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I Kassaw Edegn Gebrie the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university and that all sources of material used for the thesis have been duly acknowledged.

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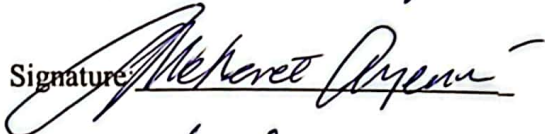
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**ADDIS ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF PUBLIC ADMINISTRATION AND  
DEVELOPMENT MANAGEMENT  
MASTERS OF PUBLIC POLICY AND MANAGEMENT**

**ASSESSMENT ON THE ROLE OF SERVICE QUALITY DELIVERY ON  
CUSTOMER SATISFACTION (IN CASE OF COMMERCIAL BANK OF  
ETHIOPIAN ARADA DISTRICT SPECIAL BRANCH)**

**BY; KASSAW EDEGLIGN**

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**JUNE.2023  
ADDIS ABABA, ETHIOPIA**

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**By  
KASSAW EDEGLIGN**

**Advisor: Dr. Mehret Ayenew**

**A thesis submitted to the Department of Public Administration and  
Development Management of Addis Ababa University in Partial Fulfillment of the requirements for  
the Degree of Master of Art Public Management and Policy (MPMP)**

**JUN, 2023  
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**Approval**

As members of the Board of Examining the Final MSc, thesis open defense, we certify that we have read and evaluated the thesis prepared by **Kassaw Edegn** under the title "**assessment on the role of service quality delivery on customer satisfaction (in case of commercial bank of Ethiopian Arada district special branch).**" and recommend that the thesis be accepted as fulfilling the thesis requirement for the **Degree of Master of Art Public Management and Policy.**

**Approved by Board of Examiners**

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**Final Approval and Acceptance**

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## **List of Acronyms**

CBE Commercial bank of Ethiopia

SERVQUAL Service Quality

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## ABSTRACT

The aim of this study is to assess of service quality and customer satisfaction. It describes the relationship between service quality dimensions and customer satisfaction in Arada district special branch of commercial bank of Ethiopia and identifies the most important dimension of service quality for the bank customers. Also, it shows the gaps between customer's expectation and perception on the quality of service delivery system in the bank. *Data was collected through structured questioners, interviews, and an office document review, all of which were created using factors described in the literature. A total of 165 questionnaires were distributed, with 160 respondents filling them out and returning them, accounting for 96.97 percent of the total.* The research is carries out through the use of descriptive research design and primarily And secondary bases on data collects through structure questionnaire develops bases on SERVQUAL instrument. Convenience sampling technique is uses to select respondents from district branches of commercial bank of Ethiopia. The data has been analyses through descriptive statistics. According to the result the majority of the customers are dis satisfied by Politeness of employees, customer feeling safe in their transaction, personal behavior of employee and adequate knowledge of employee is satisfying assurance dimension of service quality. *Finally, this research offers its own recommendations for improving the customer satisfaction.*

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 BACKGROUND TO THE STUDY**

Service delivery is now the philosophy of several progressive companies in the world. With the worldwide increasing emphasis on service delight and service quality in all the sectors of business, the quality of service that retail banks offer has become the platform on which the banking business is now being built. Titko and Lace (2010) have stated that the competitive power and survival of a bank lies in the degree of its customer satisfaction.

According to (Kotler et al, 2008), Services is any activity or benefits that one party can offer to another that is essentially intangible and does not result ownership of anything. Its products may not be physically tied to physical product.

Customer opinion of how well services will live up to their expectations is known as service quality. The success of any business in the service sector, such as banking, where the products are generally undifferentiated, has come to be increasingly recognized as being substantially dependent on service quality (Ibid).

Service quality is important for banking sectors and the development of countries. Such as services quality improve customer satisfaction, strong customer loyalty, reduce marketing cost, improve marketing position, staff pride satisfaction and the major sources of employee (Etzelet al, 2004).

One significant question is always present: Why should service quality be measured? Measuring enables before-and-after comparisons, the identification of quality-related issues, and the creation of unambiguous criteria for service delivery. According to Zeithmal et al. (2000), analysis and measurement serve as the foundation for developing quality and services.

In the fiercely competitive business environment of modern banking, offering high-quality services is key for fostering lasting relationships with clients. Thus, success and survival in today's cutthroat banking environments depend on providing customers with high-quality service (Palmer, 2005). Quality is comparison of expectations with performance for the viewpoints of business administration service quality is an achievement in customer service. Private Banks

grown faster and bigger over two decades. That provided contemporary innovation and monetary tools. Typically customers perceive very little difference in banking products offered by private banks dealing in services as any new titles offering is quickly matched by competitors. Thus, the service offered would determine customer satisfaction and attitudes of loyalty maintaining the quality of service is a prerequisite for survival; quality means products ability to satisfy customers (Perreaup&Mccarthy, 1996).

This study hopes to throw more light on the state of quality of service delivery in commercial bank of Ethiopian Aradadistrict special branch. There is the need for regular assessment of the quality of service being provided by banks so as to be familiar with the level of gap that exist between the perception and the expectation of customers as well as be familiar with the factors that cause customer dissatisfaction.

Unquestionably, the two essential ideas that underlie marketing philosophy and practice are service quality and customer satisfaction (Spreng and Mackoy, 1996). Delivering high-quality services that will ultimately lead to delighted consumers is the key to maintaining a competitive advantage in today's environment of strong competition. The significance of service quality grows as competition grows and environmental issues more dynamic (Asubonteng, 1996).

## **1.2 Statements of the Problem**

With the better allocation of resources and the mobilization of resources, the banking industry contributes significantly to the growth of economies. Today, consumer happiness is one of the key factors used to gauge an industry's performance. Most corporate organizations and what makes up Customer satisfaction is a key component of continuous strategy and is necessary for success and survival in the current competitive market. The most extensively used indicator of service quality is Servqual.

Unsatisfactory customer service leads to a drop in customer satisfaction and no willingness to recommend others to come and use this institution.

Service is intangible in nature, it cannot be mass produced. It cannot be inventoried and stored after production. Due to the fact that services and consumers of services are inseparable, they

cannot be produced until the consumer is ready to consume them. Providing consistent quality is difficult for service because of the characteristic of variability (Clow and Kurtz, 2003).

Now a day in Ethiopian there is 31 banks that working on the banking sector, in order to become premium bank there is intensive competition between them.

Globally financial institutions are developing business plan (strategies) how to they are meeting there customer satisfaction .good service quality in financial institution important to remain competitive and profitable in the future.

According to (bennet, and Higgins 1988) ,the bank that exeel in quality services can have a distinct marketing edge since improved level of service quality related to higher revenue ,increase cross sell relations, higher customer retention.

(Kotler, 2006) claims that the reliability, responsiveness, assurance, dependability, and empathy of a service are all included in the measurement of its quality. Yet, because institution economic and socio-cultural elements might vary from place to region, the measure of service quality developed for one country may not be appropriate to other countries.

Currently in Ethiopian, banking sector become booming, many new banks are joining the sector, the opening of branches proximity, the product offered nearly identical and deeply enter to in intensive competition.

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

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

Customer determines the value of service quality in relation to variable alternatives and their particular needs. According to my observation the factors motivate to conduct this study is the variation between actual service quality delivery and customer expectation about services provided by commercial bank of Ethiopian Arada district. Therefore, the intent of this study is to assess the role of service quality delivery on customer satisfaction in the case of commercial bank of Ethiopian Arada district.

### **1.3 Research Questions**

The study would try to answer the following Basic Research questions.

- 1 What are the major factors that affect the role of quality service delivery on customer satisfaction at commercial Bank of Ethiopian Arada district special branch?
- 2 What is the extent of the gap between customer expectation and customer perception of the service delivered by banks?
- 3 What services do customers expect relate with service quality from their banks?

### **1.4 Objective of the Study**

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

The general objective of this study is to investigate the role of quality of service delivery on customer satisfaction at commercial Bank of Ethiopian Arada district special branch.

#### **1.4.2 Specific Objectives Of The Study**

In addition to the general objective, the study will examine the following specific issues.

