfaction; Multiple Regression Analysis (MRA) was used. Kerlinger and Lee (2000) opined that regression analysis is a statistical method that relates one dependent variable to a linear combination of one or more independent variables. Regression identifies how much each independent variable has impact on dependent variable. For each service quality dimensions, separate data were regressed.

The following section discusses the result of the regression analysis in order to show the magnitude of effect of service quality dimensions on customer satisfaction. Multiple regression analysis calculates multiple correlation coefficients and R^2 (the proportion of variance in dependent variables explained by the independent variable). The contribution of independent variables towards dependent variables is also measured by the Beta value and can be explained on the basis of p or t value.

Primarily, the fitness of the model was checked as shown in the next section. As shown in the ANOVA table below (table 13), the F value is found to be 15.42 (p=.000). This can be interpreted as the relationship between service quality dimensions and customer satisfaction is significant. This implies that the independent variables in the model can predict the dependent variable reliably.

Table 8: ANOVA table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.321	5	3.664	15.425	.000[b]
	Residual	35.632	150	.238		
	Total	53.954	155			

a. Dependent Variable: Satisfaction

b. Predictors: (Constant), Empathy, Assurance, Tangibles, Responsiveness, Reliability

Table 14 shows that the cumulative correlation coefficient of the independent variables with the customer satisfaction is found to be 0.583. All independent variables empathy, assurance, tangibles, responsiveness and reliability accounted for 34% of the contribution to customer satisfaction (R^2=0.34). Thus, 34% of the variation in customer satisfaction can be explained by the five different service quality dimensions. This indicates that independent or predictor variables jointly explained 76.4% variance in dependent variable.

Table 14: Model Summary Table

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.583[a]	.340	.318	.48739	2.370

a. Predictors: (Constant), Empathy, Assurance, Tangibles, Responsiveness, Reliability

b. Dependent Variable: Satisfaction

Table 15 reveals the result of multiple regression analysis between dependent variable (customer satisfaction) and independent variables (empathy, assurance, tangibles, responsiveness and reliability).

Among the five independent variables, multiple regression analysis revealed that four of the tested variables are significantly contributing towards customer satisfaction, by the p-value ($p<0.05$). The nature of relationship was positive for all the independent variables. As the depicted in the coefficient table, responsiveness has the highest standardized regression coefficient and the lowest significance ($\beta=0.44$, $p=0.000$). That means responsiveness is the most important predicator of customer satisfaction in the target banks followed by reliability ($\beta=0.278$, $p<0.05$). Assurance ($\beta=0.189$, $p<0.05$), and empathy ($\beta=0.149$, $p<0.05$) were the least variables that have influence over customer satisfaction in the selected commercial banks in Ethiopia. Tangibles is not found to be insignificant predictor of customer satisfaction with a p value of >0.05.

Table15: Coefficient table

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	-.402	.560		-.719	.473
	Tangibles	.056	.040	.095	1.392	.166
	Reliability	.265	.079	.278	3.379	.001
	Responsiveness	.628	.113	.444	5.568	.000
	Assurance	.150	.059	.189	2.552	.012
	Empathy	.132	.062	.149	2.131	.035

Dependent Variable: Satisfaction

Customer Satisfaction Based on Gender

Table 16: ANOVA table for customer satisfaction based on gender

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	3.02E-06	1	3.02E-06	3.68E-05	0.995181	4.019541
Within Groups	4.427017	54	0.081982			
Total	4.42702	55				

a. Dependent Variable: Satisfaction

Predictors: (Constant), Gender, Empathy, Assurance, Tangibles, Responsiveness, Reliability

Table 16 shows, the fitness of the model was checked as shown in the above table section. As shown in the ANOVA table above (table 16), the F value is found to be 3.68E-05 (p=0.995181). This can be interpreted as the relationship between service quality dimensions and customer satisfaction based on gender is insignificant. This implies that the independent of gender variation variables in the model cannot predict the dependent variable reliably.

