

Service Quality in Ethiopian Banking Industry (The case of Zemen Bank S.C.)

**Thesis Submitted to the School of Commerce Department of
Marketing Management, Addis Ababa University in partial
fulfillment of the requirements for the Award of Degree of
Master of Arts in Marketing Management.**

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**June, 2014
Addis Ababa, Ethiopia**

Addis Ababa University School of commerce
MBA Program
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ACKNOWLEDGEMENTS

First of all I would like to Thank the almighty God who gave the strength, patience Guidance in my life. Next my most sincere and deepest thanks goes to, my advisor Ato Teklegiorgis Assefa (Asst. Prof), for his unreserved and timely support in checking and giving constructive Suggestion. Finally I would like to thank my family and my husband for giving me support and encouragement throughout the school year.

ABSTRACT

Consumers all over the world have become more quality conscious; hence there has been an increased customer demand for higher quality service. The general objective of this study is to assess the level of service quality delivery at Zemen Bank. The focus was on the main branch of Zemen Bank located in the Addis Ababa Metropolis. The outcome of this study will enhance the Bank's competitive position in the banking industry and ensure its survival. Convenient sampling technique was employed in the study with Statistical Package for Social Scientist (SPSS) used in the analysis. The expectations and perceptions of Zemen Bank customers were assessed under the five dimensions of SERVQUAL. It was found that all the five dimensions contributed to quality of service delivery in Zemen Bank. Comparison between the customer responses and service delivery revealed the need for Zemen bank management to work towards enhancing customer relationship management. It can be concluded from the analysis that customers were moderately satisfied with service delivery of Zemen Bank, however, the bank should work towards enhancing its service delivery in areas with a negative gap score. To ensure customer retention and improve on competitiveness, Zemen Bank should regularly assess its service delivery.

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Acronyms

NBE: National Bank of Ethiopia

SERVQUAL: Service Quality Measurement Tool

CHAPTER ONE

INTRODUCTION

This chapter introduces the phenomenon under study. It consists of the background of the study, a brief historical review of banking in Ethiopia, problem statement, objectives of the researcher in carrying out the study and the importance of the study to the organization in which the study is conducted. The chapter finally outlines the structure of the thesis.

1.1. Background to the Study

Banking occupies one of the most important positions in the modern economic world. It is essential for trade and industry which makes it one of the greatest agencies of commerce. Although banking in one form or another has been in existence from very early times, modern banking is of recent phenomena. Its presence is very helpful to the economic activity and industrial progress of any country.

Service quality has been recognized as a key strategic issue for organizations operating in service sectors. Organizations achieving higher levels of service quality have high levels of customer satisfaction, an antecedent of sustainable competitive advantage (Lewis 1991). The importance of service quality in contributing to the development of banking relationships is well acknowledged within the relationship banking literature (Chaston, 2000).

As Harvir, Morris and Basu (2001) stated service-oriented economy requires organizations to attract and retain customers to ensure a sustainable competitive advantage. To achieve this objective, service providers must give due consideration on developing and sustaining an organizational culture that emphasizes internal customer well-being as a means to attract and retain external customer patronage.

Quality is sought by all organizations especially in the service sector. This is particularly true in the banking industry. Service quality is now a critical success factor that affects an organization's competitiveness and profitability. Furthermore, service quality is considered

as an essential determinant that allows an organization to differentiate itself from the competition and therefore gain a sustainable competitive advantage.

According to Saravan and Rao (2007), service quality remains critical in the service industries, as businesses strive to maintain a competitive advantage in the marketplace and achieving customer satisfaction. The financial services, particularly banks, compete in the marketplace with generally undifferentiated products; therefore service quality becomes a primary competitive weapon (Stafford, 1996). Literature has proven that providing quality service delivery to customers retains them, attracts new ones, enhances corporate image, lead to positive referral by word of mouth, and above all guarantees survival and profitability (Negi, 2009; Ladhari, 2008).

High patronage of services depends on the satisfaction customers derived from a service. Sales are directly related to customer satisfaction; sales increase requires improvement in the quality of service delivery to encourage continuous patronage. Generally, it is believed that services which continuously and consistently delight customers make them happy and satisfied. In such situation, they become loyal customers and will continue to demand the service which in turn will result in profit and growth of an organization. As a consequence, there is a shift in quality focus from the original producers' point of view, which goes under different names such as service-based quality, objective and subjective quality, and operations management quality towards the customers' base quality, recognizing quality as a subjective matter. Subjective quality has received much preference and attention, especially in free-market economies, so as to win customers.

Consumers all over the world have become more quality conscious; hence there has been an increased customer demand for higher quality service. Service operations worldwide are affected by this new wave of quality awareness and emphasis (Lee 2004). Therefore service-based companies like banks are compelled to provide excellent services to their customers in order to have sustainable competitive advantage, especially in the current trend of trade liberalization and globalization.

Despite the criticality of service quality to businesses, measuring service quality poses difficulties to service providers, because of the unique characteristics of services: intangibility, heterogeneity, inseparability and Perishability (Douglas & Connor, 2003). In view of this, services require a distinct framework for quality explication and measurement. Among the prominent frameworks, SERVQUAL model developed by Parasuraman et al. (1985; 1988) is most preferred and widely used model for measuring service quality in the service industry.

This study focuses on Service Quality and customer satisfaction because finance plays a key role for the economic development of any country and it's known that Ethiopia economy is growing in an increasing rate, thus it is important to study the banking industry. The study has taken the case of Zemen Bank, the bank is a pioneer in introducing innovative banking products which are tailored to the needs of customer and the bank also prides itself in being superior in its service of excellence. The bank has a different business strategy than other Banks.

The Bank was chosen for the purpose of this study not because of its different business strategy but because what differentiates the bank is its excellence in customer service and being customer focused. Most of the banks operating in Ethiopia give similar service which is characterized as poor by most customers. And after Zemen Bank started its operations other banks have tried to copy the Bank in areas of customer service and also adjusted their operating hour. Thus the bank has awakened the banking industry. Thus, the researcher decided to study the Bank because the bank is a step ahead from other banks in service quality and other banks can benchmark from the results of study.

1.2. A brief History of Banking in Ethiopia

In Ethiopia, modern banking services was started in 1905 with the entry of Foreign- owned Bank of Abyssinia, which based on 50 years franchise agreement with the Anglo-Egyptian National Bank. The agreement was signed between Menelik II and Mr. D. Mac Gilliuray, the representative of the National Bank of Egypt and the bank started its operation in Feb. 16, 1905. The major terms of the agreement include the fixed capital of the bank was to be half million pounds sterling of which 20 percent was subscribed and the balance was collected by selling shares in the large cities like London, Paris and New York; the sole

right of issuing bank notes and mining coins was given to the bank; and all government and public funds were to be deposited with the bank and all payments were to be made by checks. It opened branch offices in some part of the country like Dire Dawa, Gore and Dessie and involved in limited activities such as keeping government accounts and export financing. Moreover, two other foreign banks named societenaionalel’Ethiope Pour le Development l’Agriculture et du Commerce, and Banque de l’ Indochine and the Compagnie de l’ AfriqueOreintale) were established in 1908 and1915, respectively. Since all of these banks were wholly foreign owned, they were criticized and as a result the Bank of Abyssinia was purchased by the Ethiopian government in 1931, which was re-named as the Bank of Ethiopia- the first nationally owned bank on the African continent (NBE, 1999 and Alemayehu, 1999).

Foreign banking activities particularly that of Italian banks were expanded during the five years of the Italian occupation. Year of establishment (European year), name of bank and number of their branches are given in table 1.1 below

Table1.1: Foreign Banks Operating in Ethiopia during the Italian Occupation

Year of Establishment (European Year)	Name of Bank	Number of Branches
1914	Banco di Italia	9
1914	Banco di Roma	18
1939	Banco di Napoli	4
1939	BancoNacionale (De’svoro)	4
1939	Casa de Creito...	1
1939	SocieteNacionale di Ethiopia	4
Total		37

Source: Alemayehu 1999

After the Italian occupation of 1933-1941, banks of British became active participants in the Ethiopian banking sector due to political reasons and hence Barclay’s bank had been established and was in operation in the country from 1941-43 (Alemayehu, 1999).

In 1963, Monetary and Banking Proclamation No. 206 was introduced in the financial sector of the country. The basic idea of this proclamation is that a license to carry on banking business in Ethiopia was granted only to partnerships with Ethiopian nationality(s) with at least the Ethiopian nationals have owned 51% of the capital. Accordingly, foreign banks, which had already started their operations in the country re-applied for license (NBE, 1999).

Following the emergence of military government in 1974, however, all foreign banks operating in the country in the form of partnership were nationalized and re-organized and thereby the following financial institutions were created one national bank (re-institutionalized in 1976), two specialized banks (the Agricultural and Industrial Bank and Housing and Saving Bank), which currently re-named as the Development Bank of Ethiopia (DBE) and the Construction and Business Bank (CBB), respectively, Ethiopian Insurance Corporation and the Pension and Social security Authority (Berhenu and Befakedu (1999/2000).

Since economic reform of 1992 under the new government, these financial institutions have been re-organized so as to operate based on market-oriented policy framework. Moreover, new Ethiopian private-owned financial institutions are allowed to participate in the country's financial sector.

Following the demise of the Dereg regime in 1991 Monetary and Banking proclamation of 1994 established the national bank of Ethiopia as a judicial entity, separated from the government and outlined its main function. Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector. Currently there are 3 government owned; Commercial bank of Ethiopia, Development Bank of Ethiopia, and Construction and Business Bank and 16 Private Banks; Awash International Bank, Abyssina Bank, Dashen Bank, Wogagen Bank, United Bank, Nib International Bank, Cooperative bank of Oromia, Lion Bank, Zemen Bank, Oromia International Bank, Enat Bank, Berhan Bank, Bunna Bank, Addis International Bank, Abay Bank, Debub Global Bank operating in the country. Most of the banks started operation a decade ago.

Zemen Bank is a privately owned commercial bank established in 2008 in accordance with the “licensing and supervision of banking business proclamation No. 84/1994” of Ethiopia

to undertake commercial banking activities. The bank was founded by Ato Ermias T. Amelga a prominent banker in Wallsteet New York and Ato Tekle Alemneh who had more than 30 years experience in the Ethiopian Banking Industry. The bank obtained its license from the National Bank of Ethiopia (NBE) on 17 June 2008 and started its business activities on 2 October 2008, in accordance with the NBE's letter of 29 September 2008

Zemen Bank has a unique business model that fits very well with the needs of high net worth individuals and companies. The Bank's key differentiators are the use of state-of-the-art banking technologies and its excellence in customer service.

1.3. Statement of Problem

The key for the existence and success of any business lies in its ability to provide quality service and satisfy its customers. Service quality is increasingly recognized as being of key strategic value by organizations in both the manufacturing and service sectors.

One of the determinants of success of a firm is how the customers perceived the resulting service quality, as the perceived service quality is the key driver of perceived value (Collart, 2000). It is the perceived value, which determines the customer satisfaction. Many firms including banking industries begin to track their customers' satisfaction through measuring their level of service quality perceived by their customers. Spreng and Olshavsky (1993) stated that customer satisfaction or dissatisfaction is considered to be the result of a comparison between the pre-use expectations that a customer has about the product or service and the post-use perception of product or service performance.

Service quality has been variously defined as focusing on meeting needs and requirements, and how well the service delivered matches customers' expectations. Perceived service quality is a global consumer judgment or attitude, relating to service and results from comparisons by consumers of expectations of service with their perceptions of actual service performance. If there is a shortfall, then a service quality gap exists which providers would wish to close. Generally, consumer expectations are increasing and customers are becoming more critical of the service quality they receive.

In times of mature and intense competitive pressures, many firms are focusing their efforts on maintaining a loyal customer base. This is particularly true in the financial services

sector where deregulation has created an environment that allows consumers considerable choice in satisfying their financial needs. In response, many banks are directing their strategies towards increasing customer satisfaction and loyalty through improved service quality.

