



THE IMPACT OF SERVICE QUAITY ON CUSTOMER LOYALTY
THE CASE OF: EXPORT CUSTOMERS OF OROMIA INTERNATIONAL
BANK SHARE COMPANY

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A Thesis Submitted to the Graduate Studies of Addis Ababa University School of Commerce in Partial fulfillment of the requirements for award of the Degree Of MA in Marketing Management

May, 2015
Addis Ababa

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

THE IMPACT OF SERVICE QUALITY ON CUSTOMER LOYALTY: THE CASE
OF: EXPORT CUSTOMERS OF OROMIA INTERNATIONAL BANK SHARE
COMPANY

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Declaration

I, Girma Gobu Ebissa, declare that this thesis is my original work and has not been presented for any degree in any other university, and that all the sources of materials used herein have been duly acknowledged.

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ACKNOWLEDGEMENT

First and foremost, I thank my source and redeemer, Jesus the Lord, for his unfailing and agape love and also for his active presence in my life as stated in His Holy Book.

I would also like to extend my deepest gratitude to my beloved wife, Ruth Mengiste; my kids, Nahom, Gersam and Wongel, for their consistent love, support and patience while I was on this project. I know this dedication cannot compensate for the time you missed out during the period of this study specially Nahom and Gersam. However it is to say that I really appreciate your love and support.

I am also greatly indebted to my advisor Dr. Michael B. Harshavardhan who assisted me with his timely and useful comments in the course of the project.

I owe my deepest gratitude to my mom, Jirgife Kefeni. I am here as per her dream and matchless support from the very beginning in fact all up on the shoulder of a poor farmer, Abba Sibe, my dad, Gobu Ibsa.

I wish to take this golden opportunity to express my deepest thanks to Ato Lemma Chimssa for his contribution in binding those broken days.

My final appreciation goes to all the respondents and to my colleague staff, Alazar, Boku, Lemessa and Idile who have contributed in diverse ways in ensuring the successful completion of this work. I say God richly bless you.

Acronyms

AIB	Awash International Bank S.C
Abay	Abay International Bank
BIB	Berhan International Bank
BOA	Bank of Abyssinia
Buna	Buna International Bank
CBO	Co operative Bank of Oromia
DB	Dashen Bank S.C
EB	Enat Bank
LDT	Loan Delivery Time
LIB	Lion International Bank
NIB	Nib International Bank
OIB	Oromia International Bank S.C
RM	Relationship Manger
UB	United Bank
WB	Wogagen Bank
ZB	Zeman Bank

Abstract

The main goal of this study is appraising the service quality level of Oromia International Bank Share Company's and investigating its impact on export customer loyalty. To this end, these customers' level of loyalty and their perception of the quality of service being provided by this bank were investigated. To accomplish this, Self administered questionnaire with 22 items SERVPERF scale, on a five-point Likert-type was used by this research to evaluate the impact of service quality on export customer loyalty. The service quality dimensions that play a significant role in this research are reliability, assurance, tangibles, empathy and responsiveness. Data from the questionnaires were analyzed through mean and standard deviation. Correlation analysis was also made with the help of SPSS version 20 statistical software program. According to the findings, export customers are not much complaining physical design and appearance of the bank. However, off these dimensions, responsiveness and reliability were found to be low to export customers. The findings demonstrated that improvement in service quality can enhance export customer loyalty.

Chapter One

1. Introduction

The economic liberalization of the financial sector started, in 1991, laid the foundation for the formation and expansion of private banks in Ethiopia (Hansson, 1995). This coupled with rapid technological advancement and improved communication systems, have contributed to the increasing integration and resemblance amongst banks in the financial sector. As a result, banks are now faced with very high and intense competition (Harvey, 2010). Banks operating in Ethiopia are consequently under a lot of pressure due to increases in competition. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level. Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage (Almossawi, 2001). In addition, service quality has a significant impact on a bank's success and performance (Mouawad and Kleiner 1996). Nowadays, service quality has received much attention because of its obvious relationship with costs, financial performance, customer satisfaction, and customer retention (Shanka, 2012).