- 1 To identify factors that affect customer satisfaction with respect to service quality.
- 2 To find out if any gap exists between customer perception and expectation regarding the quality of service.
- 3 To identify the new trends in customer expectations.

## **1.5 Significances of the Study**

The results of this study would have the following advantages.

- The study is help to identify the major roles of quality service delivery of the bank.
- The study is helpfor the bank to identify the major cause of customer dissatisfaction.
- The study is serves as an input for other research in related topic.

The study is help to the company employees to understand their position about service quality delivery of the bank and take effective measurements for their mistakes in the future.

## **1.6 Scope of the study**

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

## **1.7. Limitation of the study**

Large sample size requires more time and finance, it is unmanageable and difficult to participate all branch of commercial bank in Addis Ababa, due to this only Arada district special branch of commercial bank of Ethiopia are included.

## **1.8 Organization of the Study**

The study is divides into five chapters: The research is briefly describes in chapter one, which also highlights talks on how service quality affects consumer happiness. The chapter also includes the study's background, issue statement, aims, and research questions, as well as its significance, scope, limitations, and organizational structure. The second chapter analyzes relevant literature, including the idea of quality and a description of services based on works by

various authors. This chapter discusses service quality, customer satisfaction, service quality determinants, and the value of service quality to enterprises. The conceptual underpinning for the investigation is presented in the chapter.

The research technique is covers in Chapter 3 along with the research design, data type and source, data collection method, sampling method, sample size, and data presentation method. The research findings are presented in chapter four, which also addresses the study's findings. Chapter 5 tries to provide a concise review of the study and the key conclusions, as well as recommendations for raising service quality. It also draws conclusions about the new knowledge gained from the research.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

In order to provide a clear understanding of the research area, this chapter examines the literature, in particular the literature on the concept of service, types of service, characteristics of service, service quality, customer satisfaction, the relationship between customer satisfaction and service quality, managing service quality, the impact of service quality on customer satisfaction, and service quality model.

#### **2.1 What is service?**

According to (Hill, 1977), "Service" can be defined as a change in a person's or a good's state that is brought about as a result of another economic unit's action, with the prior consent of the first person or economic unit.

Any actions, advantages, or satisfaction supplied for sales that are essentially intangible and do not result in ownership of anything are referred to as services (Kotler& Armstrong, 2008).

Any performance that one party provides to another that is fundamentally intangible or does not result in ownership of anything is referred to as a service (Kotler& et al, 2010).

An action or set of acts that are more or less intangible in nature that typically, but not always, occur in interactions between the customer and service personnel and/or systems of the service provider and are offered as remedies to customer problems are referred to as services. (1990; Gronröös).

It is nearly impossible to give a succinct description of the service that applies to the entire service industry. Such attempts have never been successful with regard to the various services (using a vending machine, receiving medical advice, sending letters, flying, maintaining computers, renting a car, etc.). But, with the right approach, it's possible to combine some of the common characteristics of services into a single definition.

## 2.2 Classification of Services

Service Category classification categorized goods into three groups utilizing economists' writings;

**Search qualities:** characteristics that customers can research before making a purchase. Color, style, pricing, fit, feel, hardness, and scent are examples of search criteria. Clothing, automobiles, furniture, and jewelry are a few examples of items.

**Experience Qualities:** that can only be assessed following a purchase or during consumption. Examples include taste and fashion sense as well as travel arrangements and dining options.

**Credibility qualities:** are characteristics that a consumer may find challenging to assess even after consumption (mostly owing to a lack of technical understanding). Examples include medical procedures, wheel alignment (car repair), etc. (Zeithaml, 2000p; 12).

**Quality** is the sum of a product's or service's attributes that affect how well it can satisfy explicit or implicit needs (Ibid).

**Customer satisfaction** assesses how favorably customers will react to the business in the future, making it a forward-looking indicator of corporate success (Donnelly, 2004).

## 2.3 Characteristics of service

A Company must consider four special characteristics of service, when designing a market program.

**Table 1 four characteristics of service**

<b>Service intangibility</b>	Major characteristics of services that cannot be seen, tasted, heard or smelled before they bought.
<b>Service inseparability</b>	Major characteristics of service they are produce and consume at the same time and cannot be separated from their provider.
<b>Service variability</b>	Means that the quality of services depend on how they are provide, who provide them as when and where provide.
<b>Service perish ability</b>	Means that service cannot be stored for later uses.

Source (kotler& et al 2010)

## **1.4 Banking Services**

Banking Services is any of the following banking services, including commercial credit cards, stored value cards, and other Treasury Management Arrangements, may be provided to any Loan Party by any Banking Service Provider (including, without limitation, controlled disbursement, purchase card arrangements, automated clearinghouse transactions, return items, overdrafts and interstate depository network services).

In its simplest form, banking refers to a firm that is authorized to take public deposits and issue loans. Theoretically, banks move money from the economy's surplus units to its deficit ones (Luckett, 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. 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 (Luckett, 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.

Generally Banking services refer to the various financial products and services that are offered by banks to their customers. These services may include:

1. **Deposit Services:** These services include opening and managing different types of deposit accounts such as savings account, current account, fixed deposit account, etc.
2. **Lending Services:** Banks offer various types of loans to their customers such as personal loans, home loans, car loans, education loans, etc.
3. **Payment Services:** Banks provide payment services such as issuing credit and debit cards, online banking, mobile banking, and other electronic payment services.
4. **Investment Services:** Banks offer investment services like mutual funds, insurance, and other investment products to help customers grow their wealth.
5. **Foreign Exchange Services:** Banks provide foreign exchange services such as currency exchange, forex trading, and international money transfers.
6. **Wealth Management Services:** Banks also provide wealth management services to their high net worth customers, which include portfolio management, financial planning, and other investment advisory services.

Additionally, banks may also offer other services such as safe deposit boxes, ATM services, and other value-added services to their customers. These services may vary depending on the type of bank and the specific needs of its customers.

## **2.5 Service Quality**

Service quality is described by Fogli (2006) as "a general assessment or attitude regarding a specific service; the customer's overall perception of the business and its services' relative superiority or inferiority. Quality of service is a cognitive judgment ". ISO 9000 (2005) also defines quality as the extent to which a bunch of inbuilt features (relating to products, a process or a system) meet the requirements. The inbuilt features can be physical, sensory, behavioral, temporal, ergonomic or functional, whilst requirements are the stated need or expectations, be it implied or obligatory. Parasuraman et al 1991 noted that quality is the meeting of the needs and expectations of the customers. Therefore the yard stick for determining service quality is

the expectations of customers and not the policy of the bank. This view moreover, has been asserted by Ting, (2004) and Jamali (2007).

Service quality refers to the degree of excellence that customers perceive in the services they receive from a business. It is a measure of how well the services meet or exceed customer expectations. Service quality is critical for businesses as it has a significant impact on customer satisfaction, loyalty, and ultimately, business success.

To ensure high service quality, businesses must focus on each of these dimensions. They must understand their customer's needs and preferences and work to exceed their expectations. This can be achieved through effective communication, training, and development of employees, use of technology to enhance service delivery, and continuous monitoring of customer feedback.

Businesses that are committed to delivering high service quality must continuously strive to improve their services, listen to customer feedback, and adapt to changing customer needs and expectations. By doing so, they can build strong relationships with their customers and achieve long-term business success.

## **2.6 Conceptual service quality model**

The service quality model specifies the key conditions and duties that a service provider must meet in order to deliver the desired level of service quality. The model then presents the crucial elements defining high-quality service delivery, identifying the following deficiencies that result in unsuccessful service delivery (Peter et al, 2004).

Gap between customer expectation and management perception.

- Gap between management perception and service quality specification .management may not set unrealistic if they may be clear and realistic the management might not be fully committed to enforcing this quality level.
- Gap between service delivery and external communication customer expectation are affected by promise made by the service provider's communication.
- The gap between service quality specifications and service delivery that many factors affect service delivery if personnel might be poorly trained, their moral may be low, and there might be equipment breakdown.

- Gap Between perceived and expected services. This gap occurs when the customer misperceives the service quality.

## **2.7 Service Quality in Banking**

The importance of service quality is rising in the banking industry, and it's critical to weigh the advantages of improving service quality. Deepening the relationships between customers and financial institutions, according to Riadh et al. (2011), encourages customers to stick with them and gives financial institutions a competitive edge.