The trade liberalization and globalization have resulted in keen competition among firms and industries. Researchers recommend making service quality a cornerstone of an organization's marketing strategy in order to ensure successful business and survival (Asubonteng et al., 1996).

Customers have become knowledgeable and this has gradually led to a greater degree of "consumer sovereignty" (Blanchard & Galloway, 1994), when making a choice. Customers' choice of a bank over another is based on several factors such as the location, interest rates, quality of service delivery and the bank's reputation. Among these, service quality is seen as one of the key factor and thus has received considerable attention by organizations. Stafford (1996) opines that the financial services, particularly banks, compete in the marketplace with generally undifferentiated products, therefore service quality becomes a primary competitive weapon.

In Ethiopian Banking the number of Banks has grown immensely in the last decade due to the liberalization policy creating intense competition in the industry. Thus, Banks are forced to develop a strategy in order to find a competitive advantage. There are a number of ways in which distinctive competitive positions can be developed and maintained. Among these is building a strong competitive position that can be achieved by giving emphasis towards the importance of service particularly in maintaining service quality.

Zemen Bank is operating in the industry with a unique business model where there are 18 other banks and most of these banks were operating in Ethiopia for more than a decade. Thus the bank needs to evaluate its level of service quality in order to be competitive in the industry. In order to stand out from other banks the bank needs to gain competitive advantage through service quality as customers are usually heard complain about poor service they are getting from banks in the country.

1.4. Research Questions

In order to provide answers to the research objectives, the following questions are posed for investigation:

1. What is customers' expectation and perception on the service quality provided by Zemen Bank?
2. What is the level of service quality being offered by the bank?
3. What is the relationship between service quality dimensions and customer satisfaction in the Bank?
4. What is the dominant service quality dimension that has strong relation with customer satisfaction in the bank?

1.5. Objectives of the study

The main objective of this study is to evaluate the level of service quality delivery at Zemen Bank.

The specific objectives of the study are to:

1. Measure the perception and expectation level of the banks customers
2. Measure the level of service quality using SERVQUAL
3. To investigate the relationship between service quality and customer satisfaction
4. Determine important service quality dimensions which influence customer satisfaction
5. To describe factors that minimizes the service delivery gaps
6. To identify areas that needs to be improved by the bank to deliver superior service quality by recommending different constructive suggestions

1.6. Significance of the Study

The banking sector plays an important role in the growth of the Ethiopian economy. Since this is a service industry customers' play a significant role for the business performance of this sector, thus it is important to study the service quality and customer satisfaction level of banks. Acquiring new customers has high costs than maintaining existing ones in Banks. Thus, it is very important to study service quality which results customer satisfaction

which is a key factor for the successes of any business; therefore it is very important to assess service quality. The study has the following importance:-

1. The study will create awareness on the importance of service quality for the success of any bank; its study will have both practical and theoretical significance.
2. The finding will enable banks to understand the relation between service quality delivery and customer satisfaction and help banks to know the most important dimension used to satisfy customers. Also it will indicate the extent of the gap between perceived performance and customers' expectations of service quality. This enables them to minimize the gaps and to meet customers' expectation.
3. The successful completion of this research is part of a prerequisite for the master's degree in marketing and it will significantly help the researcher in this regard.
4. The study will help customers as they will be satisfied and happy with the service.
5. Lastly, the study will serve as a guideline for further research in service quality in the banking industry or related fields.

1.7. Scope of the Study

The bank has 5 kiosks located at Wabi Shebele hotel, Post office, Emirates office, Sweden Embassy and Hawasa but since most of this kiosks give service to designated company's they will not included in sampling.

The Study is conducted using information gathered from customers only employees of the bank and other factors that can affect service quality are not included as Gap 5 was used in the study.

1.8. Limitation of the Study

The study will be conducted using convenience sampling technique and thus making it difficult to get an equal probability of all customer's being considered for sampling purpose and Thus, it may reduce the generalize ability of the finding to the target population.

In regards to sample size of customers the study only use a small percentage of the total customers who are served within the specified time period and target only main branch customer international banking and Credit customers are not included.

1.9. Organization of the Study

The thesis is structured into five chapters:

Chapter one gives a brief description of the research and highlights salient discussions on the effect of service quality on customer satisfaction and retention. The chapter also presents the statement of the problem, the objectives of the study, the research questions, the significance of the study, brief methodology and the structure of the thesis.

Chapter two describes quality management from historical perspective, the concept of quality and description of service based on the literature from numerous writers. Service quality dimensions/models, customer satisfaction and the importance of service quality to businesses are also discussed in this chapter. The chapter also presents the conceptual framework of the study.

Chapter three presents the methodological perspectives of this study. The strategies adopted in the study are fully discussed in this chapter. The strategies included sample/sampling procedures and the questionnaire survey. Chapter four presents the analysis and discusses of the results of the study. Chapter five presents a brief summary of the study and the main findings, conclusions with regards to the new knowledge derived from the research and recommendations for improving service quality.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the relevant literature in relation to the issue under study. The review focuses on the overview of concept of quality, concept of service, service quality, service quality measurements and models, customer satisfaction, and the role of service quality in ensuring customer satisfaction and retention. This chapter will further present service quality concept adopted in this study and explain in detail the constructs of the study.

2.2 Description of Service

There is no consensus among scholars concerning the concept of what service really means. Bateson and Hoffman (1999) define services as deeds, efforts or performance whilst Regan (1963) sees services as activities, benefits or satisfactions offered for sale or provided in connection with the sale of goods. Heizer and Render (1999) describe services as “those economic activities that typically produce an intangible product such as education, entertainment, food and lodging, transportation, insurance, trade, government, financial, real estate, medical repair and maintenance like occupations”. Johns (1999) adds that service could mean an industry, a performance, an output or offering or a process.

Service providers perceive service as a process which contains elements of core delivery, service operation, personal attentiveness and interpersonal performance which are managed differently in various industries. Customers on the other hand view service as an experience of life which consists of elements of core need, choice, and emotional content (Johns, 1999). These service elements are present in different service outputs and encounters and affect each individual’s experience differently. The factors critical to services include value (benefit at the expense of cost), service quality and interaction.

2.2.1 Types of Services

(Fitzsimmons and Fitzsimmons, 2001) develops a service process matrix and categorizes service along two dimensions that significantly affect the character of the service delivery process. The vertical dimension measures the degree of labour intensity, which is defined as the ratio of labour cost to capital cost while the horizontal dimension measures the degree of customer interaction and customization, which is a marketing variable that describes the ability of the customer to affect personally the nature of the service delivered.

The matrix indicates four types of services labeled as service factory, mass service, service shop and professional service.

Gronroos (2001) perceives services to be either high-touch or high-tech. High-touch services are mostly dependent on people in the service process producing the service, whereas high-tech services are predominantly based on the use of automated systems, information technology and other types of physical resources. Gronroos maintains that high-touch also includes physical resources and technology-based systems that have to be managed and integrated into the service process in a customer-oriented fashion (Gronroos, 2001). In this case, banking services include both high-tech and high-touch services. For example, high-tech services include Internet/Telephone/Short Messaging Service (SMS), ATM machines whereas high-touch services consist of instructions and personnel assistance in using the services.

2.2.2 Characteristics of Service

Johns (1999) argues that services are mostly described as “intangible” and their output viewed as an activity rather than a tangible object, but also admits that some service outputs have some substantial tangible components like physical facilities, equipments and personnel. Gummesson (1994) posits that, a service design which consists of a service, service system and the service delivery process considers customers, staff, technology, the physical environment, and the consumption goods. The physical aspects are important for high quality service delivery.

Bateson (1985) outlines four unique characteristics of a service to be intangibility, heterogeneity, inseparability and Perishability. Unlike a product where tangible cues exist to enable consumers to evaluate the quality of the product, the quality of the service is ascertained by parameters that largely come under the domain of “experience” and “credence” properties and are as such difficult to measure and evaluate (Parasuraman et al 1985; Zeithaml and Bitner, 2003).

2.2.3 Banking Services

Basically, banking is a business that is registered to accept deposits from the public and make out loans. Technically, banks mobilize funds from the surplus units and channel it to the deficit units of the economy (Lockett, 1994). The objective of this fund channeling is to

earn profit. This function makes banks one of the most important financial intermediaries in every economy and also assists Central Banks in achieving their monetary policies. Banks earn money in servicing beyond selling money. Banking services are about the money in different types and attributes like lending, depositing and transferring procedures. These intangible services are shaped in contracts. The structure of banking services affects the success of institution in long term. Besides the basic attributes like speed, security and ease in banking services, the rights like consultancy for services to be compounded are also preferred.

2.3 Concept of Quality

The word “quality” is frequently used to describe products and/or services. It connotes different meaning to different people and organisations, and therefore lacks universal definition. As a result there have been numerous definitions of quality from literature in an attempt to establish a common understanding. Until recently, the concept of quality was heavily associated with product. Thus, quality issues became prominence in the manufacturing era and that majority of the quality definitions possess product characteristics. Quality was initially seen as a defensive mechanism but it is seen as a competitive weapon for developing new markets as well as increasing market share (Davis et al, 2003).

2.3.1 Categories of Quality Definition Approaches

Garvin (1980 cited in Rao et al, 1996) in an attempt to establish a common understanding of quality from the numerous definitions categorizes the definition into five approaches: transcendent, product-based, user-based, manufacturing-based and value-based. The transcendent approach defines quality as achieving or reaching for the highest standard as against being satisfied with mediocrity. Such quality is seen in artwork and literature. Product of this quality description may not appear quality to everyone.

The product-based approach identifies specific measurable features or attributes to indicate high quality. With the user-based approach, the user is the determiner of quality of a

product or service. The approach links customers' satisfaction to quality; when the product or service satisfies the user, it is described as high quality. The manufacturing-based approach describes quality much the same as Crosby as "conformance to requirement". Thus quality depends on the closeness of the product or service to the specified requirement. The specification provides standards (control limits) for tolerance (Rao et al., 1996).

The value-based approach defines quality as the degree of excellence at an acceptable price and the control of variability at an acceptable cost. There is a view that purchasing decision involves trading off the quality against the price. They sought for value – more features, better reliability and more support for their money. In other words, choice of a particular product depended on the value the customers derived from the product (Rao et al., 1996).

2.3.2 Emerging Quality Description

The accelerating expectation of the customers coupled with the rebuilt of many manufacturing systems and the edge to meet the expectations resulted in organizations considering improvement decision as pertinent. During these periods quality was described as "little q", which meant product quality. With the proliferation of service industries, a new quality movement emerged and was labeled as "big Q" (Smith, 1994). Quality which was seen as a defensive mechanism is recognized as a competitive weapon for developing new markets as well as increasing market share (Davis et al, 2003). Table 2.1 gives the distinction between "little q" and "big Q".

Table 2.1: The new quality thinking

Little q	Big Q
Quality is about products	Quality is about organization
Quality is technical	Quality is strategic
Quality is for inspector	Quality is for everyone
Quality is led by expert	Quality is led by management
Good quality is high grade	Quality is the appropriate grade
Quality is about control	Quality is about improvement

Source: Smith (1994)

Gummesson (1994) identifies three management paradigms; manufacturing paradigm which focuses on goods and mainly concerned with productivity technical standards; the

bureaucratic-legal paradigm used mainly in the public sector and is more concerned with regulations and rituals before end results. The third paradigm is the service paradigm which mainly focuses on service management particularly in the marketing area and stresses the importance of customer interaction with service provider in delivering service and creating value. The service paradigm emphasizes a shift from the goods-focused to service-focused management.