Customer Satisfaction Based on Age

Table 17 ANOVA table for customer satisfaction based on Age

ANOVA						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.1078	3	0.035933	0.441264	0.723962	2.688691
Within Groups	8.794739	108	0.081433			
Total	8.902539	111				

a. Dependent Variable: Satisfaction

b. Predictors: (Constant), Age, Empathy, Assurance, Tangibles, Responsiveness, Reliability

Table 17 shows, the fitness of the model was checked as shown in the above table section. As shown in the ANOVA table above (table 17), the F value is found to be 0.441264 (p=0.723962). This can be interpreted as the relationship between service quality dimensions and customer satisfaction based on age is insignificant. This implies that the independent gender variation variables in the model cannot predict the dependent variable reliably.

4.6. Discussion

In this section, the findings of the study are discussed by comparing with previous studies.

4.6.1. Responsiveness and Customer Satisfaction

From the regression coefficient analysis in table 15, we can see that the P value of responsiveness is ≤ 0.05 and also the coefficient of responsiveness indicates that there is positive relationship between responsiveness and customer satisfaction. The coefficient of responsiveness is 0.628. This implies that other tinges remain constant the average increase of responsiveness will lead to an increase the satisfaction of the consumer by 62.8%. Thus, from the results it can be conclude that responsiveness has significant effect on customer satisfaction in the selected commercial banks in Ethiopia. This result is consistent with the study of Sinafkesh (2020) and Bahia & Nantel, (2014), and they found out that responsiveness was as an important factor to the bank to establishing good relationships with customers. Therefore, the more the bank invests on enhancing its employee's ability to help customers and be responsive to customer's enquiry, the more the customer is satisfied too.

Additionally, businesses who place a high value on efficiency pay attention to the services they offer and take advantage of this advantage to fend off competition (Karim & Chowdhury, 2014). Customers of banks seek out institutions that will voluntarily assist them in their financial needs. When a service provider is ready to help its clients when needed, customer satisfaction can be attained in the banking industry. According to Akbar and Parvez (2009), "responsiveness is positively associated to customer happiness, and satisfied customers can suggest others." Keeping customers informed about when services will be provided, providing prompt service to customers, being willing to assist customers, and being prepared to respond to customers' requests are important aspects of responsiveness.

4.6.2. Reliability and Customer Satisfaction

Doing what you said you would do and doing it correctly the first time is a fantastic strategy to win over clients. This will increase client happiness and, as a result, business. According to research, failure to deliver is one of the key reasons for account abandonment and is the component that customers value most (Messay, 2012). Since the P value is less than 0.05 and there is a positive correlation between reliability and customer happiness, it is clear from table 15 above that dependability has a significant impact on customer satisfaction. The dependability coefficient is 0.265. This implies that other tinges remain constant the average increase of reliability will lead to an increase the satisfaction of the consumer by 26.5%. Thus, from the results it can be conclude that reliability has significant effect on customer satisfaction. This result similar with the finding of the previous studies of Sinafkesh (2020); Timothy (2012) and Mary (2015), that were conducted in Ethiopia, Nigeria and Kenya and they provide the evidence that reliability has effect on the customer satisfaction by the bank service.

Reliability is acknowledged as being a very crucial attribute, particularly in the financial sector (Ghost & Gnanadhas, 2011). The key to enhancing service quality is reliability improvements. This is so that customers can tell that a company cares less about them when they are unreliable. Customers could develop a poor opinion of the business and quickly migrate to a competitor (Sakhaei et al., 2014). In order to maximize client satisfaction, the bank should invest more in improving its capacity to provide the promised service dependably and accurately.

4.6.3 Assurance and Customer Satisfaction

Customer satisfaction and assurance have a positive and statistically significant link, according to the regression analysis on table 15 above. since the P value of assurance is ≤ 0.05. The coefficient of assurance is 0.150. This implies that other tinges remain constant the average increase of assurance will lead to an increase the satisfaction of the consumer by 15%. Thus, from the results it can be conclude that assurance has significant effect on customer satisfaction. This result is similar with the finding of Sinafkesh (2020) and Abrham, (2015), that examined the effects of service quality on customer satisfaction in Ethiopia and they conclude that assurance has effect on the customer satisfaction. Therefore, the more the bank invests on enhancing its employee's knowledge, skill and on their ability to instill confidence to serve customers, the more the customer is satisfied.