According to this, Kazi Omar Siddiqi (2010) discovers that the caliber of the long-term relationship that forms with the bank is a crucially significant part of a commercial 18 customer's dealings with the bank. The findings of their study point to four retail bank service delivery systems components that may be crucial: general bank personal service, teller personal service, reaction time, and location convenience. The study's findings are consistent with the hypotheses that customer satisfaction and future business intents with the bank may be influenced by how retail bank customers perceive these problems. They consist of plans to buy more items and to provide the bank a bigger share of the clientele's business.

LeBlanc, & Nguyen (1988) as cited in Kazi Omar Siddiqi (2010) focused on service quality in financial institutions and discussed 6 factors that explain perceived service quality, (a) degree of customer satisfaction, (b) contract personnel, (c) internal organization, (d) physical environment and instruments, (e) corporate image, and (f) personnel-customer interaction during the service encounter, contribute to service quality.

Service quality is crucial for the success of any business, and this is particularly true in the banking industry. Banks must deliver high-quality services to their customers to remain competitive and retain their customers. The following are some of the key dimensions of service quality that are important in the banking industry:

To ensure high service quality in banking, banks must continuously monitor and improve their service delivery by collecting customer feedback, analyzing customer satisfaction metrics, and benchmarking their performance against industry standards. Banks can also invest in training and development programs for their employees to ensure that they have the skills, knowledge, and attitude required to deliver high-quality services to their customers.

### 2.7.1 Service quality criteria.

The former researcher additionally develops the key determinant of service quality to close the aforementioned gap. Kotler (1988) said that the criteria were present in all types.

- ❖ **Access:** the service easily to access in convenient location at convenient time which little waiting.
- ❖ **Courtesy:** The employees are friendly, receptiveness and considerate.
- ❖ **Reliability:** The Service is performed with consistency and accuracy.
- ❖ **Responsiveness:** the employee's responsive quality and creativity to customers' requests and problems.
- ❖ **Tangible:** .The service tangibles correctly project the service quality.
- ❖ **Communication:** The service describes accurately in the customer's service language. Generally, the above criteria and gaps will essential tools to measure and evaluate the quality of services in relation to customer satisfactions.

According to Hossain and Leo (2009), the majority of research has shown that customer service quality is now widely acknowledged as a key component of any company's success, and the banking sector is no different. Service quality has been widely used to evaluate the performance of banking services according to Cowling and Newman (1995). Dawes and Swailes, (1999), have also opined that the banks understand that customers will be loyal if they provide greater value (quality services) than their competitors. Furthermore, banks can only earn high profits if they are able to position themselves better than competitors within specific markets as postulated by Davies et al (1995). Consequently, Chaoprasert and Elsey (2004) have said that banks need to focus on service quality as a core competitive strategy.

### 2.7.2 Determinants of service quality

According to Peter et al. (2004), a company's management may not even be aware that they are receiving low-quality service since different managers may have different views on what constitutes acceptable quality levels. These variables are:

**Tangibles:** Tangibility refers to the physical attributes of a product or service that can be seen, touched, or otherwise experienced by customers. Customer satisfaction, on the other hand, refers to the level of satisfaction or contentment a customer feels with a product or service.

There is a relationship between customer satisfaction and tangibility, which can be summarized as follows:

1. **Tangibility influences customer satisfaction:** Tangible attributes of a product or service can have a significant impact on customer satisfaction. For example, customers may be more satisfied with a product that is easy to use, has attractive packaging, or is made of high-quality materials.
2. **Tangibility affects perceived quality:** Tangible attributes can also influence customers' perceptions of the quality of a product or service. Customers may perceive a product or service to be of higher quality if it has desirable tangible attributes.
3. **Tangibility enhances customer experience:** Tangible attributes can contribute to the overall customer experience and satisfaction. For example, a restaurant with attractive decor and comfortable seating may provide a more enjoyable dining experience, leading to higher customer satisfaction.
4. **Tangibility can create expectations:** Tangible attributes can create expectations in customers' minds about the quality of a product or service. If a product or service has desirable tangible attributes, customers may expect it to be of higher quality overall, leading to higher satisfaction if their expectations are met.

Overall, the relationship between customer satisfaction and tangibility highlights the importance of tangible attributes in shaping customers' perceptions and experiences with a product or service. Companies should consider how they can use tangible attributes to enhance customer satisfaction and create a positive overall experience for their customers.

- **Reliability:** Involves consistency and dependability of the services to their performance.

1. **Reliability leads to increased customer satisfaction:** When a company consistently delivers high-quality products or services that meet or exceed customer expectations, it can help to increase customer satisfaction. Customers appreciate reliability and are more likely to feel satisfied with a company's products or services when they are consistently reliable.
2. **Reliability builds customer loyalty:** By being reliable, a company can build customer loyalty. When customers know they can count on a company to consistently deliver high-quality products or services, they are more likely to continue doing business with the company in the future.
3. **Reliability creates trust:** Reliability can also help to create trust between a company and its customers. When customers know they can rely on a company to consistently deliver high-quality products or services, they are more likely to trust the company and feel confident in their decision to do business with them.

4. Reliability reduces complaints and negative feedback: When a company is reliable, it is less likely to receive complaints or negative feedback from customers. This can help to reduce the number of customer complaints and negative reviews, which can ultimately lead to higher levels of customer satisfaction.

- **Responsiveness:** means the willingness or readiness of employees or professionals to provide service.

Responsiveness refers to a company's ability to meet the needs of its customers promptly and effectively. Customer satisfaction, on the other hand, refers to the level of satisfaction or contentment a customer feels with a product or service.

There is a strong relationship between customer satisfaction and responsiveness, which can be summarized as follows:

1. Responsiveness leads to increased customer satisfaction: When a company is responsive to its customers' needs, it can help to increase customer satisfaction. Customers appreciate when their concerns and questions are addressed quickly, and they are more likely to feel satisfied with the company's products or services.
  2. Responsiveness builds customer loyalty: By being responsive to customers, a company can build customer loyalty. When customers feel that their needs are being met and their concerns are being addressed, they are more likely to continue doing business with the company in the future.
  3. Responsiveness creates a positive customer experience: When a company is responsive to its customers, it can help to create a positive customer experience. This can include providing timely and accurate information, resolving issues quickly, and providing excellent customer service. A positive customer experience can lead to higher levels of customer satisfaction.
  4. Responsiveness can lead to positive word of mouth: When customers have a positive experience with a company's responsiveness, they are more likely to share their positive experiences with others. This can lead to positive word-of-mouth advertising for the company, which can help to attract new customers and increase customer satisfaction.
- **Assurance: refers** to knowledge and competency of services provider and ability to convey trust and confidence this determinant encompasses the provider's name, possessions of necessary skills, believability and honesty.

Assurance refers to the knowledge, skills, and professionalism of a company's employees and their ability to instill trust and confidence in customers. Customer satisfaction, on the other hand, refers to the level of satisfaction or contentment a customer feels with a product or service.

There is a strong relationship between customer satisfaction and assurance, which can be summarized as follows:

1. Assurance leads to increased customer satisfaction: When a company's employees possess the knowledge, skills, and professionalism to instill trust and confidence in customers, it can help to increase customer satisfaction. Customers appreciate assurance and are more likely to feel satisfied with a company's products or services when they have confidence in the company's employees.

2. Assurance builds customer loyalty: By providing assurance to customers, a company can build customer loyalty. When customers know they can trust a company's employees to provide high-quality products or services and address their concerns effectively and professionally, they are more likely to continue doing business with the company in the future.

3. Assurance creates a positive customer experience: When a company's employees possess the necessary knowledge, skills, and professionalism to provide assurance to customers, it can help to create a positive customer experience. This can include providing accurate information, responding to customer inquiries promptly and professionally, and addressing customer concerns effectively. A positive customer experience can lead to higher levels of customer satisfaction.

4. Assurance can help to reduce anxiety and uncertainty: When customers feel uncertain or anxious about a product or service, assurance from a company's employees can help to reduce these feelings. By providing assurance, companies can help to alleviate customer concerns and increase customer satisfaction.