2.4 The Concept of Service Quality

The concept of service quality originates from consumer behavior and confirmation/disconfirmation paradigm (Gronroos, 1992). The paradigm postulates that customers compare the quality of the product after usage to that of their expectations before usage, and indicate their satisfaction/dissatisfaction with the products or services purchased (Swan and Comb, 1976). Literature maintains that customers evaluate service quality by comparing the service provider's actual performance "perception" with what they think service performance would be "expectations" in their service experience (Gronroos, 1982; Lehtinen and Lehtinen, 1982).

Service quality is defined as customer perception of how well a service meets or exceeds their expectations (Czepiel, 1990) or the degree of discrepancy between customers' normative expectation for service and their perceptions of service performance (Parasuraman et al., 1985). Many practitioners define service quality as the difference between customer's expectations for the service encounter and the perceptions of the service received (Munusamy et al., 2010). Customer expectation and perception are the two key ingredients in service quality. Oliver (1980) posits that customers judge quality as "low" if performance (perception) does not meet their expectation and quality as "high" when performance exceeds expectations.

2.4.1 Customers' Expectation of Service Quality

Customer expectations are beliefs about a service that serve as standards against which service performance is judged (Zeithaml et al., 1993); which customer thinks a service provider should offer, rather than on what might be on offer (Parasuraman et al., 1988). This is influenced by their personal needs, past experience, word-of-mouth and

service provider's communications. Literature explains expectation as predictions made by consumer about what is likely to happen from a transaction.

2.4.2 Customers' Perception of Service Quality

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

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

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

2.5 Ensuring Customer Satisfaction and Retention

2.5.1 Customer Satisfaction

Customer satisfaction is a widely used term in business to measure the kind of products and services provided by a company to meet its customer's expectation. Customer satisfaction is believed to be the company's key performance indicator (KPI), particularly when organizations compete for customers.

Literature establishes that customer satisfaction is a key to long-term business success (Zeithami et al., 1996). To protect/gain market shares, organizations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers (Reichheld, 1996; Gronroos, 2000). With banks, customer longevity is achieved through the delivery of high quality services (Berry et al., 1985; Anderson et al., 1994) especially under unregulated and volatile financial market conditions (Colgate & Lang, 2001). Banks need to understand customers' service requirements and how it impact on service delivery and customers "attitudes" (Gerrard & Cunningham, 2001), for a small increase of customer satisfaction can to customer loyalty and retention (Bowen & Chen, 2001).

The ability of a bank to meet the expectations of customers determines the extent of satisfaction derived by customers. Beerli et al. (2004) describes customer satisfaction as the measure of the extent a bank fulfils the general expectations of a customer and how far and/or close does the existing bank come to the customer's ideal bank in his mind. Customer satisfaction can be viewed as the future intentions of customers towards the service provider, which is more or less related to the attitude (Levesque et al, 1996). According to Hansemark and Albinsson (2004), "satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire". In order to maintain and increase purchases, the bank needs to provide value (high quality) to customers (Anderson & Jacobsen, 2000).

2.5.1.1 Factors that Affect Customer Satisfaction

Satisfaction which is vaguely defined as fulfilling the needs for which a good or service was made is viewed differently in various industries, over various demographic backgrounds, as well as for individuals and institutions. Moreover, it has a totally different approach when it comes to services and products. All along we have been trying to understand quality of services, quality of products, and satisfaction both in the arena of comfort and in terms of utility that is, the product or service fulfilling the actual purpose for which it was made and bought. This is however very important but the fore mentioned intricacies about satisfaction cannot be under looked.

It has been identified that human needs, quality of services and products, the user friendly nature of product and services, and comfort assurance (Bailey et al., 1983, p.532) are some of the important determinants of customer satisfaction. Even though different customers will require different levels and combinations of these variables, they generally are important factors that affect customer satisfaction. Matzler et al., (2002), went a step forward to classify factors that affect customers' satisfaction into three factor structures;

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

2.5.2 Customer Retention/Loyalty

The terms customer retention and customer loyalty mean the same (Zeithamlet al., 1996). Gremler and Brown (1996) define service loyalty as “the degree to which a customer exhibits repeat purchase behavior from a service provider, positive attitudinal disposition toward the provider, and ready to use the same provider when a need for the service arises”. According to Hoyer and MacInnis (2001), customer retention is “the practice of working to satisfy customers with the intention of developing long-term relationships with them”. Zineldin (2000) defines retention as “a commitment to continue to do business or exchange with a particular company on an ongoing basis”.

According to Clark (2001), long-term customer retention in competitive markets requires the provider going beyond basic satisfaction to creating loyalty in order to guard against competitor attack. Day (1994) contends that the identification and satisfaction of customer needs leads to improved customer retention. This will help the provider to formulate strategies and plans.

2.5.3 Impact of Service Quality on Customer Satisfaction

With the ever increasing competition in the marketplace resulting from trade liberalization and free economy model, it is imperative for banks to achieve customer longevity, through excellence service delivery (Lassar et al., 2000). Service quality is recognized as potential for ensuring customer satisfaction and retention, operational efficiency and profitability of an organization (Cronin, 2003). File and Prince (1992) argue that satisfied customers are comfortable repeating business with the firm and even recommend it to others. The customers sell the company to others by word-of-mouth when they are satisfied with the services (Gee et al., 2008) and thus increase firm's customer-base. Parallel to this, is the study by Martins and Toledo (2000), which maintains that service quality increases market share by maintaining current customers and acquiring new ones. Krishnan et al (1999) establish that the cost of retaining existing customers by providing high quality products and services is significantly lower than the cost of winning new customers.

Literature establishes that customer satisfaction has a strong positive correlation with customer retention in the retail banking (Siddiqi, 2010; Kandampully and Suhartanto, 2000). The strong positive correlation means the customers will recommend the bank to other people. As a consequence, the bank can be assured of repeat and stable customer base. Cohen et al. (2007) found that a loyal customer takes less of the company's time during transactions and are less sensitive to price changes. Reichheld (2006) states that companies with higher customer loyalty experience growth in revenue twice as much as their competitor.

2.5.4 Relationship of Satisfaction and Retention

Satisfaction enable a company to keep existing customers which costs substantially less to the company than acquiring new ones. Most customers leave a company because they feel they're not satisfied with the service or product offering (Rust and Zahorik, 1993). Hoyer and MacInnis (2001) said that satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight of a service. To achieve satisfaction and retention, customer needs and wants must be fulfilled (La Barbera and Mazursky, 1983).

Bowen and Chen (2001) opine that customer satisfaction leads to customer retention/loyalty. Thus extremely satisfied customers are less prone to overtures from competition (Fornell, 1992). Similarly, Anton (1996) asserts that "satisfaction is positively

associated with repurchase intentions and the likelihood to recommend a product or service offering.

The above discussions indicate that satisfaction is a determinant of customer retention to service organizations like banks. An organization needs to ensure that customers are satisfied in order to enhance their repurchase decision.

2.6 Service Quality Models

Measuring service quality has been one of the most recurrent topics in management literature, Parasuraman et al., (1988), Gronroos, (1984), Cronin et al., (1992). This is because of the need to develop valid instruments for the systematic evaluation of firms' performance from the customer point of view; and the association between perceived service quality and other key organizational outcomes, Cronin et al., (2010, p.93), which has led to the development of models for measuring service quality. Gilbert et al., (2004, p.372-273) reviewed the various ways service quality can be measured. They include; 1) the expectancy-disconfirmation approach which is associated with the identifying of customer expectation versus what they actually experienced. It focuses on the comparison of the service performance with the customer's expectations. The customer's expectations could be assessed after the service encounter by asking him/her to recall them. 2) Performance-only approach merely assesses service quality by merely asking customers about their level of satisfaction with various service features following a service encounter. 3) Technical and functional dichotomy approaches identify two service components that lead to customer satisfaction namely, the technical quality of the product which is based on product characteristics such as durability, security, physical features while functional quality is concerned with the relationships between service provider and customer such as courtesy, speed of delivery, helpfulness. 4) Service quality versus service satisfaction approach which mainly focuses on two service components that are interrelated; the transition-specific assessment which evaluates specific features of quality and the overall assessment which evaluates overall quality. This approach links perceived quality at the time of the service encounter or immediately after it and overall satisfaction with the service. Perceived quality is based on attributes of the service over which the company has control and it is a measure of the consumer's assessments of the service's value without comparison to consumer's expectation. 5) Attribute importance approach focuses on the

relative weight on the importance the consumer places on attributes found to be linked with service satisfaction.

2.7 Measuring Service Quality using SERVQUAL Model

An array of factors or determinants has been identified in the literature for measuring service quality. For instance, Sachev and Verma (2004) measure service quality in terms of customer perception, customer expectation, customer satisfaction, and customer attitude. Despite the numerous models for measuring service quality, Nyeck et al. (2002) admit that the SERVQUAL model remains as the most complete attempt to conceptualize and measure service quality. The model is extensive and widely used to measure service quality in the literature. Therefore this study adopts the SERVQUAL dimensions to measure service quality in Zemen Bank.

The SERVQUAL dimensions: tangibles, reliability, responsiveness, assurance and empathy are the basis for service quality measurement (Parasuraman et al., 1988; Zeithaml et al., 1990).

2.7.1 Tangibles

The tangibles encompass the appearance of the company representatives, facilities, materials, and equipment as well as communication materials. The condition of the physical surroundings is seen as tangible evidence of care and attention to detail exhibited by the service provider (Fitzsimmons & Fitzsimmons, 2001). Davis et al. (2003) summarize tangibles as the physical evidence of the service.

2.7.2 Reliability

The reliability and consistency of performance of service facilities, goods and staff is seen as important (Johnston, 1997). This includes punctual service delivery and ability to keep to agreements made with the customer. According to Fitzsimmons and Fitzsimmons (2001), reliability is the ability to perform the promised service both dependably and accurately with error free.

2.7.3 Responsiveness

Johnston (1997) describes responsiveness as 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. Fitzsimmons and Fitzsimmons (2001) argue that when the customer is kept waiting for no apparent reason

creates unnecessary negative perceptions of quality. Conversely, the ability for the bank to recover quickly when service fails and exhibit professionalism will also create very positive perceptions of quality.

2.7.4 Assurance

This considers the knowledge and courtesy of employees as well as their ability to convey trust and confidence. The assurance dimension includes the following features: competence to perform the service, politeness and respect for the customer, effective communication with the customer and the general attitude that the server has the customer's best interest at heart (Fitzsimmons & Fitzsimmons, 2001).

2.7.5 Empathy

According to Chase et al. (2001), empathy is the provision of caring, individualized attention to customers. Fitzsimmons and Fitzsimmons (2001) posit that empathy includes approachability, sensitivity, and effort to understand the customer's needs. Johnston (1997) describes empathy as the ability to make the customer feel welcome, particularly by the contact staff.

The SERVQUAL model identifies a gap which maintains that satisfaction is related to the size and direction of disconfirmation of a person's experience vis-à-vis his/her initial expectations (Churchill & Surprenant, 1982; Parasuraman, Zeithaml & Berry, 1985; Smith & Houston, 1982).

Parasuraman et al., 1985, (p.41-50) developed a conceptual model of service quality where they identified five gaps that could impact the consumer's evaluation of service quality in four different industries (retail banking, credit card, securities brokerage and product repair and maintenance). These gaps were;

Gap 1: Consumer expectation - management perception gap

Service firms may not always understand what features a service must have in order to meet consumer needs and what levels of performance on those features are needed to bring deliver high quality service. This results to affecting the way consumers evaluate service quality.

Gap 2: Management perception - service quality specification gap

This gap arises when the company identifies what the consumers want but the means to deliver to expectation does not exist. Some factors that affect this gap could be resource

constraints, market conditions and management indifference. These could affect service quality perception of the consumer.

Gap 3: Service quality specifications – service delivery gap

Companies could have guidelines for performing service well and treating consumers correctly but these do not mean high service quality performance is assured. Employees play an important role in assuring good service quality perception and their performance cannot be standardized. This affects the delivery of service which has an impact on the way consumers perceive service quality.