Success of a service provider depends on the high quality relationship which determines customer satisfaction and loyalty. Research has shown repeatedly that service quality influences organizational outcome such as performance superiority, increasing sales and market share , improving customer relations, enhance corporate image and promote customer loyalty Furthermore, service quality and customer satisfaction were found to be related to customer loyalty through repurchase intentions Delivering quality service to customers is a must for success and survival in today's competitive banking. (Lo Liang Kheng, 2010)

Customer loyalty is seen as one of the major facilitators of service quality that emerged from the literature. Customer loyalty happens when there is repeated purchasing by the same customers and their willingness to recommend the product to other customers

without any outright benefits and eventually the repeated usages would generate positive and quantifiable financial results. Among the economic benefits of customer loyalty are improvements in retention and increase in market share of a company. Customer loyalty means a customer would return or continue to use the same product or other products of the same organization, make business referrals, and intentionally or even unintentionally providing strong word-of-mouth references and publicity. Loyal customers are those who are not easily swayed by price inducement from competitors, and they usually purchase more than those less loyal customers. On the other hand, service providers must avoid being complacent as retained customers may not always be the satisfied ones and similarly not all satisfied customers may always be retained. There are many factors for such manner of loyal customers. Some customers may remain loyal due to high switching barriers or the lack of real substitutes, while others continue to be loyal because they are satisfied with the services provided. Past researches have pointed out that perceived service quality has an impact on customer loyalty. In their study on retail trade, they discovered a positive relationship between service quality and customer loyalty. Other researchers had found a positive relationship between service quality and loyalty in the banking sector. All the researchers have unilaterally agreed that service quality is related to behavioral outcomes, especially in the form of word-of-mouth, complaint, recommendation and switching (Al-Rousan, 2010)

Service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service: reliability, responsiveness, assurance, Empathy, tangibles. Satisfaction, on other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors (Zeithaml & Bitner (2003: 85).

Service quality is one of the critical success factors that influence the competitiveness of an organization. A bank can differentiate itself from competitors by providing high quality service.

Service quality is one of the most attractive areas for researchers over the last decade in the retail banking sector. (Siddiqi, 2011)

Customer loyalty is a result of customer retention programs that always giving encouragement to remain active choosing their brand as exclusive brand. Customer loyalty is a strategy that creates mutual rewards to benefit firms and customers. With loyalty customers, companies can maximize their profit because loyal customers are willing to purchase more frequently, spend money on trying new products or services, recommend products and services to others, and give companies sincere suggestions (Mughtar R. 2013).

Bank industry is one of service giving industry. The bank products are nearly identical services and they can only differentiate themselves mainly on the basis of their quality service and also terms and tariffs. Therefore, quality service is a potential and an effective tool that banks can use to gain a strategic advantage in customer retention and at most to survive in today's ever-increasing banking competitive environment.

The banks offered identical and on early growth phase, it carries the danger of creating a downward spiral of perpetual price discounting - fighting for customer share (Menzela, 1999).

1.1 Background of the Organization

Oromia International Bank S.C. (OIB) was established in accordance with the pertinent laws, regulations and the 1960 Commercial Code of Ethiopia, by the Monetary and Banking Proclamation No. 83/1994 and by the Licensing and Supervision of Banking Proclamation No. 592/2008. Accordingly, on September 18, 2008, OIB obtained a banking business license. At the time of its establishment, OIB's authorized capital was Birr 1.5 billion, whereas its subscribed capital was Birr 279.2 million, and its paid-up capital Birr 91.2 million. OIB began operation on October 25, 2008.

Vision: "To be the Bank of your first choice"

Mission statement : “We are committed to providing full-fledged and best quality commercial banking services within the pertinent regulatory requirement with due diligence to sustainable business while empowering the missing middle and discharging social responsibility by engaging highly qualified, skilled, motivated and disciplined employees and state-of-the- art information technology, adding real value to the shareholders interest and win the public trust.”

Core Values of the Organization: Persistence, endurance and tenacity; The satisfaction of its highly esteemed customers; Transparency, integrity and confidentiality; The building up of a real team spirit; The groom of potential successors from among its employees to all its jobs—including the managerial ones; Total respect to its customers and employees; Highly competent and motivated human resources, who are committed to upgrading their skills by taking the types of training that the OIB gives to them; Making the OIB a perpetually learning and innovative organization; Encouraging a sense of belonging among all its employees; and The upholding of corporate citizenship.