- **Empathy:** refers to services provider effort to understand the customer needs and wants then to provide as best as possible, individualized service delivery .Each of the determinant of service quality and customer satisfaction have growing concern to business organizations throughout the world and research on this topic.

Customer satisfaction and empathy are closely related, as empathy plays a significant role in shaping the level of satisfaction that a customer experiences. Empathy is the ability to understand and share the feelings of others, and in the context of customer service, it refers to the ability of a business to understand and address the needs and concerns of its customers.

When a business demonstrates empathy towards its customers, it is better equipped to understand their needs and concerns, and can take appropriate measures to ensure that their customers are satisfied. This can include listening actively to their concerns, providing personalized solutions to their problems, and showing a genuine interest in their well-being.

On the other hand, when a business does not demonstrate empathy towards its customers, it can lead to dissatisfaction and frustration. For example, if a customer feels that their concerns are not being listened to or that their needs are not being addressed, they are likely to feel dissatisfied with the level of service they are receiving.

Therefore, the relationship between customer satisfaction and empathy is that empathy is a key factor in creating a positive customer experience, which in turn leads to higher levels of customer satisfaction. By demonstrating empathy towards their customers, businesses can build stronger relationships with their customers, improve customer loyalty, and ultimately drive business success.

Generally, focus on two key issues

- Understanding and requirements of the customers.
- Determining how will accompany and its competitions are succeeding in satisfying the requirements.

In general, issues with determining acceptable service quality are related to discrepancies in expectations and encounters between service providers and customers. As a result of their approach to monitoring service quality delivery through customer satisfaction measures and successfully executing problem solving strategies based on the findings of such studies, these firms are able to distinguish between success and failure (Peter et al,2004).

## **2.8 Customer Satisfaction**

Customer satisfaction is one of the important outcomes of marketing activity, Spreng et al (1996) and Mick and Fournier (1999) have all stipulated. In today's highly competitive banking industry, customer satisfaction is considered as the essence of success, Siddiqi, (2010) has also said. Most of the studies done in the area of service marketing have dealt with satisfaction of customers or consumers of products or services. Marketing researchers generally agree that satisfaction is a response to consumption related experiences and this assertion has been corroborated by Yi, (1990) also.

According to File and Prince (1992), customers who are satisfied tell others about their experiences and this increases Word of Mouth (WOM) advertising. According to Drucker (1954), the fundamental purpose of any business is to create customer satisfaction. Increasing customer satisfaction has been found to lead organization to higher future profitability as investigated by Anderson et al (1994), increased buyer willingness to pay premiums, referrals provision, and more products usage as indicated by Reichheld, (1996), and higher levels of customer retention and loyalty as suggested by Fornell, (1992). According to Oliver (1980), the customer satisfaction model explains that when the customers compare their perceptions of actual products and services performance with the expectations, then the feeling of satisfaction have arisen. Any discrepancies between the expectation and performance create the disconfirmation. Oliver further identified three types of disconfirmation, being

- Positive disconfirmation, which occurs when services performance exceeds expectations. In which case the customer is highly satisfied.
- Negative disconfirmation, which occurs when services performance is below expectation. In this case the customers are highly dissatisfied.
- Zero disconfirmation, which occurs when services performance is equal to expectation.

This is the case where customer is just satisfied Giese and Cote (2000) identified the components of satisfaction as follows: Customer satisfaction is one kind of response, either emotional or cognitive, which emphasize on a particular focus, product, consumption, experience or expectations, and which occurs at a particular time, that is, either after choice, based on accumulated experience, or after consumption. Kotler (2000) defined satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's or service's perceived performance (or outcome) in relation to his or her expectations. Hoyer and MacInnis (2001) said that satisfaction can be associated with feelings of acceptance, happiness, relief, delight, and excitement.

### **2.8.1 Factors that Affect Customer Satisfaction**

Customer satisfaction factors are categorized by Matzler et al. (2002) into three factor structures:

1. Basic factors: - These are the bare minimum specifications that must be met by a product in order to satisfy customers. Although they don't always result in satisfaction, their absence can lead to dissatisfaction. These are the elements that enable the basic 21 requirements for which the product is made to be satisfied. They make up the fundamental characteristics of the good or service. So, although being a requirement for contentment, they have little effect on it. Basically, proficiency 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.

### **2.8.2 Reasons of Customer Dissatisfaction**

Customers can occasionally become disappointed for a variety of reasons, some of which are listed on [www.qualitygurus.com](http://www.qualitygurus.com): -

There are several reasons why customers may become dissatisfied with a product or service, including:

1. Poor product or service quality: Customers expect products or services to meet their needs and expectations. When a product or service fails to meet these expectations, customers may become dissatisfied.
2. Lack of customer support: Customers expect timely and effective customer support when they have questions or issues with a product or service. When companies fail to provide adequate customer support, it can lead to customer dissatisfaction.
3. Inconvenient or difficult-to-use products or services: Customers want products or services that are easy to use and access. When products or services are difficult to use or require significant effort to access, it can lead to customer dissatisfaction.
4. Unmet expectations: Customers may have specific expectations for a product or service based on advertising, marketing, or prior experience. When these expectations are not met, customers may become dissatisfied.
5. Poor communication: Customers expect clear and effective communication from companies, especially when there are changes to products or services. When companies fail to communicate effectively, it can lead to customer dissatisfaction.

6. Inadequate pricing or value: Customers expect products or services to provide good value for the price paid. When products or services are priced too high or do not provide sufficient value, it can lead to customer dissatisfaction.

Overall, customer dissatisfaction can occur for a variety of reasons, but it is important for companies to understand these reasons and take steps to address them in order to improve customer satisfaction and build long-term, profitable relationships with customers.

## **2.9 The Relationship between Service Quality and Customer Satisfaction**

There has been a lot of research done on the connection between customer happiness and service quality (Bolton and Drew, 1994). According to Parasuraman et al. (1988), "customer happiness is tied to a specific transaction, but service quality is related to a global assessment, or attitude, referring to the superiority of the service."

Service quality refers to an overall assessment of a company's service delivery system, whereas satisfaction is a "post consumption experience that contrasts perceived quality with desired quality" (Parasuraman et al., 1985).

According to Iacobucci et al. (1995), the main distinction between service quality and customer satisfaction is that the former refers to managerial delivery of the service, whereas the latter focuses on the experiences of the consumers. They contend that quality enhancements not based on client requirements will not increase client happiness.

Customer satisfaction "depends on pre-existing or contemporaneous opinions regarding service quality," as noted by Bolton and Drew (1994:176). Anderson et al. (1994) also point out that improved service quality will result in a satisfied customer. Service quality has found as one of the significant factors in distinguishing services and products. Service quality is an important tool to measure customer satisfaction (Pitt et. al, 1995). There is a close relationship between service quality and customer satisfaction. Customer satisfaction can be protected by providing products or services with high quality. In addition, as service quality increases, satisfaction with the service and intentions to reuse the service increase. Based on the survey's findings, Siddiqi (2011) stated that in retail banking settings, all service quality parameters are favorably correlated with customer happiness, and customer satisfaction is positively correlated with customer loyalty. According to Kumar et al. (2009), providing excellent customer service will

boost loyalty and raise customer satisfaction. In addition, Parasuraman et al. (1988) discovered that the outcome of service quality is customer satisfaction.

Generally according to Parasuraman et al.

Service quality and customer satisfaction are closely related, and the relationship between the two can be summarized as follows:

1. Service quality is a key determinant of customer satisfaction: The quality of a company's products or services, including the level of customer service provided, is a key determinant of customer satisfaction. Customers are more likely to feel satisfied with a company's products or services when they perceive them to be of high quality.
2. Service quality affects customer perceptions of value: The quality of a company's products or services can affect customer perceptions of value. When customers perceive a company's products or services to be of high quality, they are more likely to perceive them as valuable and feel satisfied with their purchase.
3. Service quality can impact customer loyalty: High service quality can help to build customer loyalty. When customers are satisfied with a company's products or services, they are more likely to continue doing business with the company in the future and recommend it to others.
4. Service quality can lead to positive word-of-mouth: When customers are satisfied with a company's products or services, they are more likely to share their positive experiences with others. This positive word-of-mouth can help to attract new customers and increase customer satisfaction.