Gap 4: Service delivery – external communications gap

External communications can affect not only consumer expectations of service but also consumer perceptions of the delivered service. Companies can neglect to inform consumers of special efforts to assure quality that are not visible to them and this could influence service quality perceptions by consumers.

Gap 5: Expected Service – perceived service gap

From their study, it showed that the key to ensuring good service quality is meeting or exceeding what consumers expect from the service and that judgment of high and low service quality depend on how consumers perceive the actual performance in the context of what they expected.

Parasuraman et al., (1988), later developed the SERVQUAL model which is a multi item scale developed to assess customer perceptions of service quality in service and retail businesses. The scale decomposes the notion of service quality into five constructs as follows: Tangibles, Reliability, Responsiveness, Assurance and empathy. It bases on capturing the gap between customers expectations and experience which could be negative or positive if the expectation is higher than experience or expectation is less than or equal to experience respectively.

2.8 Functioning of the SERVQUAL

SERVQUAL represents service quality as the discrepancy between a customer's expectations for a service offering and the customer's perceptions of the service received,

requiring respondents to answer questions about both their expectations and their perceptions Parasuraman et al., (1988). The use of perceived as opposed to actual service received makes the SERVQUAL measure an attitude measure that is related to, but not the same as, satisfaction (Parasuraman et. al., 1988). The difference between expectations and perceptions is called the gap which is the determinant of customers' perception of service quality as shown on figure 2.1 below

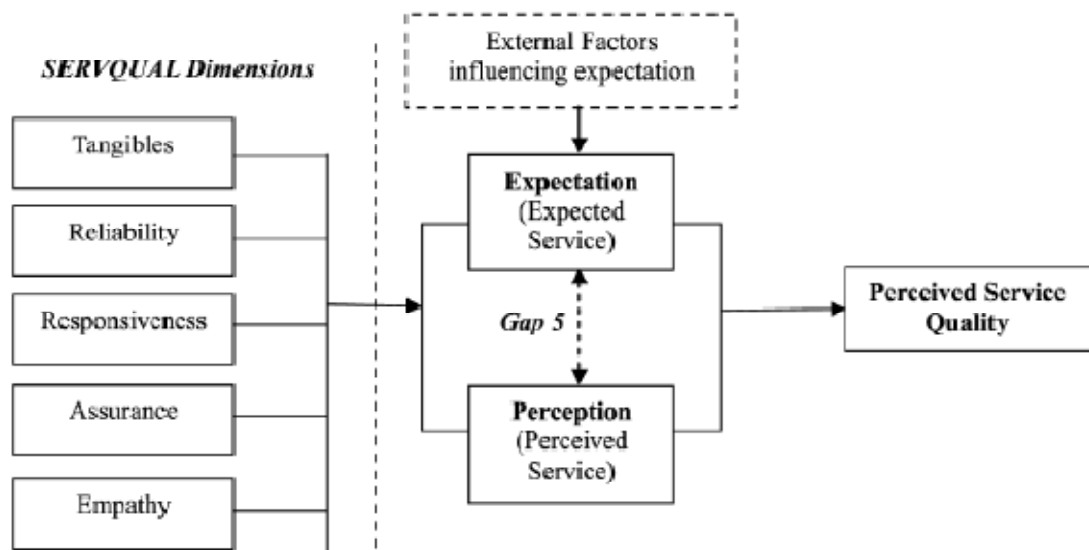


Figure 2.1 measuring service quality using SERVQUAL model

Source:(Kumar et al, 2009)

The expectations of customers are subject to external factors which are under the control of the service provider as shown on the diagram. The gap 5 on the diagram represents the difference between customers' expectations and customers' perceptions which is referred to as the perceived service quality (kumar et al., 2009, p.214). This study focuses on this gap, the difference between Zemen Bank customers' expectations and perceptions of service.

The psychometric properties of SERVQUAL have been examined in many studies. The evidence provides general support for the validity and reliability of the instrument (Kettinger and Lee, 1995; Finn and Lamb, 1991; Lam, 1997). The major empirical problem of the instrument lies in its unstable dimensionality (Van Dyke *et al.*, 1997; Carman, 1990). Babakus and Boller (1992) suggested that the dimensionality of service quality might depend on the type of industry being studied. They further argued that measures designed for specific industries are more appropriate than using a generic one.

Defining SERVQUAL scores as the differences between expectations and perceptions was also challenged in a number of studies. Carman (1990) and Babakus and Boller (1992) questioned the appropriateness of using measures defined as differences in multivariate analysis and argued for using perception scores only. Babakus and Boller also found that perception scores, by themselves, had stronger correlation with independent measures, such as overall quality, than do the SERVQUAL measures (expectations minus perceptions).

2.9 Conceptual Framework for the Study

The study investigates how service quality affects customer satisfaction. Customer satisfaction is a dependent variable which occurs when the services provided by Zemen Bank is rated by customers as high quality and satisfactory. The study postulates that the quality of the services provided by the Bank determines the satisfaction level of customers with the bank. Zemen Bank can ensure customer retention when service performance of the Bank exceeds customers' expectation. To measure service performance and customer expectation of a service, SERVQUAL model was used. The SERVQUAL model is made up of five variables: tangibility, responsiveness, reliability, assurance and empathy. When service performance, also known as perception is higher than customers' expectation of SERVQUAL variables, customers will be satisfied and Zemen Bank is likely to retain the customers. However, if service performance is lower than customers' expectation of the service, customers become dissatisfied and they will switch to a competing bank which offers superior service. When a service provider has excellent physical facilities that are aesthetically appealing; insist on on-time service delivery which is free from errors; and knowledgeable employees who consider the customers as the company's total wellbeing will result in high quality service delivery which will lead to customer satisfaction. Notwithstanding, Zemen Bank will ensure customer retention on the ground that service performance is exceedingly higher than customers' expectation rather than a mere satisfaction. By this customers will be committed to do business with Zemen Bank, repeat business, and recommend the Bank to friends and associates. A real customer satisfaction and then retention is exhibited when the customer becomes an advocate for the bank without incentive, maintains or increases its purchases from the Bank as a result of exceptional services.

CHAPTER THREE

METHODOLOGY

3.1. Introduction

This chapter involves presenting the choice of method of collecting and analyzing data, from practical point of view, comparing relative advantages and disadvantages of other alternative method that may be more or less appropriate to the context of this study. This chapter presents research design, describes the research methods, sampling techniques and the instruments employed in the data gathering.

3.2. Research Design

Descriptive research design is used for the study. Descriptive research was employed as a main research method of this study and used to describe the quality of service delivery and its effect on customer satisfaction. As described by Suryabrata, (2003) descriptive method is a method that describes the study systematically, factually and accurately utilizing facts, behaviors and relationship between the phenomenons being studied.

The research has been carried out through the use of cross-sectional survey design. Cross-Sectional design also known as one-shot and it is best suited to studies aimed at finding out the prevalence of a phenomenon, situation, problem, attitude or issue, by taking a cross- section of the population.

3.3. Research Approach

There are three main research approaches: qualitative, quantitative and mixed approach that can be adopted for a study. The decision to use any approach depends on the nature of work, the objectives of the study, the level and nature of the research questions and the practical considerations related to the research environment among others (Shih, 1998). While quantitative is hard, objective and standardized, qualitative is soft, rich and

deep (Corbetta, 2003). The mixed approach combines the two approaches together in a study (Neuman, 2007).

This study adopted quantitative method, because quantitative method allows explanation of a phenomenon by collecting numerical data that are analyzed using mathematically based method, particularly statistics (Aliaga and Gunderson, 2002 cited in Muijs, 2004).

3.4 Population, Sample Size and Sampling Technique

3.4.1. Population and sample size

In conducting a study, it is not possible, practical and sometimes expensive to gather data by considering the entire population. Therefore smaller chunks of a unit sample are chosen to represent the relevant attributes of the whole of the units (Graziano and Raulin, 1997).

The Bank currently has around 13,000 customers. According to Paul C. Cozby and Scott C. Bates (2012) for a population of 10,000 – 50,000 at 5% confidence interval sample size should be 370 and according to Krejcie & Morgan (1970) at 5% confidence interval sample size should be 370. Thus for the purpose of this study the researcher will take a sample size of 400 to get a reasonable result. Each participating customer was made to consent to the study before questionnaire was administered.

3.4.2. Sampling Technique

The study used convenience sampling methods to select the sample from the available population. The researcher decided to employ convenience sampling method because it is actually impossible to carry on a probability sampling technique because there is no point in time during which all customers are available due to different reasons and it is not possible to contact everyone who may be sampled as customers of the bank are scattered all around the globe and the country and the fact that Zemen Bank is a single branch bank makes it ideal for convenience sampling method.

3.5 Data Collection Tools and Procedures

The study made use of primary and secondary data sources in order to gather relevant information for the study. The primary data were collected from the selected respondents

of the bank under study. The study employed mainly questionnaire in collecting the primary data and the analysis was substantially based on primary data. The secondary data which were collected from existing literature formed the theoretical background of this study. The sources of the secondary data included books, journals, articles obtained from the internet and available libraries.

3.5.1 Questionnaire Design

The questionnaire was designed into four parts. The first part is about the demographic characteristics of respondents. The second and third parts of the questionnaire are designed to obtain information on customers' expectations and perception of service quality delivery of the bank respectively. The respondents were required to rate their expectations and perception of bank's services on level of importance on a predefined seven-point Likert Scale: 1 – strongly disagree, 2 – disagree, 3 – slightly disagree, 4 – neutral, 5 – slightly agree, 6 – agree and, 7 – strongly agree. The services of the Bank were assessed on the SERVQUAL variables: Tangibles, Assurance, Responsiveness, Empathy and Reliability, to determine the level of satisfaction derived from the services. All the items measuring service quality dimensions were standard questions developed by Parasuraman et al. (1988) to measure service performance. The items measuring customer The final and the fourth part of the questionnaire required the respondent to rate their overall satisfaction on the services of the bank on a pre-defined seven-point scale: 1 – very satisfied, 2 – satisfied, 3 – slightly satisfied, 4 – neutral, 5 – Dissatisfied, 6 – slightly Dissatisfied and, 7 – very Dissatisfied.

3.5.2 Questionnaire Administration

The questionnaire was originally written in English and then translated into Amharic, to enhance clarity. The questionnaires were self-administered on one-on-one basis by the researcher at the banking hall while the customers are transacting business with the Bank. The filled questionnaires were taken from the respondents on the same day by the researcher.

3.6 Description of Variables and Measurements

- Dependent variable: customer satisfaction
- Independent variable: five dimensions of service quality

3.7 Data Analysis

And investigate research objective and research question both descriptive and inferential statistic have been utilized in this study. Descriptive statistics is the term given to the analysis of data that helps describe, show or summarize data in a meaningful way. In this study tables, frequency distribution, percentage mean and standard deviation will be used. Inferential statistics is concerned with making predictions or inferences about a population from observations and analyses of a sample and for this study correlation analysis, regression analysis and Reliability analysis will be used.

The data collected was edited and coded. Statistical Package for Social Sciences (SPSS) version 16.0 was used to perform the processing and analysis of the coded data and Microsoft Excel 2007 was used to generate the chart to explain the results.

CHAPTER FOUR

DATA ANALYSIS, DISCUSSIONS AND PRESENTATION

4.1 Introduction

The chapter presents the result of the fieldwork conducted by the researcher. The result is mainly the responses of the questionnaire administered to the customers of Zemen Bank in its one and only branch in Addis Ababa. Statistical Package for Social Scientists (SPSS) version 16.0 was used to perform the analysis and Microsoft Excel 2007 was used to generate the chart to explain the results.

The questionnaire was administered to 400 customers of Zemen Bank in Addis Ababa. Out of the 400 questionnaire administered, 379 were collected but 374 were valid for analysis while five were invalid as a result of improper and double responses. The valid questionnaires which formed the analysis yielded 93.5% response rate.