Export customers to OIB

An export is the sale of goods to a foreign country. In export marketing, goods are sent abroad as per the procedures framed by the exporting country as well as by the importing country. Exporting helps the growth of national economies and expands the global market. Every country is endowed with certain advantages from export activities in resources and skills.

OIB’s export customers are vital players in these activities for the country in general and bring foreign currency to it in particular. The bank in effect generates revenue from foreign banking operations. As per the banks June 2014 report, 34% of its total income is generated from foreign banking service. Therefore the importance of improving service quality to its customer as a whole and to its export customer is essential.

1.2 Statement of the problem

In today's world of intense competition, a firm's ability to deliver high quality service which results in satisfied customers is the key to a sustainable competitive advantage to service giving organizations (Shemwell et al. 1998). This quality service encourages customers to be loyal to a given firm. Customer satisfaction gained from service quality enormously influences sustainable company's performance and survival (Negi, 2009).

With the availability of goods and services, organizations need proactive strategies to improve service quality, the absence of which can lead to a steady decline of market share which in effect brought its survival to be in question (Collier, 2006). Researchers recommended improving the customer service quality to the degree of greater than expectation of their customer is a cornerstone of an organization's marketing strategy in order to ensure successful and sustainable business (Asubonteng et al., 1996; Collier, 1991).

Customers have become knowledgeable than ever before and this has gradually led to a greater degree of "consumer sovereignty" (Blanchard & Galloway, 1994), when making a choice.

Among any service giving organizations customers, customers' choice of a bank over another may be based on several factors such as the location, interest rates, quality of service delivery and the bank's reputation. However, service quality is seen as the dominant key factor and thus has got 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 instrument to win competitors.

As per various researchers like (Voss et al 2004); (Vilares & Coehlo, 20030) and (Van der Weile et al, 2002) providing excellent service quality is widely recognized as a critical business requirement.

Rendering service quality is “not just a corporate offering, but a competitive weapon” that means it is essential to corporate profitability and survival (Newman & Cowling, 1996).

Service quality has become use full in many ways for most organizations, but still the general understanding is that organizations do not accomplish it effectively (Ton Van Der Wigle, 2001). These authors further discussed service quality by quoting (Zemke 1990) finding as “Nothing is as common today as the organizations committed more to lip service than customer service; more interested in advertizing than action”. According to them, “All too many companies seem to consider customers as nothing more than a necessary nuisance. Oh, they may say otherwise, but they don’t deliver. If the road to hell is paved with good intentions, then the road to business failures is littered with placard proclaiming ‘the customer is always right’”.

To improve its services like to recruit, to deliver service quality and to retain customers, Oromia International bank has introduced considerable measures like, investing in advertising, extended business hours, branch net works, credit incentives, attractive interest rates, terms and tariffs among others, all in the interest of enhancing customers satisfaction and yet its customer are also customer of other banks. These all efforts, which were aimed to bring retaining its customer for long, turned out to be as if it has been done for nothing (Merga B 2012).

Exporters’ preferences and expectations seem not to match up with the bank’s initiatives since most of them are not loyal to only this bank. There is continual complaint of from exporters due to insufficient credit availability and service delivery time as promised during marketing, inadequate responsiveness from the staff after marketing, lack of assurance originated from inconsiderable support, inconvenient customer service as the customers contact point is at branch and also at head office in case of this bank and also there is complaints on bank’s failures to avail modern equipments and physical facilities.

These states of affairs justify the necessity of confirming whether there is impact on exporters' loyalty if service quality is improved so as to help Oromia International bank to improve its service quality and to ensure customer retention.

1.3 Hypotheses

To deal with the above problems, this study will attempt to test the following research hypotheses:

H1. Reliability has positive effect on customer loyalty.

H2. Assurance has positive effect on customer loyalty.

H3. Responsiveness has positive effect on customer loyalty.

H4. Empathy has positive effect on customer loyalty.

H5. Tangibles have positive effect on customer loyalty.