Overall, the relationship between service quality and customer satisfaction highlights the importance of companies providing high-quality products or services and delivering excellent customer service. By prioritizing service quality, companies can increase customer satisfaction, build customer loyalty, and generate positive word-of-mouth advertising, ultimately leading to business growth and success.

## **2.10 Impact of Service Quality on Customer Satisfaction**

Because of the fierce rivalry in the market brought on by trade liberalization and the free market system, banks must provide excellent customer service in order to retain their customers (Lassar et al., 2000). The ability to ensure customer happiness and retention, operational effectiveness, and an organization's profitability depends on the quality of the services provided (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 25 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 23 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) and 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. According to Reichheld (2006), businesses with greater customer loyalty see double-digit revenue increase compared to their rivals.

There is a strong relationship between service quality and customer satisfaction, and the impact of service quality on customer satisfaction can be summarized as follows:

1. Service quality is a key determinant of customer satisfaction: The quality of a company's products or services, including the level of customer service provided, is a key determinant of customer satisfaction. Customers are more likely to feel satisfied with a company's products or services when they perceive them to be of high quality.
2. Service quality affects customer perceptions of value: The quality of a company's products or services can affect customer perceptions of value. When customers perceive a company's products or services to be of high quality, they are more likely to perceive them as valuable and feel satisfied with their purchase.
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Overall, the impact of service quality on customer satisfaction highlights the importance of companies providing high-quality products or services and delivering excellent customer service. By prioritizing service quality, companies can increase customer satisfaction, build customer

loyalty, and generate positive word-of-mouth advertising, ultimately leading to business growth and success.

## **2.11 Customer relationship management**

Customer relationship management refers to the entire process of building and maintaining lucrative client relationships by delivering excellent customer value and satisfaction. Every aspect of accumulating, preserving, and aggregating client margin is covered (Perraut&Mccarthy, 2005).

According to (Perraut&Mccarthy, 2005).

Effective CRM involves a range of activities, including:

1. Data collection and analysis: Companies collect and analyze data on customer behavior, preferences, and feedback to gain insights into their needs and preferences.
2. Customer segmentation: Companies use customer data to segment their customer base into groups with similar characteristics and needs, allowing them to tailor products and services to specific customer segments.
3. Marketing automation: Companies use marketing automation tools to create targeted marketing campaigns that reach the right customers at the right time with the right message.
4. Sales force automation: Companies use sales force automation tools to manage their sales processes and interactions with customers more efficiently, allowing sales teams to focus on building relationships with customers
5. Customer service management: Companies use customer service management tools to track and manage customer interactions and resolve issues quickly and effectively.
6. Loyalty program management: Companies use loyalty programs to reward and incentivize customers for their loyalty, encouraging them to continue doing business with the company.

Overall, effective CRM can help companies improve customer satisfaction, increase customer loyalty, and drive business growth by building strong, long-term relationships with customers based on an understanding of their needs and preferences.

## **2.12 Customer value**

Consumers are more likely to be satisfied when benefits outweigh drawbacks by a wide margin. This is the discrepancy between what consumers gain from marketing offerings and what it costs them to do so. (2006) Perrault & Mccarthy.

According to Perrault & Mccarthy.

Customer value refers to the perceived benefits that customers receive from a product or service relative to its cost. In other words, customer value is the difference between the benefits a customer expects to receive from a product or service and the overall cost of acquiring and using that product or service.

There are several components of customer value, including:

1. **Quality:** Customers want high-quality products or services that meet their needs and expectations.
2. **Price:** Customers want products or services that provide good value for the price paid.
3. **Convenience:** Customers want products or services that are easy to use and access.
4. **Service:** Customers want good customer service and support.
5. **Features:** Customers want products or services that have a range of useful features and capabilities.
6. **Brand reputation:** Customers want to do business with companies that have a positive reputation for quality, reliability, and customer service.

Overall, creating customer value requires companies to understand their customers' needs and preferences and tailor their products and services to meet those needs. By providing high-quality products and services that are priced appropriately and easy to use, companies can create value for their customers and build long-term, profitable relationships.

## **2.13 Customer expectation**

Customers' preconceived assumptions about the caliber of service they should receive from a certain service are known as customer expectations. (Heineken and Davis) (2003). It is also viewed as what customers feel a service provider should offer rather than would offer (Simon and Foresight, 2009). Expectations can be derived from several sources; advertising, word of mouth, and previous experiences with similar types of operations Davis and Heineken (2003). As Johnston and Clark (2008) described the customer is an input resource for many service

operations and thus not only do we need to know how to manage customers but also we need to understand what they expect from the operation. The purpose of understanding customer's expectations is to try to insure that service can be designed and delivered in order to meet those expectations. Thus expectations and indeed perceptions are key components in delivering a quality service. Customer expectations about service delivery vary from person to person, product to product, service to service, culture to culture, etc. and failure to meet adequate service delivery expectations results in customer dissatisfaction (Fogli, 2006). He further explained that when customers experience long wait times, late deliveries, incompetent service, or complicated procedures, they respond with dissatisfaction in various ways

Customer satisfaction is one of the most crucial quality management principles. Anticipation is an outcome or occurrences that a person anticipates or looks forward to. Some clients look for responsibility, while others look for value. Four categories of expectations can be made. As stated by (Armstrong et al, 2010).

- **Accountability:** when products and services is able to perform with its expected functions without any problems it is considered as accountable.
- **Affordability:** an important aspect of any product and its price. the traditional belief that low price means low quality and high price means high quality and no longer applies .an efficient defect prevention mechanism inside the company makes It possible to deliver good quality at low price than expected .
- **Availability:** when customers buy product they expect to be immediately available for their uses.
- **Appearance:** The appearance of product play an essential role in satisfying customer expectations, usually it is features of customer like and dislikes and it could be related from the product color or shape. To achieve customer satisfaction in this regards the company must be ready to release every technology that it produce with difference appearance and color (Mccarthy, 2005).

## **2.14 Empirical Literatures**

The goal of the study, conducted by Yoo and Park (2007), was to examine the connections between financial success, customers, and staff. Findings revealed that service quality is significantly impacted by employee comprehension and training.

Reliability and assurance were identified by Zhou (2004) as significant predictors of satisfaction for Chinese bank customers. According to earlier studies, a customer's satisfaction with the service provider may help them form favorable opinions of it. The consumer will respond favorably behaviorally as a result of the cognitive appraisal of the many service quality dimensions (Brady et al., 2002; Carrillat et al., 2009).

According to a 2015 study by LeykunAlagaw, the effectiveness of service quality in fostering customer satisfaction (in the case of specialized financial and promotional institutions), According to this study's findings, the majority of respondents expressed satisfaction with the perceived quality of service, particularly with regard to the employees' civility, competence, understanding, and communication. The institution does not have a way to measure customer satisfaction, the manager's level of recognition, reward, and encouragement is insufficient to motivate both internal and external customers, and the clients' incorrect perception of the institution's goals causes them to be repulsed. Consequently, they are dissatisfied with the responsiveness, credibility, and reliability of the institution's employees, the high interest rate, the negative effects of group loans, the short repayment period, and the poor follow-up.

Moreover, Solomon Tadese's (2017) research on the effect of quality service on customer happiness (in the Banking sector) According to the study's findings, consumers who are satisfied with the perceived service quality in regards to employees' looks and the level of respect and consideration they have got from customers can be considered to have contributed to the provision of high-quality services. And they are unhappy with the degree of appreciation and compensation they get from managers, staff members, and customers.

Genet Ayelew (2009) conducted a study on the Addis Abeba Chamber of Commerce and sectorial associations to determine service quality and customer satisfaction. The findings of this study indicate that some customers are dissatisfied with the level of service they receive, some of which are caused by problems with training and forums, a lack of responsiveness to complaints,

inadequate business support services, and a lack of active participation by organization employees in events.

Another study by AmhaAklilu (2006) examined the relationship between EEPCO's service quality and customer satisfaction. The study's findings indicate that the SERVQUAL model has five dimensions. The more important one is reliable. Reliability is the most crucial factor compared to other factors, according to a study done on their clients. In terms of service delivery after payment, the corporation establishes customary requirements that it would take 3 to 15 days for single phase consumers, which means it runs below capacity and has low capacity performance.