4.2 Demography of Respondents

4.2.1 Gender of respondents

There were a total of 374 respondents representing 181 (48.4%) were male and the remaining 193(51.6%) respondents representing were female. This is illustrated in table 4.1 and figure 4.1 below.

Table 4.1 Gender of respondents

SEX	Frequency	Percent
Male	181	48.4
Female	193	51.6
Total	374	100.0

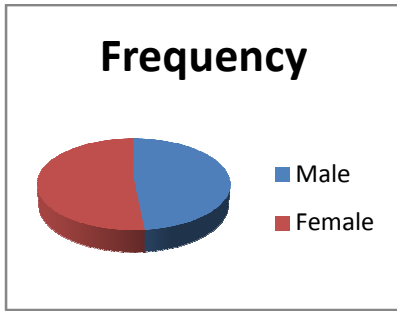


Fig. 4.1: Gender of Respondents

Source: Own survey, 2014

4.2.2 Age of respondents

Out of the 374 respondents 64 (17.1%) were less than 25 years old, 121 (32.4%) respondents were in the age group 25-35, 70 (18.7%) respondents were in the age group 36-40, 68 (18.2) respondents were in the age group 41-50 and 51(13.6%) respondents where in the age group 51-60, This is illustrated in table 4.2 and figure 4.2 below.

Table 4.2 ages of respondents

AGE	Frequenc y	Percent
Less than 25	64	17.1
25-35	121	32.4
36-40	70	18.7
41-50	68	18.2
51-60	51	13.6
Total	374	100.0

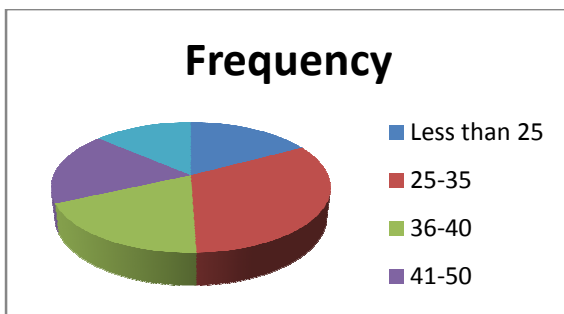


Figure 4.2 ages of respondents

Source: Own survey, 2014

4.2.3 Level of Education

The educational level of the sampled population ranged between elementary school level to Post-Graduate degree holders: 1.9% of respondents hold post graduate degrees, 47.3% hold first degrees, Diploma is held by 43.9%, secondary school Level category make up 6.7%, whilst the remaining .3% percent had elementary school education . The education level of respondents is illustrated in figure 4.3

Table 4.3 Education level of respondents

	Frequency	Percent	Cumulative Percent
below 12 grade	1	.3	.3
12 grade complete	25	6.7	7.0
college diploma	164	43.9	50.8
first degree	177	47.3	98.1
masters degree	7	1.9	100.0
Total	374	100.0	

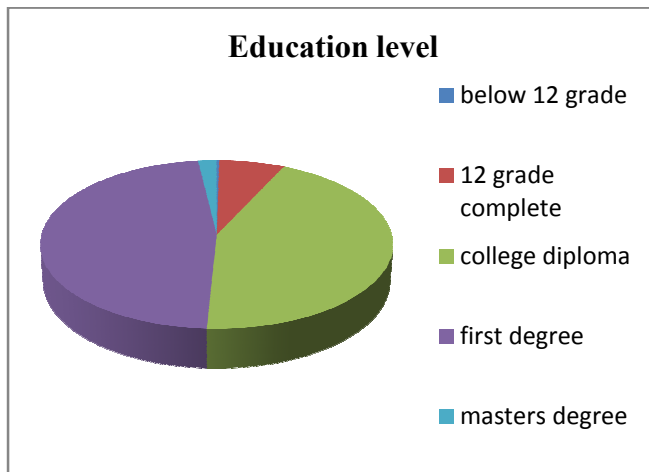


Fig. 4.3 Education level of respondents
Source: Own survey, 2014

4.2.4 Account type

Out of the respondents 57.2% have individual account which account for saving, checking, and certificate of deposit accounts and 42.8% have a corporate account. This is illustrated in table 4.4 and figure 4.4 below

Table 4.4 Account type

Account type	Frequency	Percent	Cumulative Percent
individual	214	57.2	57.2
corporate	160	42.8	100.0
Total	374	100.0	

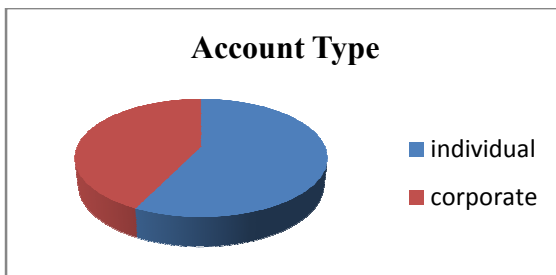


Figure 4.4 Account Type

Source: Own survey, 2014

4.2.5 Frequency of visit

Out of the respondents 9.6% visit the bank daily, 52.1% visit the bank weekly, 36.9% visit monthly and 1.3% other. This is illustrated in table 4.5 and figure 4.5 below

Table 4.5 frequency of visit of respondents

	Frequency	Percent	Cumulative Percent
Daily	36	9.6	9.6
Weekly	195	52.1	61.8
Monthly	138	36.9	98.7
Other	5	1.3	100.0
Total	374	100.0	

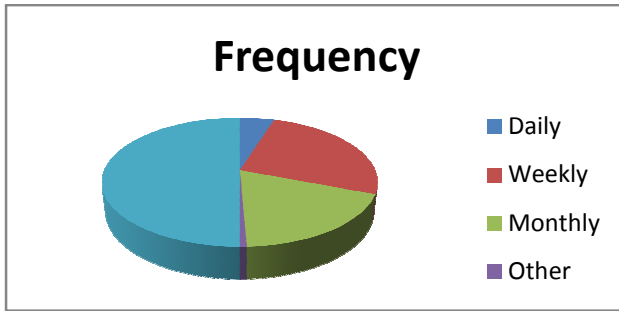


Fig. 4.5 Frequency of visit

Source: Own survey, 2014

4.2.6 Banking experience of respondents

The banking experience of the sampled population ranged between 0-1 year to above 5 years. 11.5% of respondents have 0-1 year experience, 37.2% have 1-5 year experience and 51.3% have above 5 years experience. The experience level of respondents is illustrated in figure 4.6

Table 4.6 Banking experience of respondents

	Frequency	Percent	Cumulative Percent
0-1 year	43	11.5	11.5
1-5 years	139	37.2	48.7
Above 5 years	192	51.3	100.0
Total	374	100.0	

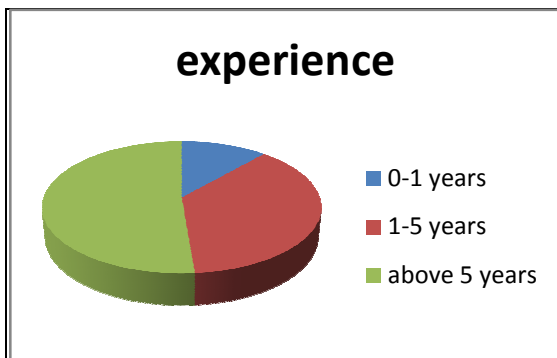


Fig. 4.6 Banking experience of respondents

Source: Own survey, 2014

4.3 Reliability Test (Reliability Coefficient Discussion)

Reliability refers to the property of a measurement instrument that causes it to give similar results for similar inputs. Mathematically, reliability is defined as the proportion of the variability in the responses to the survey that is the result of differences in the respondents. Thus, to evaluate the internal consistency of each factor group obtained, the factors were subjected to reliability test. The assumption behind this approach is that the items of a measure work collectively as a set and should be competent of independently measuring the same construct. The items should be reliable in what they indicate about the concept being measured. The Cronbach's alpha was used to measure internal reliability by unit weighting items with salient loadings in a factor where Cronbach's alpha coefficient at 0.6 or higher was considered acceptable according to Moss et. al 1998 and Hair er. Al 2006. These factors produced alpha coefficients of .833 indicating high internal consistencies and reliability.

The internal consistency of the SERVQUAL items was assessed by computing the total reliability scale. The total reliability scale for the study is 0.91, indicating an overall reliability factor slightly same to that of Parasuraman et al., (1988) study which was 0.92. The reliability value for this study is substantial considering the fact that the highest reliability that can be obtained is 1.0 and this is an indication that the items of the five dimensions of SERVQUAL model are accepted for analysis.

Table 4.7 model summary of Reliability Statistics

Cronbach's Alpha	N of Items
.910	22

Source: Own survey, 2014

Table 4.8 Reliability Coefficient (Cronbach's alphas)

Dimension	Number of Items	Cronbach alpha for dimensions	Cronbach alpha if item deleted	Items
Tangibles	4	0.636	0.603	TA1
			0.544	TA2
			0.513	TA3
			0.592	TA4
Reliability	5	0.831	0.783	RL1
			0.805	RL2
			0.802	RL3
			0.778	RL4
			0.815	RL5
Responsiveness	4	0.694	0.705	RN1
			0.573	RN2
			0.587	RN3
			0.638	RN4
Assurance	4	0.760	0.678	AS1
			0.717	AS2
			0.674	AS3
			0.738	AS4
Empathy	5	0.755	0.688	EM1
			0.808	EM2
			0.661	EM3
			0.734	EM4
			0.648	EM5

Source: Own survey, 2014

4.4. SERVQUAL results by dimension

After reviewing the literature, a five service quality dimensions made up of twenty two (22) factor questionnaire was developed to measure service quality in Zemen bank. Each question was based on a 7-point likert scale as shown below:

1 – strongly disagree, 2 –disagree, 3 – slightly disagree, 4 – neutral, 5 – slightly agree, 6 - agree and, 7- strongly agree.

In order to measure the level of service quality delivery, the five dimensions: tangibles, empathy, responsiveness, reliability and assurance developed by Parasuraman et al (1988) were used. The performance of the services delivered was measured by the customers' expectation and perception of the SERVQUAL dimensions, a descriptive statistics on the responses from the customers were used to undertake the needed measurements.

The quality gap according to Parasuraman et al (1988) is the difference between perception (P) and expectation (E). ($Q = P - E$).

When Q is positive it implies customers are satisfied and when negative dissatisfied

For the purpose of this paper, the perception score of 5.6 out of 7 (80% of the maximum) is the minimum score (scale of measurement) needed to measure true satisfaction for the combined dimensions as well as each sub category of the dimensions. The 80% perception threshold has been used in other customer service satisfaction assessments where SERVQUAL was used as the primary assessment tool. (Parasuraman et al,1988)

4.4.1 Tangibility Dimension

The Tangibility dimension of the SERVQUAL customer perception tool is comprised of the first four questions which assess Zemen Bank customers' perceptions of the tangible appearance aspects of physical facilities, equipment, appearance of personnel, and communication materials of the bank. When looking at each of the four factors making up the tangibility dimension of customer satisfaction, the expectations of the customers of Zemen Bank perceptions exceed their expectations in all areas. The average unweighted gap score (P-E) for the tangibility dimension of customer satisfaction is .05.

A summary of the survey results for the tangibility dimension of customer service quality are summarized in the table that appear below.

Table 4.9: Descriptive Statistics on Tangibility Dimension

code	Tangibility Expectation			Tangibility Perception			Gap
	Item	Mean	Std Dev	Item	Mean	Std Dev	
TA1	Excellent Banks should have modern looking office equipments	6.34	.587	Zemen bank has modern looking equipment.	6.75	.444	0.41
TA2	Excellent Banks should have visually appealing physical facilities	6.34	.587	Zemen bank's physical features are visually appealing.	6.75	.445	0.41
TA3	Employees at an Excellent Banks will be well groomed and neatly dressed	6.24	.519	Zemen bank's reception desk employees are neat appearing.	6.01	.164	-0.24
TA4	materials associated with services like ATM , check book, statements and online banking service will be visually appealing at an excellent bank	6.53	.500	Materials associated with the service (such as ATM , check book, statements and online banking service) are visually appealing at Zemen bank.	6.15	.377	-0.39
	Average	6.37		Average	6.41		0.05

Source: Own survey, 2014

From Table 4.9, the average scores (mean) are higher compared to the scale of measurement.