1.4 Objectives of the study

1.4.1 General objectives

The general objective of the study is to validate whether service quality of Oromia International Bank has impact on its customer loyalty.

1.4.2 Specific objectives

The specific objectives of the study are:

- To verify whether Tangibles have positive effect on customer loyalty.
- To verify whether Reliability has positive effect on customer loyalty.
- To verify whether Responsiveness has positive effect on customer loyalty.
- To verify whether Empathy has positive effect on customer loyalty.
- To verify whether Assurance has positive effect on customer loyalty.

1.5 Significance of the study

Loyal customers' role in maximizing profit is significant. In addition to profit maximizing, its significance is both economical and non economical. It has economic benefit because customers' acquisition or replacement cost will be saved, free of charge referrals of new customers from existing customers, which would otherwise be costly in terms of commissions and price premiums as existing customers do not usually wait for promotion. It has also non- economic benefit because feedback from the existing customers will help in improving the service. Therefore, this research will enhance the further understanding of service quality in OIB and how it leads to customer loyalty. It could have vital importance for bank management and for future researchers as well. OIB's managements can also be benefited from this research. Because it provided an important insight in evaluating its service quality dimensions in the eyes of export customers of the bank and their degree of loyalty. Beyond that, the current study could contribute much for future researchers who desire to conduct research on bank's service quality and export customer loyalty.

1.6 Delimitation of the Study

Though services rendered by banks are of various types and users of these services are also different, this study focuses on service quality rendered to exporters and their loyalty. The study is confined to assess the loyalty of borrower exporters of OIB, who are situated in Addis Ababa branches and quality of service offered to these customers from their view point.

1.7 Limitations of the Study

Usually researches suffer from all inherent problems of studies conducted based on survey questionnaires and this study may also face the same fact. Initially, it is hardly possible to place sufficient questions in the questionnaires to cover each aspects of given subject.

Moreover, the use of questionnaires can also cause biased or incorrect results if an unknowledgeable person fills in the questionnaire. To minimize this problem, however, care is taken by only selecting respondents who reasonably have better understanding. In addition, it may be impracticable to conclude the result of the research to the industry level because the research was based only on the conclusion to be obtained from OIB. In addition of technical limitations, the research output may also suffer if the customers under investigation were without interest to actively participate in the research. On top of that Absence of research papers conducted on export customers by senior researchers in Ethiopian banking context for immediate reference and lack of time to utilize maximum effort due to other work pressure are some of the limitations.

1.8 Organization of the Study

The final research report is structured in such a way that it can provide coherent flow of ideas. The report is divided into five chapters. The first chapter is introduction, which comprises background of the study, statements of the problem, objective of the study and other related issues. The second chapter is literature review, which will present the theoretical framework of the subject matter. The third part presented research design and methodology. The fourth part of the report presented the results and discussions of the study. Finally, based on the result of the study, summary of finding and the recommendation are presented in fifth chapter.

Chapter Two

2 Literature Review

The review focuses on the overview of concept of quality, concept of service, service quality, service quality dimensions and characteristics, customer satisfaction, and the role of service quality in ensuring customer loyalty. This chapter will further present service quality concept, and its impact on customer loyalty adopted in this study and explain in detail the constructs of the study.

2.1 A definition of Service

A service is an act, a process and performance. Services are all around us – as a consumer we use services every day.

The growth in the service sector brought a great contribution to the economic development (Gilmore, 2003).

According to (Christopher Lovelock and Lauren Wright 1994), a Service is an act or performance delivered by one party to another. Through the process of delivering tied to physical product, the performance is invisible and does not result in ownership. This author also described service as “Something that may be bought and sold, but which cannot be dropped on your foot.”

2.2 Characteristics of Service

The SERVQUAL literature takes a different perspective on service quality. (Parasuram, Zeithmal & Berry 1985), the originators of SERVQUAL, argue that there is unclear understanding idea on the concept of service quality. The legacy is from traditional manufacturing definitions of quality which are directly appropriate to physical goods but are not appropriate in the service context. Services are of different from physical goods in the following significant aspects.