So, the goal of this study is to assess the bank's quality of service as well as client expectations and perceptions both before and after services is actually provided.

### **2.15 Conceptual Framework**

The conceptual framework shows the connection between responsiveness, tangibles, reliability, empathy, assurance (dependent variable of the study) and quality service delivery (study's independent variables).

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 RESEARCH METHODOLOGY**

I want to give a thorough explanation in this chapter. This comprises the research design, the data source, the study's intended audience, the procedures for sampling, the sample size selection, the data gathering method, and the data analysis method.

#### **3.2 STUDY AREA**

The study is carried out at Addis Ababa Arada district special branch of the Commercial Bank of Ethiopia. The researcher chose the aforementioned Arada districts because they are among the best-performing ones when compared to others, and since both business and individual clients are in high demand there.

#### **3.3 Research Design and Methodology**

The plan that instructs researchers on how to gather, examine, and interpret data is known as a study design. To offer answers to the study concerns, the researcher chose to employ the descriptive form of research design. In descriptive research, data that describe events are gathered, organized, tabulated, illustrated, and described. This research design is employed because it frequently makes use of visual aids, such as graphs and charts, to help the reader comprehend the distribution of the data. Descriptive statistics are crucial in turning a vast volume of raw data into a digestible form because the human mind is unable to fully understand its meaning. (Hopkins & Glass, 1984).

#### **3.4 Tools and Sources of Data Collection**

Using structured questionnaires and interviews, quantitative data is intended to be gathered for this study's purposes. Primary and secondary data sources both are utilized. Using surveys, the essential information is acquired. The questions are based on service attributes found in the literature review as well as those highlighted in Parasuraman's SERVQUAL model (Parasuraman et al., 1988).

Though there are some questions in the literature about the dimensionality and measurement of SERVQUAL, it is used as a measurement of service quality in this study for the following reasons. First, SERVQUAL has been used to evaluate the quality of numerous service industries, and numerous researchers have fully analyzed its strengths and weaknesses. Second, earlier studies

have demonstrated that there is a substantial and consistent correlation between SERVQUAL scores and several global quality measures, such as the service businesses' overall quality and the likelihood that a friend would suggest the firm, even when SERVQUAL scores are checked by dimensions (parasurmanet al.1988). Also, the SEVQUAL Model continues to be the most effective in measuring customer satisfaction across 25 different firms. The SERVQUAL model was the primary focus of this study because its main objective was to evaluate customer satisfaction with regard to service quality parameters.

The statistical package for social sciences (SPSS), which is utilizing to conduct the data analysis, is used to analyze the data. The secondary information is takes from publications such books, research journals, published and unpublished CBE materials, and websites.

### **3.5 Data collection Instruments**

The researcher uses an interview as well as a questionnaire to gather the primary data. A structured questionnaire is utilizing to gather primary data from a sample of clients.

The questionnaire's five service quality components therefore, a two-part questionnaire with different sections for expectations and perceptions was administered by the researcher using modified SERVQUAL dimensions. Non-comparative Likert scale items were included in the surveys. The responders must rate how much they agree or disagree with each of a number of statements or questions on a rating scale. For the survey's service quality components, a 5-point Likert type scale is uses, ranging from strongly disagree (1) to strongly agree (5), and for customer satisfaction, from extremely dissatisfied (1) to very satisfied (5). The researcher also conducts both organizes and unstructured interview formats.

### **3.6 Target Population**

The populations of this study were customers of Arada district special branch. Arada district have 68 branches. Currently it has more than 1.5 million customers in. As per the information from Management Information system department, as of May 2023. The target populations for the study were those who are subscribed in Arada Addis Ababa districts grade four Branches. This district was selected from others districts in Addis Ababa city due to its busyness as compared to other branch in Addis Ababa. Addis Ababa branch has about 143, 352 customers. Consequently the branch selected for this research performs all banking functions (services). For this reason the branch qualified as a good representative of the entire branches. Besides

customers of the Addis Ababa branch include all of the various categories of customers of CBE. This makes Addis Ababa branch unique case for my study.

### **3.7 Sampling Method and Sample Size**

Convenience sampling, also known as nonprobability sampling, is used in this study to choose a sample from the population that was in existence at the time of the study. Because conducting a probability sampling is unfeasible, the researcher employed a convenience sampling method. This is because there is never a period when all clients are available owing to various factors, and it is not feasible to get in touch with every potential sample. As a result, 165 consumers who came to the Arada district branches during the data collecting period and met the inclusion criteria were chosen from the overall population of customers who had previously used the bank's selected branches in the district.

This number is in accordance with the views of Dillman (2000) and Hill et al. (2003), who reported that a sample size of 100 and above is sufficient to present good concise research findings and also, provide good representation of the population or organization or any subject investigated.

### **3.8 Methods of Data Processing and Analysis**

In order to analyze the collected data for this study the researcher used the Statistical Package for Social Science (SPSS). The responses were edited and variables were coded before analysis. To find out if the SERVQUAL is applicable in this study, descriptive analysis was used. The majority of quantitative data were presented in frequency and percentage distribution tables. In this process, descriptive statistics such as mean, percentage and frequencies were employed.

### **3.9 Ethical considerations**

In order to keep the confidentiality of the data given by respondents, the respondents were not required to write their name and assured that their responses were treated in strict confidentiality. The purpose of the study was disclosed in the introductory part of the questionnaire. Furthermore, the researcher tried to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires were distributed only to voluntary participants.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND DISCUSSION

#### 4.1 Introduction

In this chapter, the collected data has been analyzed and interpreted. The chapter consists of introduction, respondents' demographic characteristics, the relationship between service quality dimensions and customer satisfaction, expectations, perceptions and gap scores analysis, and analysis of overall customer satisfaction.

The data collected is mainly based on respondents' expectations and perceptions of the various items under the SERVQUAL model. In addition, some demographic descriptions of the respondents are collected. A general description of the customers' expectations and perceptions of the various dimensions is done using descriptive statistics.

#### 4.2. Respondents' Demographic Characteristics

The data collection has undergone the issues on assessment on the role of service quality delivery on customer satisfaction (in case of commercial bank of Ethiopian Arada district special branch). The general information of the respondents those were asked namely, sex, age, educational background, work experience, occupation and the current location of the respondents were critically discussed as follows using tables and graphs.

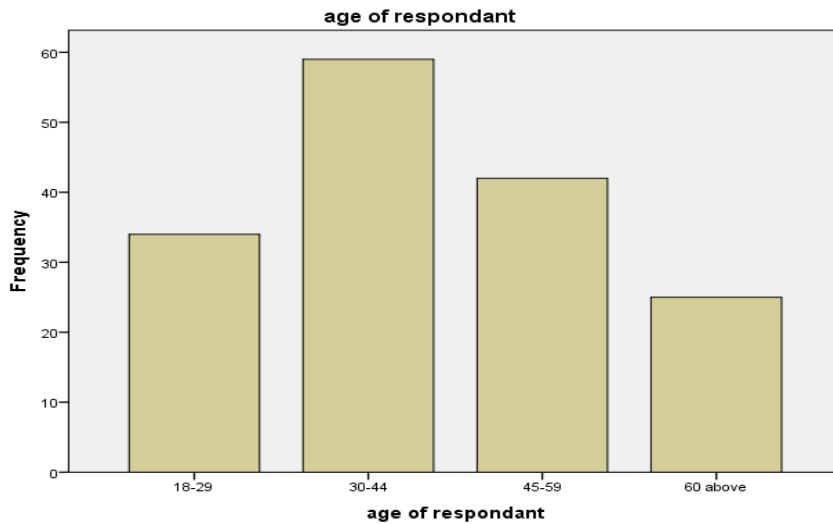
##### 4.2.1 Sex of the Respondents

**Table 4.1 sex of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid male	90	56.3	56.3	56.3
female	70	43.8	43.8	100.0
Total	160	100.0	100.0	

As shown in table 4.1 above, among the total respondents 160 (56.3%) of the respondents male and (43.8%) respondents were female. Therefore, result shows that the numbers of male respondents were higher than female respondents.