The grand mean 6.41 is also on the high, indicating that customers agree that tangibles of Zemen Bank are modern, efficient and aesthetically appealing beyond their expectations. Irrespective of the various means of the factors for both expectation and perception, mean score for the expectation were found to be relatively lower than its perception for each of the factors considered. In terms of tangibility, as the customers were expecting the bank to provide a service quality level of 6.37 representing 91%, the bank is rather providing a service quality level of 6.41 representing about 91.6% with a gap of 0.05 (0.71%) higher than the expectation of the customers. This was in agreement with Rubinstein (2010), who found out that because corporate world is moving across borders, tangibility of corporation has increase dramatically across all service delivery. This finding may be attributed to that fact since banks are in a competition for customers; items on tangibility were expected to be higher.

4.4.2 Reliability Dimension

The Reliability dimension of the SERVQUAL instrument is comprised of questions 5-9, which assess Zeme Bank customers' perceptions of the reliability aspects (acting according to promises, sincerity in problem solving, performing the service right at the first time, providing service at the promised time & insistence on error free records) of the bank. When looking at each of the five factors making up the reliability dimension of customer satisfaction, the expectations of the customers exceed their perceptions in all five areas.

The average gap score (P-E) for the reliability dimension of customer satisfaction is -.98. A summary of the survey results for the reliability dimension of customer service quality are summarized in the table that appear below.

Table 4.10: Descriptive Statistics on Reliability Dimension

Code	Reliability Expectation			Reliability Perception			Gap
	Item	Mean	Std Dev	Item	Mean	Std Dev	
RL1	When excellent banks promise to do something by a certain time, they do.	6.51	.501	When Zemen bank promises to do something by a certain time, it does so.	5.26	.465	-1.24
RL2	When a customer has a problem, excellent banks will show a sincere interest in solving it.	6.52	.500	When you have a problem, Zemen bank shows a sincere interest in solving it.	5.18	.389	-1.34
RL3	Excellent banks will perform the service right the first time.	7.00	.000	Zemen bank performs the service right the first time.	6.45	.499	-0.55
RL4	Excellent banks will provide the service at the time they promise to do so.	6.82	.388	Zemen bank provides its service at the time it promises to do so.	5.88	.354	-0.93
RL5	Excellent banks will insist on error free service	6.82	.384	Zemen bank insists on error free records.	5.98	.126	-0.84
	Average	6.73		Average	5.75		-0.98

Source: Own survey, 2014

As shown in table 4.13, as customers were expecting a service quality level of 6.73 (96.14%), the bank was rather delivering a service quality level of 5.75 (82.14%) with a service gap of 0.98 (14%) falling short of the expectations of the customers. This indicates that, service delivery was unsatisfactory to the customers in terms of service quality dimension on reliability.

4.4.3 Responsiveness Dimension

The Responsiveness dimension of the SERVQUAL instrument is comprised of questions 10-13, which assess customers perceptions of the responsiveness aspects (informing when services will be performed, providing services promptly, willingness to help, never being too busy to respond to request for service) of the bank. When looking at each of the four factors making up the reliability dimension of customer satisfaction, the expectations of the customers exceed their perceptions in all of the four areas.

The average gap score (P-E) for the responsiveness dimension of customer satisfaction is -.77.

A summary of the survey results for the responsiveness dimension of customer service quality is summarized in the table that appears below.

Table 4.11: Descriptive Statistics on Responsiveness Dimension

Code	Responsiveness Expectation			Responsiveness Perception			Gap
	Item	Mean	Std Dev	Item	Mean	Std Dev	
RN1	Employees of excellent banks will tell customers exactly when services will be performed.	6.52	.500	Employees of Zemen bank tell you exactly when the services will be performed.	5.88	.329	-0.65
RN2	Employees of excellent banks will give prompt service to customers.	6.52	.500	Employees of Zemen bank give you prompt service.	5.82	.382	-0.70
RN3	Employees of excellent banks will always be willing to help customers.	6.51	.501	Employees of Zemen bank are always willing to help you.	5.57	.496	-0.94
RN4	Employees of excellent banks will never be too busy to respond to customers' requests.	6.52	.500	Employees of Zemen bank are never too busy to respond to your request.	5.72	.449	-0.81
	Average	6.52		Average	5.75		-0.77

Source: Own survey, 2014

The total service quality level of the responsiveness fails to meet the expectation of the customers of bank as well. As shown in table 4.11, as they were expecting a service quality level of 6.52 (93.14%), the bank was delivering a service quality level of 5.75 (82.14%) which falls short of 0.178 (11 %) on the expectation of the customers and represents an unsatisfactory level of service delivery for the dimension for the descriptive analysis.

4.4.4 Assurance Dimension

Assurance Dimension is the knowledge and courtesy of employees and their ability to inspire trust and confidence.

The Assurance dimension of the SERVQUAL instrument is comprised of questions 14-17 which assess the customers' perceptions of the assurance aspects (employee behavior instills confidence, customers feel secure in their transactions, employees are consistently courteous, employees have the knowledge to answer questions) of the bank. When looking at each of the four factors making up the assurance dimension of customer satisfaction, the expectations of the customers of Zemen Bank exceed their perceptions in all of the four areas.

The average gap score (P-E) for the assurance dimension of customer satisfaction is -.76.

A summary of the survey results for the assurance dimension of customer service quality are summarized in the table that appear below.

Table 4.12: Descriptive Statistics on Assurance Dimension

Code	Assurance Expectation			Assurance Perception			Gap
	Item	Mean	Std Dev	Item	Mean	Std Dev	
AS1	The behavior of employees in excellent banks will instill confidence in customers.	6.52	.500	The behavior of employees of Zemen bank instills confidence in you.	5.72	.496	-0.79
AS2	Customers of excellent banks will feel safe and satisfied in transactions.	6.53	.500	You feel safe in your transactions with Zemen bank.	5.78	.418	-0.75
AS3	Employees of excellent banks will be consistently courteous with customers.	6.49	.501	Employees in the bank are consistently courteous with you.	5.72	.450	-0.77
AS4	Employees of excellent banks will have the knowledge to answer customers' questions.	6.49	.501	Employees in Zemen bank have the knowledge to answer your questions.	5.78	.412	-0.71
	Average	6.51		Average	5.75		-0.76

Source: Own survey, 2014

On the gap analysis for satisfaction, respondents were expecting a service quality level of 6.51 (93 %); they were of the opinion that, they were receiving a service quality of 5.75 (82.14%), a service quality gap of 0.76 (10.85%) lower than their expectation. This shows a general dissatisfaction on the assurance dimension.

4.4.5 Empathy Dimension

Empathy Dimension deals with the caring, individualized attention the firm provides to its customers.

The Empathy dimension of the SERVQUAL instrument is comprised of questions 18-22 which assess Zemen Bank customers' perceptions of the empathy aspects (provides individual attention, has convenient operating hours, employees provide personal attention, has the best interest of the customer at heart, employees understand the needs of the customers) of the Zemen bank. When looking at each of the five factors making up the empathy dimension of customer satisfaction, the expectations of the customers exceed their perceptions in all five areas;

The average gap score (P-E) for the empathy dimension of customer satisfaction is -.82.

A summary of the survey results for the empathy dimension of customer service quality are summarized in the table that appear below.

Table 4.13: Descriptive statistics on Empathy Dimension

Code	Empathy Expectation			Empathy Perception			Gap
	Item	Mean	Std Dev	Item	Mean	Std Dev	
EM1	Excellent banks will give customers individual attention.	6.49	.501	Zemen bank gives you individual attention.	5.64	.480	-0.85
EM2	Excellent banks will have operating hours convenient to all their customers.	6.49	.501	Zemen bank has operating hours convenient to all its customers.	5.77	.420	-0.72
EM3	Excellent banks will have employees who give customers personal attention.	6.49	.501	Zemen bank has employees who give you personal attention.	5.68	.465	-0.81
EM4	excellent banks will have their customer's best interest at heart	6.49	.501	Zemen bank has your best interests at heart.	5.63	.482	-0.86
EM5	The employees of excellent banks will understand the specific needs of their customers.	6.49	.501	The employees of Zemen bank understand your specific needs.	5.63	.482	-0.86
	Average	6.49		Average	5.67		-0.82

Source: Own survey, 2014

As indicated in table 4.13, as customers were expecting a service quality level of 6.49 (92.71%), they were rather giving a service quality level of 5.67 (81 %), falling short of 0.82 (11.71%) of their expectations.

4.5 Comparison of Overall Service Delivery Gaps of Service Quality

To obtain one of the objectives for the study, it was needed to find the service delivery gaps of both the expectations and the perceptions of the respondents in the bank in order to establish the trend of the gap analysis for each of the service quality dimensions.

The service delivery gaps for the perception and expectation of service delivery among the dimensions were somehow significant. The gap for tangibility, reliability responsiveness, assurance and empathy were insignificant since all dimensions were having a perception mean value more than an average of 5.6.

Table 4.17 shows the mean score for the five dimensions of service quality. The highest mean is scored by tangibility followed by assurance and reliability. The least mean score is for empathy followed by responsiveness.

According Table 4.14, the tangibility dimension of service quality is carried out superior to the other four dimensions with a mean score of 6.41. This indicates that Zemen bank is performing at satisfactory level in possessing good looking equipments, visually appealing materials and neat appearing employees. The dimensions that possess the second place as per the rating of the customers are reliability, responsiveness and assurance with each having a mean score of 5.75. The least performed dimension is empathy with 5.67 mean score.

Table 4.14 Summary of Mean score for service quality dimensions

Service quality dimensions	Mean score	Standard deviation
Tangibility	6.41	0.3575
Reliability	5.75	0.3666
Responsiveness	5.75	0.4140
Assurance	5.75	0.4440
Empathy	5.67	0.4658

Source: Own survey, 2014

4.6 Correlations results of service quality and customer satisfaction

Correlation analysis is one of the most widely used in research, it is often used to determine a relationship between two different variables, if so how significant or how strong is the association between variables. In this study the correlation analysis result was performed to see the relationship between SERVQUAL dimensions and customer satisfaction in Zemen Bank. Therefore, the correlation analysis will indicate the relationship between Reliability, Empathy, Assurance, Responsiveness and Tangibility with customer satisfaction.

According to the Table 4.18, there is a significant positive relationship between the five dimensions of service quality and customer satisfaction, the highest correlation is between empathy and customer satisfaction (0.886); followed by responsiveness (0.818), tangibility (0.798) and assurance (0.796) respectively. The weakest correlation is between reliability and customer satisfaction (0.642). Because the correlation was positive, service quality and

customer satisfaction is positively related, which means the better service quality was the higher customer satisfaction.

Accordingly, the most important service quality dimension that affects customer satisfaction is empathy, which goes to prove that empathy perceived as a dominant service quality indicating that customer value getting individual attention when employees care about them and followed by responsiveness; indicating improvements in employees willingness to help customer and giving prompt service are significant for customer satisfaction.