4.6.4 Empathy and Customer Satisfaction

Regarding the regression result of empathy indicated on the above table 15 there is a positive and statistically significant relationship between empathy and customer satisfaction since, the P value of empathy is ≤ 0.05. When we see the coefficient of empathy is 0.132. This indicates that if other tinges remain constant the average increase of empathy will lead to an increase the satisfaction of the consumer by 13.2%. Thus, from the results it can be conclude that empathy has significant effect on customer satisfaction. This study result was similar with the finding of the previous researcher such that Sinafkesh (2020); Timothy (2012), Mary (2015), Bahia & Nantel, (2014) and Akalu, (2015), that were conducted in different parts of Africa to investigate how service quality affects customer contentment, and they came to the conclusion that empathy was one of the determining factors on the company's customer satisfaction.

This result confirmed that the empathy component reflects interactions between employees and clients (Armstrong, 2012). Customers of services have expectations about how the service provider should comprehend and care about their unique needs and wishes. As a service provider, attempting to comprehend the circumstance from the client's point of view provides a clearer understanding of what is taking place (Toosi & Kohonali, 2011). In the banking sector, demonstrating understanding and knowledge to address customers' issues are crucial. Giving clients personalized service, having staff members interact with customers in a caring way, and having staff members who comprehend their customers' requirements are among the essential components of empathy (Armstrong, 2012). Therefore, the more the bank gives care and individualized attention to customers, the more the customer is satisfied.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1. Summary of Findings

This research paper is conducted to research how customer happiness is affected by service quality in a few Ethiopian commercial banks. The SERVQUAL model's 22 service quality items and six customer satisfaction items are used to examine the connection between the service quality dimensions and satisfaction. The data obtained from the respondents was analyzed using various descriptive and inferential statistical tools.

We found that on the test of impact of demography gender and age have no significant impacts on the selected dimensions relating to customer satisfaction we found that there is no significant variability of response between gender and age variation.

The descriptive analysis shows that customers were satisfied with three of service quality dimensions, responsiveness, reliability and empathy. On the other hand, tangibles dimension of service quality was considered as poor and respondents were moderately satisfied with assurance dimension in the selected commercial banks in Ethiopia.

The finding from the correlation result reveals that there is a positive and significant relationship between the responsiveness, reliability and assurance service quality dimensions and customer satisfaction. Responsiveness is found to have the highest correlation with customer satisfaction followed by reliability and assurance. On the other hand, tangibles and empathy are not found to have a relationship with customer satisfaction.

In addition, the finding from the regression result indicates that responsiveness, reliability, assurance and empathy service quality dimensions have a positive impact on customer satisfaction and responsiveness is the dominant service quality dimension which affects customer satisfaction. From the R square value, it is depicted that 34% of variation in customer satisfaction is explained by the service quality dimensions.

5.2. Conclusion

This study's primary objective was to determine how different service quality variables affected customer satisfaction in a sample of Ethiopian commercial banks. The ability to deliver service as promised has a positive effect on customer satisfaction. The finding shows that the banks are providing the service as promised. Respondents were satisfied with dependability in handling customers' service problems, the performing services right first time, and the error-free recording of the banks.

Similarly, the study found that majority of the respondents are satisfied with responsiveness of the banks. Most of the respondents were satisfied with the way their banks Customers will feel more confident if employees keep them informed about when services will be performed, banks provide prompt service, and employees are willing to assist customers and are prepared to handle their requests. Regarding assurance dimension of service quality, the study found that customers are dissatisfied with the dimension. Therefore, it can be concluded that banks are poor in making customers feel safe in their transactions, consistently courteousness of employees, and employee's knowledge to answer customer's disputes.

The study also found that customers are satisfied with some attributes and dissatisfied with some. Customers were agreed that employees give customers individual attention, having the customer's best interests at heart, employees understanding of the needs of their customers and their banks are using is convenience. On the other hand, customers were disagreed with employees deal with customers in a caring fashion. Tangibility of the bank's services were poor, as the study revealed. The staffs were not good in dressing well and appear net, modern equipment; and visually appealing facilities.

Because as it can be seen from the correlation analysis done, it is evident that all the five service quality dimensions have positive relationship with customer satisfaction while only three, responsiveness, reliability and assurance have significant correlation with customers satisfaction.

Finally, the finding has shown that responsiveness, reliability, assurance and empathy are found to be the significant predictors of customer satisfaction whereas tangibles is not considered as a significant factor for customer satisfaction. Thus, it can be concluded that as these attributes increases from the bank, customer satisfaction also increases.