### 4.2.2 Age of the Respondents



Graph 4.1 above shows that 34(21.3%) of respondent's age were 18-29 years, 59 (36.9%) of respondent's age were 30-44 years, 42(26.3%) of respondent's age were 45-59 years and the remaining only 25(15.6%) of respondent's age are above 60 years. The result shows that majority of respondent's ages were between 30-40 years.

### 4.2.3. Educational Background of the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid illiterate	19	11.9	11.9	11.9
primary to secondary	65	40.6	40.6	52.5
collage graduate	57	35.6	35.6	88.1
post graduate and above	19	11.9	11.9	100.0
Total	160	100.0	100.0	

The above table 4.2 shows that 19(11.9%) of respondents educational background were illiterate educational level, 65(40.6%) of respondents educational background were primary to secondary, 57(35.6%) respondent's educational background were collage graduate and the remaining 19 (11.9%) were post graduate and above.

The result showed that the majority 40.6 % of respondent's educational backgrounds were primary to secondary.

#### 4.2.4 Employment back ground respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid unemployed	19	11.9	11.9	11.9
private sector	38	23.8	23.8	35.6
public sector	82	51.2	51.2	86.9
student	21	13.1	13.1	100.0
Total	160	100.0	100.0	

The above table 4.3 show that 19(11.9) of the respondent were unemployed, 38(23.8) were private sector employed, 82(51.2) of the respondent were public sector employed and the remaining 21(13.1) of the respondent were students. From the result majority of the respondent were public sector employed.

#### 4.2.5 Account operate additional to commercial bank account

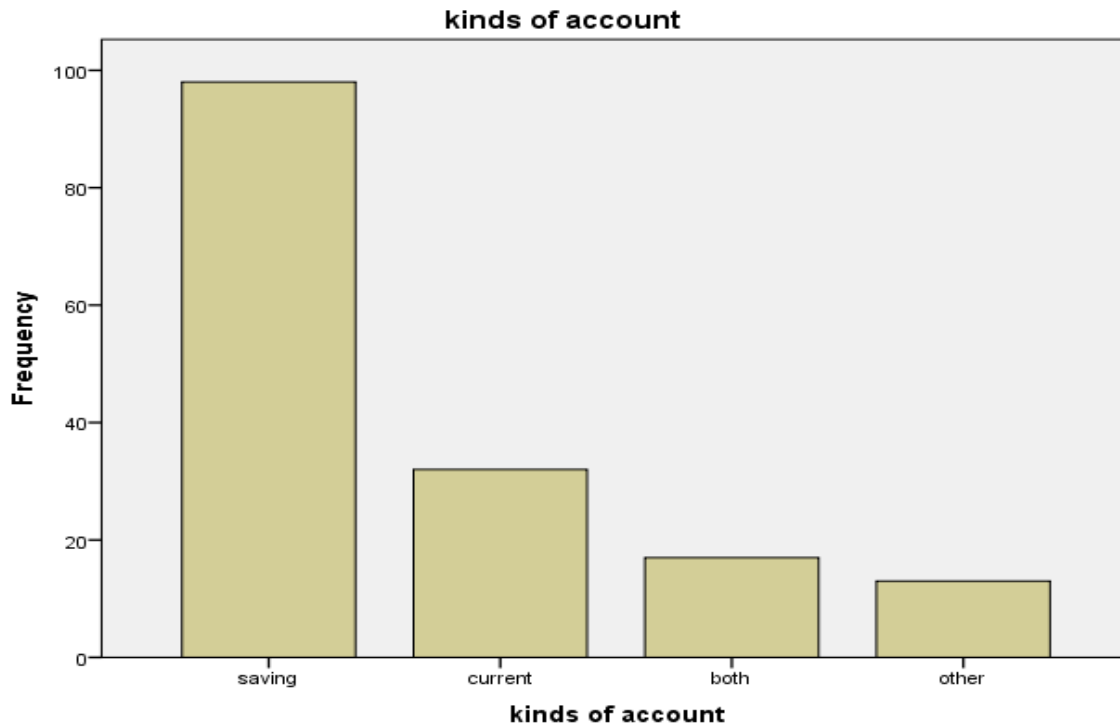
**How many other banks account do you operate?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	27	16.9	16.9	16.9
2	49	30.6	30.6	47.5
3	21	13.1	13.1	60.6
4	63	39.4	39.4	100.0
Total	160	100.0	100.0	

The above table 4.4 show that 27(16.9) of the respondent were only one account, 49(30.6) of the respondent weretwo account additional to commercial bank of Ethiopian, 21(13.1) of the respondent were three account additional to commercial bank of Ethiopian and other remaining 63(39.4) operate more than four account.

From the result majority of the respondent operate more than four accounts,

#### 4.2.6 Kind of account operate



The above graph 4.2 shows that 98(61.3%) of the respondent were saving account customers, 32(20%) of the respondent were current account customers, 17(10.6%) of the respondent were both current and saving account customer and other remaining 13(8.1) of the respondent were other types of account customer (youth, muday, investment, etc...) .the result shows that the majority of the bank customer operate saving type of account.

#### 4.3. Customer's Response on SERVQUAL Dimensions

##### 4.3.1 Tangibles Dimension of Service Quality

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	84	52.5	52.5	52.5
agree	40	25.0	25.0	77.5
indifferent	6	3.8	3.8	81.3
disagree	18	11.3	11.3	92.5
strongly disagree	12	7.5	7.5	100.0
Total	160	100.0	100.0	

As stated in literature part, tangible aspect of service dimension will be reflected in the physical evidence such as tools, equipment and appearances of providers. Table 4.5 show that 84(52.5%)

of the respondent were strongly agree with the tangibility of service of commercial bank of Ethiopian Arada district special branch, 40(25%) of the respondent were agree with a the tangibility of service of commercial bank of Ethiopian Arada district special branch, 6(3.8) of the respondent were indifferent with the tangibility of service of commercial bank of Ethiopian Arada district special branch, 18(11.3%) of the respondent were dis agree with the tangibility of service of commercial bank of Ethiopian Arada district special branch and the remaining 12(7.5%) were strongly dis agree with the tangibility of service of commercial bank of Ethiopian Arada district special branch. This shows that the majority of the customer satisfied by equipment, technology, physical facilities and material associated with services.

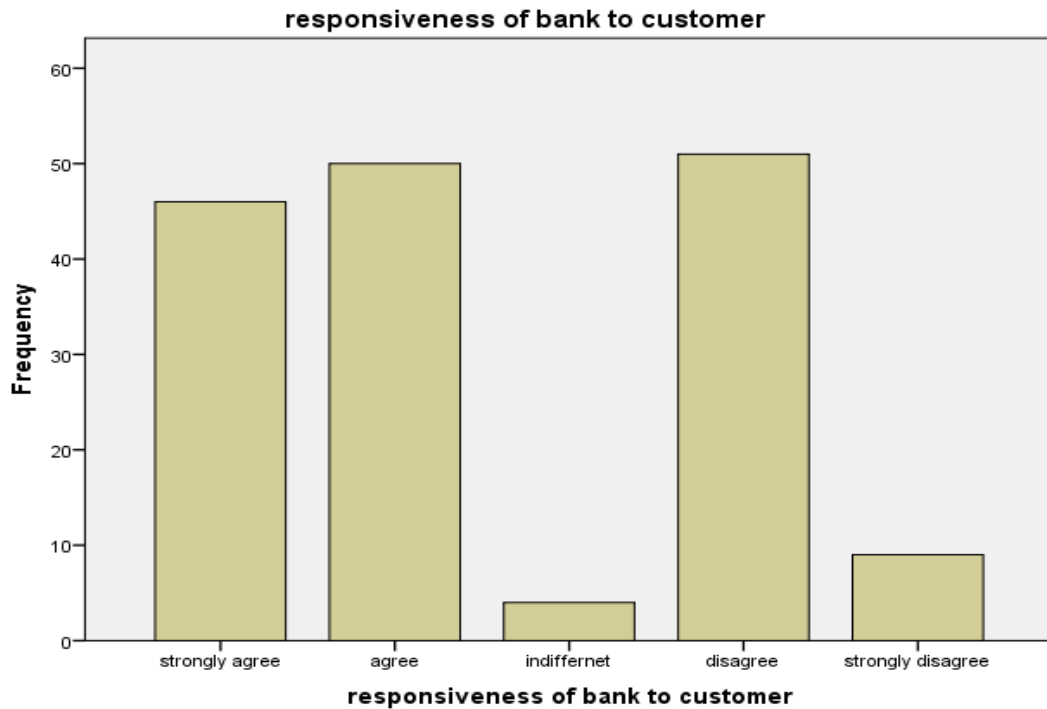
#### 4.3.2 Reliability Dimension of Service Quality

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	40	25.0	25.0	25.0
agree	40	25.0	25.0	50.0
indifferent	9	5.6	5.6	55.6
disagree	22	13.8	13.8	69.4
strongly disagree	49	30.6	30.6	100.0
Total	160	100.0	100.0	

Customers measure the reliability of the bank by considering consistency of performance, uniformity of service encounter, honoring promises, keeping accurate customer records and performing the service correctly at the first encounter.