Table 4.15 Correlations results of service quality and customer satisfaction

Variables	Customer satisfaction	Tangibility	Reliability	Responsiveness	Assurance
Tangibility	0.798				
Reliability	0.642	0.676			
Responsiveness	0.818	0.579	0.382		
Assurance	0.796	0.625	0.701	0.683	
Empathy	0.886	0.648	0.687	0.668	0.723

Own survey, 2014

4.8. Regression results of service quality and customer satisfaction

To identify the service-quality dimensions that make the greatest contributions to overall customers satisfaction in Zemen Bank , regression analyses were conducted with overall customers satisfaction as the dependent variable and the five dimensions of service quality (tangibles, reliability, responsiveness, assurance, and empathy) as the independent variables. The result has been shown below in Table 4.16

Table 4.16 Regression results of service quality and customer satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.115	0.079		-1.457	0.219
Tangibility	0.052	0.023	0.052	2.245	0.088
Reliability	0.039	0.074	0.038	0.792	0.473
Responsiveness	0.166	0.145	0.155	1.143*	0.017
Assurance	0.145	0.048	0.143	3.019*	0.039
Empathy	0.721	0.153	0.730	4.712*	0.009
Adjusted R Square: 0.907					
F: 18.566*					

*Significant at 0.05 levels.

Own survey, 2014

According to the results of the regression analysis the most important dimension that contribute most to customer satisfaction is empathy (β 0.730) carries the heaviest weight in explaining customer satisfaction followed by responsiveness with β value of 0.155 and then followed by Assurance with β value of 0.143.

These results show that one unit increase in empathy would lead to 0.730 unit (or 73%) increase in customer satisfaction provided that other variables being held constant. Similarly, one unit increase in responsiveness would lead to 0.155 unit Or (15.5%) increase in customer satisfaction provided that other variables remain constant. Lastly one unit increase in Assurance would lead to 0.143 unit (14.3%) increase in customer satisfaction provided that other variables remain constant.

Therefore empathy, responsiveness and assurance dimension of service quality have a significant influence on customers' satisfaction at 95% confidence level. Conversely, reliability and tangibles dimension have relatively less significant influence on customer satisfaction. Thus, superior performance on the most significance dimension i.e empathy, responsiveness and assurance are helpful in providing enhanced quality of service. While dimension like tangibles, reliability and assurance may not significantly impact customers satisfaction perceptions.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of key findings of the study presented according to the objectives of the study. Conclusions are drawn from the findings and recommendations are given to help improve the quality of the services delivered by Zemen Bank.

5.2 Summary of Key Findings

5.2.1 Measure of Service Performance

In this study, customers' perception scores are used to measure the quality of service delivery of Zemen Bank, hence the performance of the bank. Evidently, it was found that, all the service quality dimension factors used, had perception mean scores beyond 5.6 (80.00%) indicating a higher performance compared to the scale of measurement.

Looking at the factors measuring tangibility, the highest mean score was 6.75 representing the factors "modern looking equipments and visually appealing physical features" and the least mean score was 6.01 representing the factor "reception desk employees are neat appearing".

The five factors used to measure reliability all gave average score more than 5.6 and it is also on the high side of the scale of measurement.

Out of the four factors used to measure assurance, the factors "feeling safe in transacting with the bank", and "employees knowledge to answer questions" yielded the highest mean scores of 5.78, while the least average score 5.72 each were for the rest of the items. The average score of all the factors was more than 5.6, making it high and agree by the customers that the Bank gives assurance to customers.

The five factors used to measure "empathy" gave average score of more than 5.6. Additionally, the highest average score of 5.77 was given to the factor "convenient working hours" while the least average score 5.63 was given to the items, "Zemen bank

has your best interest at heart” and “employees understanding of specific needs of customers”

5.2.2. SERVQUAL Dimensions better utilized by Zemen Bank

Ranking of perceived service quality dimensions show the most utilized service quality dimension of the bank, clearly it was found that, Zemen Bank is excelling in terms of performance, the factors of the dimensions were aggregated and the grand mean score computed. By comparing the responses of the customers to the service delivered, the grand average scores established that the most utilized dimension of Zemen Bank is the tangibility which had the highest mean score of 6.41 relative to the rest of the SERVQUAL dimensions. Empathy which measures care of customers yielded the least average grand score. This means that the employees need to improve on customer relation.

5.2.3 Measure of Customer Expectations of Banking Services

5.2.3.1 Measure of Customer Expectation on tangibility

The expectations of customers on factors measuring service tangibility yielded various average scores. Out of the items, customers are very much interested in the materials associated with services like ATM , check book, statements and online banking service will be visually appealing at an excellent bank, with the highest average score

5.2.3.2. Measure of Customer Expectation on Reliability

The expectations of customers on factors measuring service Reliability yielded various average scores. Out of the items, customers are very much interested in the “performance of the service right the first time”, with the highest average score 7.00.

5.2.3.3 Measure of Customer Expectation on Responsiveness

All the measures of customers’ expectation on service responsiveness yielded almost equal average scores for each items, with the score of 6.52.

5.2.3.4 Measure of Customer Expectation on Assurance

With the service “assurance”, four items were measured. The highest average score (6.53) of the item expect that “feeling safe and satisfied in transactions”. Zemen Bank should make sure there is privacy of data and that data is not shared while transactions and credit are also securely held.

5.2.3.5 Measure of Customer Expectation on Empathy

Customers' expectation on service empathy measures the relationship and interactions between the Bank and the customers. The results indicate that customers expect Zemen Bank to understand all the items in this dimension. Each of the items yielded score of 6.49.

5.2.4 Summary Correlation of Quality Dimensions with Service Quality

At 95% confidence level, there is a significant positive relationship between the five dimensions of service quality and customer satisfaction, the highest correlation is between empathy and customer satisfaction (0.886); followed by responsiveness (0.818), tangibility (0.798) and assurance (0.796) respectively. The weakest correlation is between reliability and customer satisfaction (0.642). Because the correlation was positive, service quality and customer satisfaction is positively related, which means the better service quality was the higher customer satisfaction. Accordingly, the most important service quality dimension that affects customer satisfaction is empathy, which goes to prove that empathy perceived as a dominant service quality followed by responsiveness; indicating improvements in employees' customer satisfaction levels were significant.

5.2.5 Summary of Regression results of service quality and customer satisfaction

The results of the study indicates that empathy, responsiveness and assurance dimension of service quality have a significant influence on customers' satisfaction at 95% confidence level. Conversely, reliability and tangibles dimension have relatively no significant influence on customers' satisfaction.

5.3 Conclusions

The overall perceived SERVQUAL score for the five dimensions of customer satisfaction is 5.86. This indicates a satisfactory level of customer satisfaction in the service quality, as assessed by the customers, delivered by Zemen Bank.

From the quantitative analysis it is found that, although gaps exist in the expected vs. perceived level of service quality satisfaction, the customers are satisfied with the quality of service being delivered by Zemen Bank. The negative gaps that exist in the expected vs. perceived level of service quality indicate that there are areas where efforts to improve should be focused. The negative gap scores suggest that Zemen Bank leadership should

prioritize and focus improvement efforts in order and in the areas of Reliability, Assurance, Responsiveness and empathy.

The study assessed the level of quality service delivery and its effect on customer satisfaction at Zemen bank in Addis Ababa. Generally, the responses to service quality dimensions used to measure the performance of the banking services provided by Zemen Bank established that the bank services are with relatively high quality. All items measuring the service quality dimensions gave average score more than 5.6. By comparing the average scores to the scale of measurement, service performance is agreed by customers to be relatively high. The services are reliable, the bank's employee's behavior instills confidence to customers, the bank's physical facilities are attractive, equipment for service operations are efficient, and customers are given equal attention. Notwithstanding the high average scores, the level of service performance varies from one dimension to the other. Among the dimensions, tangibility ranked first as the highest performance of the banking services. By this, Zemen Bank is good in accommodating appearance aspects of physical facilities, equipment, appearance of personnel, and communication materials of the bank.

Despite the high average scores of service performance, the expectations of the customers on banking services also yielded high average scores beyond 5.6 for each of the items measuring the SERVQUAL dimensions.

By comparing the average scores of the respondents regarding the performance and expectation of customers of the banking services provided by Zemen Bank, customer expectation responses yielded higher scores than the performance of the services provided by Zemen Bank(except for the tangible dimension). The average scores of customers' expectations exceeded that of the perception of the SERVQUAL dimensions. It can be concluded from the analysis that customers are not satisfied with the services of the Bank. However the differences between the scores are not much significant, because percentage performance relative to expectation ranges from 81% to 92%. With a little effort banking services of Zemen Bank can be at par with customers' expectations. To ensure customer retention, Zemen Bank needs to revise its quality strategy giving particular attention to the

expectations of the customers, improve all the SERVQUAL dimensions to exceed what the customers expect. By this, there will be a guarantee to retain the customers.

5.4 Recommendations

Based on the analysis and the findings, the following are recommended to help improve service performance so that SERVQUAL dimensions measuring customer perception will exceed the expectations of the customers.

5.4.1 Regular Assessment by Customers perception on Service Delivery

By enquiring from prospective customers the level of satisfaction on the SERVQUAL dimensions of the banking services, Zemen Bank will be informed about the area that require improvement to enhance service performance. It will also inform the Bank areas that have been given less attention, so that decision will be made to upgrade those areas.

5.4.2 Service Quality Dimension Improvement

It is recommended that since the service quality dimensions did not meet the customer's expectation; certain service quality dimensions needs a pragmatic effort in the bank to ensure its improvement. Service dimensions like reliability and empathy, a pragmatic effort is needed to ensure an improvement in these dimensions will help in the overall service quality and a better customer service delivery in the bank.

5.4.2.1 Much attention be given to Reliability and Empathy dimensions

The result of the findings established that Zemen Bank has not been giving much attention to Reliability and Empathy. Zemen Bank needs to revisit the reliability aspect of its services; check on the general speed of its service performance and the knowledge level of its employees to answer questions of customers, in order to identify the flaws and address them. However, on the reliability, the significance of the gap might be due to high expectation rankings of customers, but management should keep an eye on the items in the dimension.

Concerning the empathy dimension, the bank should work towards finding better ways of identifying its customers individual needs, and enhancing its employees skills towards understanding the specific needs of its customers.

5.4.3 Improve overall service delivery

A comparison between expectation and perception indicate a gap. Thus, customer expectations scores are higher than the scores of customer perceptions. Zemen Bank is required by this revelation to consider repackaging and redesigning of its service operations to match up with customer expectation. This can be done by finding out from customers what they expect from the Bank and provide accordingly. By this customers will be compelled by virtue of superior service to stay than switching to a competitor.

5.4.4 Consideration to individual items of each dimension

Studies have severally been conducted empirically and have approved the reliability of the items measuring SERVQUAL parameters in the service industry. The results of the parameters are determined by the score of the items; when the items are scored high, the score of the parameters will also be high. This means that if Zemen Bank give each items explained in this chapter the necessary attention, it is likely that the bank's overall performance can be enhanced.

5.4.5 Area for further studies

Future researchers are hereby called upon to conduct a research to measure the service quality delivery of the various banks of the same level, to ascertain the extent of service quality delivery among the commercial banks in Ethiopia.

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Addis Ababa University College of commerce
School of Graduate Studies
Marketing Management Program
Questionnaire to be filled by customers

This questionnaire is designed to collect data to measure service quality and customer satisfaction; the study has taken the case of Zemen Bank. The information that you provide me with this questionnaire will be used as a primary data in my case research that I am conducting as a partial fulfilment of the requirements for the degree of Master's of Marketing Management. I would like to assure you this research is only for academic purpose authorized by the Addis Ababa University College of Commerce no other person will have access to it. I would like to express my appreciation for your generous time, honest and prompt response.

There is no need to write your name
Mahlet Girma(0911886021)

Part I Personal Information

1. Gender

Male Female

2. Age Group

Less than 25 25 to 35 36 to 40
 41 to 50 51 to 60 61 and above

3. What is your highest and recent educational status

Masters degree 12 grade complete
 First degree Below grade 12
 College diploma

4. Account type

Individual Corporate

5. How often do you Visit the bank?

Daily Weekly Monthly other

6. How long have you been a customer of the bank?

0- 1 year 1-5 years Above 5 year

Part 2

Expectation

Please mark (√) to the option that best shows your expectation level about an excellent Bank.