1. Services are intangible; as such they are more akin to performance rather than objects. (H Maddern, D.R. 2014). Due to its intangibility, service cannot be seen or felt before purchase. Such characteristics make it challenging to inventorying, patenting, pricing and communicating to others.
2. Services are heterogeneous; delivery can vary from provider to provider and customer to customer. Service is dependable on who provides them, and where and when they are provided. This same service may also be perceived differently by different users due to the nature.
3. Production of service and its consumption are inseparable; services are not 'manufactured' remotely and then delivered the whole to the customer. The service provider employee of certain service provider act and the different behavior of the customer who is served at different time may affect service quality. Such characteristics of service may lead it to difficulty in attaining economies of scale through mass and centralized production.
4. Services are perishable; Services cannot be saved, stored or returned right after use. It is difficult to balance demand and supply with service and recovering it from failure is also difficult task (Kotler et al., 2002). According to him it is difficult to balance demand and supply with services and recovering it from failure is also difficult task. As a result of these differences of characteristics of service its quality is more difficult for users to evaluate service quality than goods quality.

Evaluations of services are not depending only on the result of the service, the technical quality; they also involve the process of service delivery or functional quality.

According to H. Maddern, D & R, the above distinctions of services enabled (Parasuranam, Zenithal &Berry 1985) to develop an instrument for measuring service

quality, SERVQUAL, which has subsequently dominated both academic and practitioner perspectives.

2.3 Definitions of Service Quality

Concerning the definition and components of service quality, different scholars developed their own opinions from different angles. In all cases they agreed that service quality is the outcome of comparison between customer's expectation about the service they need and their perception of the way the service actually performed.

Service quality is the overall evaluation of a specific service firm that results from comparing that firm's actual performance with the customer's general or prior expectations of the firms should perform. (Lo. Liaig Kheng, 2010)

Parasuramn, Zeithaml & Berry (1985) described that Service quality is the gap between expectation of universal level service providers' service performance and the actual performance perception of a specific enterprise.

“Providing service quality in excellent manner is widely accepted and practiced as a vital business requirement. It is “not just a corporate offering, but a competitive weapon” which is “important to corporate profitability and survival” (H.Maddern, D.R. (2014)”

Service quality is that the service delivered should fulfill the customers' requirements, expectations and satisfactions (Dr. Jothijay a Krishnan, G. 2014)

According to these scholars in general, service quality is not a one dimensional concept, but it includes a set of factors that evaluate customer about the delivered services.

2.4 Service Quality Dimensions

In view of (Parasuraman et al's 1985) focus group studies, there were ten detail dimensions of service quality .These were: Reliability, Responsiveness, Competence, Access, Curtsey, Communication, Credibility, Security, Understanding the customer and

Tangibles. According to them, Reliability is the most significant dimension among others.

Reliability; It means that performing as per promises and designated time, just ability to render unfailing and reliable service.

Responsiveness; Willingness or readiness of employee to provide service promptly or even setting up appointment quickly, it is all about understanding customer's need, goals or problems.

Competence; It is possessions of the required skills and knowledge to perform the promised service; it adds research capability of the organization. It is all about sound judgment and intelligent decisions

Access; it involves approachability and easy accessibility, convenient hours of operation and convenient location of service facility. Here in view of these scholars, failure to access is extended waiting or delays, regardless of how it happens, which will cause customers to search for another individual or company who promptly and efficiently solves their problems.

Courtesy; in involves politeness, respect, consideration and friendliness of contact personnel. It includes respect for property, not just customers' only but also of organization. This means treating products, merchandise, samples, display areas and support materials of the organization as prized possessions. If customers sense you don't care about your things, they begin to wonder how you'll treat them and their things.

Communication; it means keeping customers informed in language they can understand as information is valuable to customers and listening to them.

Credibility; involves trustworthiness, believability, honesty. It involves having the customers' best interest at heart. It may take years to develop reputation, but only seconds to lose it. To achieve the desired results and goals, first, helping customers achieve theirs.

Security; is the freedom from danger, risk or doubt, it involves physically safe, financially secure and confidential. It is providing customers with a comfort zone or peace of mind since they want to maximize gain and minimize or eliminate loss.

Understanding / knowing the customer; it means making an effort to understand the customer's needs / specific requirements providing attention individually. It is recognizing and acknowledging by name regular, loyal and repeat customers.