Table 4.6 show that 40(25%) of the respondent were strongly agree reliability of the bank, 40(25%) of the respondents were agree reliability, 9(5.6) of the respondent were indifferent, 22(13.8%) of the respondent were reliability and the remaining 49(30.6%) of the respondent strongly dis agree. From the result majority Customers do not have full confidence in the service promised by the bank and quick solves of customer problem but the positive side of the bank's staff to keep promises.

### 4.3.3 Responsiveness Dimension of Service Quality



As stated in the literature, responsiveness dimension is concerned with the willingness, readiness of employees and the preparedness of the firm to provide a service to satisfy the needs and desires of customers.

The above graph 4.2 show that 46(28.7%) of the respondents were strongly agree with the responsiveness of the bank, 50(31.3) of the respond dissents were strongly agree with the responsiveness of the bank, 4(2.5) of the respondents were indifferent with the responsiveness of the bank, 51(31.9) of the respondents were dis agree with the responsiveness of the bank and the remaining 9(5.6) of the respondents were strongly dis agree with the responsiveness of the bank. From the result the majority of the respondent is dis satisfied by willingness, readiness of employees and the preparedness of the firm to provide a service to satisfy the needs and desires of customers.

#### 4.3.4 Assurance Dimension of Service Quality

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	13	8.1	8.1	8.1
agree	8	5	5	13.1
indifferent	17	10.6	10.6	23.7
disagree	56	35	35	58.7
strongly disagree	66	41.3	41.3	100.0
Total	160	100.0	100.0	

Politeness of employees, customer feeling safe in their transaction, personal behavior of employee and adequate knowledge of employee are satisfying assurance dimension of service quality. The details of 13(8.1%) of the respondent strongly agree, 8(5%) of the respondent were agree, 17(10.6%) of the respondent were indifferent, 56(35%) of the respondent were disagree, 66(41.3) of the respondent were strongly disagree. The result shows that the majority of the customers are dissatisfied by Politeness of employees, customer feeling safe in their transaction, personal behavior of employee and adequate knowledge of employee are satisfying assurance dimension of service quality.

#### 4.3.5 Empathy Dimension of Service Quality

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	2	1.3	1.3	1.3
agree	34	21.3	21.3	22.6
indifferent	11	6.9	6.9	29.5
strongly disagree	51	31.9	31.9	61.4
disagree	62	38.8	38.8	100.0
Total	160	100.0	100.0	

A service who tries to put himself in the position of its customers to understand customers need, and provider then providing what they want in a convenient way have the potential to satisfy its customers on empathy dimension of service quality. From the table 2(1.3%) of the respondent strongly agree, 34(21.3%) of the respondent were agree, 11(6.9%) of the respondent were indifferent, 51(31.9%) strongly disagree and disagree 62(38.8%).

The result shows that the majority of the customer gets services in inconvenient way.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.1 Conclusion

The purpose of this study was to assess and measure service quality and customer satisfaction in the Commercial Bank of Ethiopia. The assessment of service quality and customer satisfaction was made in view of SERVQUAL model, a model widely used to measure perceived service quality. Both quantitative and qualitative methods were employed to undertake this research project. Data was obtained from a questionnaire given to 165 sampled customers at Addis Ababa Branch out of which five responses were considered invalid for the analysis. Data collected from the survey questionnaire was analyzed using descriptive analysis (SPSS v. 20.0).

Accordingly, the findings on service quality and customer satisfaction indicated that generally, Arada district special branch has a problem from the dimensions expected by its customers and failure to meet or exceed customers' expectations which may necessitate the bank to rethink about its services.

The result of service quality tangibility show that the majority of customer shows that customer satisfied by equipment, technology, physical facilities and material associated with services of the bank.

The relationship between customer satisfaction and tangibility highlights the importance of tangible attributes in shaping customers' perceptions and experiences with a product or service. Companies should consider how they can use tangible attributes to enhance customer satisfaction and create a positive overall experience for their customers.

The result of service quality reliability show that majority Customers do not have full confidence in the service promised by the bank and quick solves of customer problem but the positive side of the bank's staff to keep promises.

Overall, the relationship between customer satisfaction and reliability highlights the importance of companies consistently delivering high-quality products or services that meet or exceed customer expectations. By being reliable, companies can increase customer satisfaction, build customer loyalty, create trust, and reduce complaints and negative feedback.

The majority of the respondent is dissatisfied with the willingness, readiness of employees and the preparedness of the firm to provide a service to satisfy the needs and desires of customers.

Overall, the relationship between customer satisfaction and responsiveness highlights the importance of companies being responsive to their customers' needs. By being responsive, companies can increase customer satisfaction, build customer loyalty, create a positive customer experience, and generate positive word of mouth.

The relationship between customer satisfaction and reliability highlights the importance of companies consistently delivering high-quality products or services that meet or exceed customer expectations. By being reliable, companies can increase customer satisfaction, build customer loyalty, create trust, and reduce complaints and negative feedback.

The result shows that the majority of the customers are dissatisfied by the politeness of employees, customer feeling safe in their transaction, personal behavior of employee and adequate knowledge of employee are satisfying assurance dimension of service quality. But the availability of branch, availability of ATM machines near to customers and websites for easy access to information when we compare other bank, digital banking services.

## **5.2 Recommendation**

- The bank should give attention to improve the skills of its employees by providing adequate training to update their knowledge with regard to how to serve its loyal customers specially and also for new entrants to make them loyal to the bank.
- The employer of the bank gives willingness to customer, give response to their questions, need to be helped, and to accurately keep their record.
- All employees have to know that service quality in its true sense for improved customer service. Create an environment for each and every employee to consider Customers service as part of his/her job and also the corner stone for the company's sustainable growth. This is done by giving continuous training and capacity building programs on how to solve the problems raised from customers, how to address complaints sincerely, maintain accurate customers' record and improve communication among them.
- Providing excellent customer service increases the satisfaction level of the bank's customers, which results in the growth and the profitability of the company, so the

employees of the bank should give prompt service by increasing their commitments to provide efficient services to satisfy the Bank's customer.

- Delivering a quality service for customers has a tremendous effect on customers' satisfaction that in turn determines the existence and success of the bank. Thus, it's a must that the bank should attempt to maintain dependable service quality by making regular assessments on service delivery and by creating awareness about providing excellent customer service delivery among employees by assessing all the service quality dimensions regularly.
- The relationship between customer satisfaction and assurance highlights the importance of companies providing assurance to customers through their employees' knowledge, skills, and professionalism. By providing assurance, companies can increase customer satisfaction, build customer loyalty, create a positive customer experience, and reduce anxiety and uncertainty among customers.
- The bank shall delivering high-quality products or services that meet or exceed customer expectations. By being reliable, companies can increase customer satisfaction, build customer loyalty, create trust, and reduce complaints and negative feedback.
- Banks being responsive to their customers' needs. By being responsive, companies can increase customer satisfaction, build customer loyalty, create a positive customer experience, and generate positive word of mouth.
- The bank should consider how they can use tangible attributes to enhance customer satisfaction and create a positive overall experience for their customers.

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