		Strongly Disagree	Disagree	Neutral	Slightly Agree	Agree	Strongly Agree
1	Excellent Banks should have modern looking office equipments						
2	Excellent Banks should have visually appealing physical facilities						
3	Employees at an Excellent Banks will be well groomed and neatly dressed						
4	materials associated with services like ATM cards , check book, statements and online banking service will be visually appealing at an excellent bank						
5	When excellent banks promise to do something by a certain time, they do.						
6	When a customer has a problem, excellent banks will show a sincere interest in solving it.						
7	Excellent banks will perform the service right the first time.						
8	Excellent banks will provide the service at the time they promise to do so.						
9	Excellent banks will insist on error free service						
10	Employees of excellent banks will tell customers exactly when services will be performed.						
11	Employees of excellent banks will give prompt service to customers.						
12	Employees of excellent banks will always be willing to help customers.						
13	Employees of excellent banks will never be too busy to respond to customers' requests.						
14	The behavior of employees in excellent banks will instill confidence in customers.						
15	Customers of excellent banks will feel safe and satisfied in transactions.						
16	Employees of excellent banks will be consistently courteous with customers.						
17	Employees of excellent banks will have the knowledge to answer customers' questions.						
18	Excellent banks will give customers individual attention.						
19	Excellent banks will have operating hours convenient to all their customers.						
20	Excellent banks will have employees who give customers personal attention.						
21	Excellent banks will have their customer's best interest at heart						
22	The employees of excellent banks will understand the specific needs of their customers.						

Perception

Please mark (√) to the option that best shows the extent to which you believe Zemen Bank has the features described.

		Strongly Disagree	Disagree	Slightly Disagree	Neutral	Slightly Agree	Agree	Strongly Agree
1	Zemen bank has modern looking equipment.							
2	Zemen bank's physical features are visually appealing.							
3	Zemen bank's front line employees are well groomed and neat appearing.							
4	Materials associated with the service (such as ATM cards, check book, statements and online banking service) are visually appealing at Zemen bank.							
5	When Zemen bank promises to do something by a certain time, it does so.							
6	When you have a problem, Zemen bank shows a sincere interest in solving it.							
7	Zemen bank performs the service right the first time.							
8	Zemen bank provides its service at the time it promises to do so.							
9	Zemen bank insists on error free records.							
10	Employees in the bank tell you exactly when the services will be performed.							
11	Employees in Zemen bank give you prompt service.							
12	Employees in Zemen bank are always willing to help you.							
13	Employees in Zemen bank are never too busy to respond to your request.							
14	The behavior of employees in Zemen bank instills confidence in you.							
15	You feel safe in your transactions with Zemen bank.							
16	Employees in the bank are consistently courteous with you.							
17	Employees in Zemen bank have the knowledge to answer your questions.							
18	Zemen bank gives you individual attention.							
19	Zemen bank has operating hours convenient to all its customers.							
20	Zemen bank has employees who give you personal attention.							
21	Zemen bank has your best interests at heart.							
22	The employees of Zemen bank understand your specific needs.							

What is your overall satisfaction level on the service of Zemen bank (please circle the number of your choice)

Very Satisfied	Satisfied	Slightly satisfied	Neutral	dissatisfied	Slightly dissatisfied	Very Dissatisfied
1	2	3	4	5	6	7



**አዲስ አበባ ዩኒቨርሲቲ ንግድ ስራ ኮሌጅ
የድህረ ምረቃ ጥናት
የማርኬቲን ማኔጅመንት ፕሮግራም
በደንበኞች የሚሞላ መጠይቅ**

ይህ መጠይቅ የተዘጋጀው የዘመን ባንክን የአገልግሎት ጥራት እንዲሁም የደንበኞችን የእርካታ መጠን ለመፈተሽ ሲሆን ጥናቱም በዘመን ባንክ ላይ ያተኩራል። ጥናቱ የተዘጋጀው ለመመረቂያ ዕሁፍ ሲሆን በዚህ መጠይቅ ላይ የሚመልሱት መልስም ለትምህርት ጉዳይ ብቻ የሚውል ይሆናል። ጊዜዎን ሰጥተው ይኼን መጠይቅ ስለሞሉልኝ በቅድሚያ ላመሰግንዎት እወዳለሁ።

በሚሞሉበት ጊዜ

- ስምዎን መጻፍ የለብዎትም
- መልስዎ ላይ (✓) ምልክት ያድርጉ

ማህሌት ግርማ (0911886021)

ክፍል 1 የግል መረጃ

1. ጾታ ሴት ወንድ
2. እድሜ
 ከ25 በታች ከ25 እስከ 35 ከ36 እስከ 40
 ከ41 እስከ 50 ከ51 እስከ 60 ከ61 በላይ
3. የትምህርት ደረጃ
 ማስተርስ ዲግሪ አንደኛ ዲግሪ
 የኮሌጅ ዲፕሎማ 12 ያጠናቀቀ
 ከ12 በታች
4. የሂሳብዎ አይነት
 የግለሰብ ሂሳብ የድርጅት ሂሳብ
5. በምን ያክል ጊዜ ባንኩን ይጎበኛሉ?
 በየቀኑ በሳምንት በወር ሌላ
6. በባንኩ መገልገል ከጀመሩ ስንት ጊዜ ሆነዎት?
 0-1 አመት 1-5 አመት ከ5 አመት በላይ

	ክፍል 2	Expectation (ስለ ጥሩ ባንክ አገልግሎት የነበረዎት ግምት)						
		በፍፁም አልሰማምም	አልሰማምም	በትንሹ አልሰማምም	መካከለኛ	በትንሹ አሰማምለሁ	አሰማምለሁ	በጣም አሰማምለሁ
1	ጥሩ ባንክ ዘመናዊ የሆኑ የቢሮ መገልገያ እቃዎች አሉት							
2	ጥሩ ባንክ ለእይታ ማራኪ ነው							
3	የጥሩ ባንክ ሠራተኞች ንፁህና ጥሩ አለባቸው አላቸው							
4	በጥሩ ባንክ ከሰርቪስ ጋር የተያያዙ ቁሶች ለምሳሌ ኤ.ቲ.ኤም ፣ የቼክ ደብተር፣ የሂሳብ መግለጫ እንዲሁም አን ላይን የባንክ አገልግሎቶች ለእይታ ማራኪ ናቸው							
5	ጥሩ ባንክ ቃል በገባው የጊዜ ገደብ ውስጥ ደንኞችን ያስተናግዳል							
6	ጥሩ ባንክ ለደንበኞች ቅሬታ ትኩረት ሠጥቶ ምላሽ ይሰጣል							
7	ደንበኞች ጥሩ ባንክ ላይ አመኔታ አላቸው							
8	በጥሩ ባንክ አገልግሎት በተቀላጠፈ እና ቃል በተገባው ሠላት ይፈፀማል							
9	ጥሩ ባንክ ከስህተት ነፃ የሆነ የመረጃ አያያዝ ስልት ለአለው							
10	የጥሩ ባን ሠራተኞች አገልግሎት የሚፈጀውን ጊዜ በትክክል ለደንበኛ ያሳውቃሉ							
11	ሠራተኞች ቀልጣፋ አገልግሎት ይሰጣሉ							
12	ሠራተኞች ሁልጊዜ ደንበኞችን ለመርዳት ፈቃደኛ							
13	ሠራተኞች ለደንበኞች ጥያቄ ፈጣን ምላሽ ይሰጣሉ							
14	የሠራተኞች ባህሪ ደንበኛው ላይ አመኔታን እንዲፈጥር ያደርጋል							
15	ደንበኞች በባንኩ በሚያደርጉት የሂሳብ እንቅስቃሴ እምነት አላቸው							
16	ሠራተኞች ደንበኞችን በትኩረት ይቀበላሉ							
17	ሠራተኞች የደንበኛን ጥያቄ ለመመለስ በቂ እውቀት አላቸው							
18	ሠራተኞች በተገቢው መንገድ ያስተናግዳሉ							
19	ጥሩ ባንክ የሰራ ሰላት አመቺ ነው							
20	ሠራተኞች ልዩ ትረት ሰጥተው ያስተናግዳሉ							
21	ጥሩ ባንክ የደንበኛውን ጥቅም ይጠብቃል							
22	የጥሩ ባንክ ሠራተኞች ደንበኛ የሚፈልገውን ጠንቅቀው ያውቃሉ							

ክፍል 2	Perception (በዘመን ባንክ አገልግሎት ካገኙ በኋላ የተሰማዎት)						
	በፍፁም አልሰማምም	አልሰማምም	በትንሹ አልሰማምም	መካከለኛ	በትንሹ እስማማለሁ	እስማማለሁ	በጣም እስማማለሁ
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ባንኩ በሚሰጠው አጠቃላይ አገልግሎት የእስምን የእርካታ መጠን የሚገልፀው ቁጥር ላይ ያካብቡ

በጣም ደስተኛ ነኝ	ደስተኛ ነኝ	በትንሹ ደስተኛ ነኝ	መካከለኛ	በትንሹ ደስተኛ አይደለሁም	ደስተኛ አይደለሁም	በፍጹም ደስተኛ አይደለሁም
1	2	3	4	5	6	7

Coding

SERVQUAL Dimensions/Items

Tangibles (TA)

TA1 Excellent Banks should have modern looking office equipments.

TA2 Excellent Banks should have visually appealing physical facilities

TA3 Employees at Excellent Banks will be well groomed and neatly dressed.

TA4 materials associated with services like ATM , check book, statements and online banking service will be visually appealing at an excellent bank.

Reliability (RL)

RL1 When excellent banks promise to do something by a certain time, they do.

RL2 When a customer has a problem, excellent banks will show a sincere interest in solving it.

RL3 Excellent banks will perform the service right the first time.

RL4 Excellent banks will provide the service at the time they promise to do so.

RL5 Excellent banks will insist on error free service

Responsiveness (RN)

RN1 Employees of excellent banks will tell customers exactly when services will be performed.

RN2 Employees of excellent banks give prompt services to customers.

RN3 Employees of excellent banks are always willing to help customers.

RN4 Employees of excellent banks are never too busy to respond to customers requests.

Assurance (AS)

AS1 The behavior of employees in excellent banks instill confidence in customers

AS2 Customers of excellent banks will feel safe and satisfied in transactions.

AS3 Employees of excellent banks will be consistently courteous with customers.

AS4 Employees of excellent banks will have the knowledge to answer customers' questions.

Empathy (EM)

EM1 Excellent banks will give customers individual attention.

EM2 Excellent banks will have operating hours convenient to all their customers.

EM3 Excellent banks will have employees who give customers personal attention.

EM4 excellent banks will have their customer's best interest at heart

EM5 The employees of excellent banks will understand the specific needs of their customers.

Demographics (DM)

DM1 Gender (1=male, 2=female)

DM2 Age group (1=less than 25, 2=25-35, 3=36-40, 4=41-50, 5=51-60, 6=61 and above)

DM3 Level of Education (1=below 12 grade, 2=12 grade complete, 3=diploma, 4=first degree, 5=masters degree, 6=Phd)

DM4Account type (1=individual, 2=corporate)

DM5frequency of bank visit (1=daily, 2=weekly, 3=monthly, 4=other)

DM6 how long being the bank customer (1=0-1 years, 2=1-5 years, 3=above 5 years)

Recoding

TA- Average gap score for tangible items = $(TA1+TA2+TA3+TA4)/4$

RL- Average gap score for reliability items = $(RL1+RL2+RL3+RL4+RL5)/5$

RN- Average gap score for responsiveness items = $(RN1+RN2+RN3+RN4)/4$

AS- Average gap score for assurance items = $(AS1+AS2+AS3+AS4)/4$

EM- Average gap score for empathy items = $(EM1+EM2+EM3+EM4+EM5)/5$

OSQ- Overall service quality = $(TA+RL+RN+AS+EM+PR)/6$