5.3. Recommendations

Following are some recommendations that are forwarded to various stakeholders based on the study's findings and conclusions.

- The satisfaction level result showed that only half of the respondents (53.9%) are satisfied and 42.9% of the respondents are dissatisfied with the service provided by the targeted banks. Therefore, the banks should exert their maximum effort to improve their customer’s satisfaction.
- As the service quality dimensions represent 34% of the variation in customer satisfaction the banks should work on all the service quality dimensions to improve and maintain their customer satisfaction.
- In this study responsiveness is the dominant service quality dimension which has a highest positive correlation with customer satisfaction therefore the banks should work on the indicators of this dimension. For instance, the banks should invest on trainings to enhance its employee’s responsiveness. The banks should also set mechanisms to measure the performance of its employees in respect to their responsiveness. This can help managers to take measurement on their employees.
- One of the most significant variables impacting customer happiness is the reliability dimension. Thus, the targeted banks should work to improve their reliability by keeping promise, handling customers’ service problems, performing services right first time and maintain error-free record.
- The finding shows that tangible dimension of the service quality is found to be poor. Therefore, the banks should work to improve the physical appearance of the banks to make the setting convenience and attract their customers.

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APPENDIX

Appendix I: Questionnaire for customers

Questionnaire for customers

The objective of the study is to measure the effect of service delivery on customer satisfaction in selective commercial banks in Addis Ababa. The researcher assures you that the information you provide will be used only for academic research purpose and anonymity of the respondent will be maintained throughout the research process. The answers to the questions will be treated strictly confidential. Do not provide your name. Please complete the questions honestly.

Thank you in advance!

I. Profiles of respondents

1. Bank's Name___________________
2. Branch name_____________________
3. Sex A. Male ☐ B. Female ☐
4. Age________________
5. What is your educational qualification?

   A. Illiterate ☐ B. Elementary school ☐ C. High school ☐

   D. Diploma ☐ E. First degree ☐ F. Master's Degree ☐

   F. Others (please specify) _______________

6. Marital Status

   A. Married ☐ B. Single ☐ C. Widowed ☐ D. Divorced ☐

7. Profession

   A. Govt. Employee ☐ B. Private Employee ☐ C. Business ☐

   D. Self-Employee ☐ E. Student ☐ Others (please specify) ____________

8. How much is your monthly income? _______________________
9. Status of usage____________________________

II. Services Quality

This section is intended to know the respondents' perception of the perceived level of service and products delivered by the bank. At what level you're satisfied with the following service quality dimensions of the bank? Please tick (√) at any option that represents your answer.

1 = Extremely Dissatisfied, 2 = Dissatisfied, 3 = neutral, 4 = satisfied, 5 = extremely satisfied,

No	Service Quality	1	2	3	4	5
	Reliability					
1.	Providing service as promised					

2.	Dependability in handling customers' service problems					
3.	Performing services right first time					
4.	Providing services at the promised time					
5.	Maintaining error-free record					
	Responsiveness					
1.	Keeping customer informed as to when service will be performed					
2.	Prompt service to customers					
3	Willingness to help customers					
4.	Readiness to respond to customers' requests					
5.	Employees will instill confidence in customers					
	Assurance					
1.	Making customers feel safe in their transactions					
2.	Employees who are consistently courteous					
3.	Employees who have the knowledge to answer customers' questions					
	Empathy					
1.	Giving customers individual attention					
2.	Employees who deal with customers in a caring fashion					
3.	Having the customer's best interests at heart					
4.	Employees who understand the needs of their customers					

5.	Convenience business hour					
	Tangibles					
1.	Availability of Modern equipment					
2.	Visually appealing facilities					
3.	Employees who have a neat, professional appearance					
4.	Visually appealing materials associated with the service					

Part III - Overall Customer Satisfaction questions

SN	**Satisfaction Indicators**	**Level of agreement**				
		1	**2**	**3**	**4**	**5**
1	I feel safe and satisfied when I using the Bank service from the bank					
2	The employees of bank have been giving the bank service according to my expectations					
3	I am satisfied associated with appealing materials in the bank					

4	I am satisfied with time it took to the delivered speed of services by the bank					
5	I am satisfied with the workwise and the capability of the staffs at the bank					
6	I am satisfied with the overall banking service at the bank					