Tangibles; it includes the physical evidence of the service, physical facilities, promotional materials and personnel appearance. Here these “stuff” matters.

In their next research these scholars examine & purify the content of the items and making up each of SERVQUALS five dimensions (three original and two combined dimensions) suggested the following labels and concise definitions for the dimensions:

Tangibles,

Reliability,

Responsiveness,

Assurance &

Empathy

The last two dimensions (assurance & empathy) contain items representing seven original dimensions i.e. communications, credibility, security, competence, courtesy, understanding /knowing customers and access. Therefore, according to these scholars, while SERVQUAL has only five distinct dimensions, they capture facets of all ten originally conceptualized dimensions.

2.5 Quality

According to scholars' opinions, quality is “Zero defects, doing it right the first time”. (Crosby 1979) defines quality as “conformance to requirements” (Garvin 1983) measures

quality by counting the event of “internal” failures (those observed before a product leaves the factory) and “external” failures (those incurred in the field after a unit has been installed

2.6 Emerging Quality Description

During earlier times, while many manufacturing systems and the aim to meet the expectations of the customers in organizations are considered as important to improve, quality was described as a “little q” which meant product quality. With the emerging of service emerged along with these industries and labeled as big Q (Smith, 1994).

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 every one
Good Quality is high grade	Quality the appropriate
Quality is about control	Quality is about improvement
Quality is led by expert	Quality is led by management

Source: Smith 1994

2.7 SERVQUAL

During the growth of services in the last decades, many scholars have agreed the need to develop measures of service quality. One of the most frequently used measures is the SERVQUAL (the name stands for Service Quality).

The foundation for the SERVQUAL scale is the gap model proposed by (Parasuraman, Zeithaml and Berry 1985, 1988). They held that when perceived service is less than expected service, the obvious implication is that service quality is more than satisfactory. But, when perceived or experienced service is less than expected service, it implies less than satisfactory service quality.

On their empirical research, they identified a set of 22 variables tapping five different dimensions namely Tangibles, Reliability, Responsiveness, Assurance & Empathy of service quality construct. From the time when they originated, service quality as being a gap between customer's expectations and perceptions.

According to them, service quality measurement scale is comprised of a total of 44 items (22 for expectations and 22 for perceptions). Customers' responses to their expectations and perceptions are obtained on a 7-point Likert scale and are compared to arrive at (P-E) gap scores. The higher (more positive) the perception minus expectation score, the higher is perceived to be the level of service quality

2.8 Critiques of SERVQUAL

The first article on SERVQUAL which introduces the SERVQUAL scale was authored by A. Parasuraman, V. Zeithaml and L.L Berry in 1988. Since then, it has been attacked and criticized on various parameters. These critics have noted that SERVQUAL's five dimensions /Reliability, Assurance, Tangibles, Empathy and Responsiveness/ are not universal and the Model fails to draw on established, economic statistical and psychological theory. Mainly, the criticisms are on the object of measurements, length of questionnaire, timing of questionnaire, and administration use of

LIKERT scales, use of P-E difference score, generalization of service quality dimensions and static nature of the model. It was also criticized that it was not clear whether SERVQUAL measures service quality or customer satisfaction. Suggestions given were that certain items can be eliminated or fusion of interrelated dimension likes reliability, responsiveness and assurance into one dimension of task related. The issue of whether it is appropriate to use a 5 points or 7 point LIKERT scale was also exposed to criticism.

On the other hand, many other Authors have rebuked all criticisms against SERVQUAL and or various conceptual and operational criterion upheld SERVQUAL as a rigorous tool, appropriate and perfect. Advances made in service quality measurement have validated SERVQUAL. It was recommended as an instrument for improving service quality, organizational performance and customer satisfaction is not in private sector but also in public services. The scale has proved to be most versatile and adaptable with applicability across diverse service industries in various countries (S. Raghunanandan 2012).

2.9 SERVPERF

SERVPERF was developed by Cronin and Taylor in 1992. They developed this instrument to simplify the measurement of service quality and customer satisfaction. It contains the same dimensions used in the SERVQUAL model. They developed this model to study four service sectors: banking, pest control, dry cleaning, and fast food.

It is based upon the performance theory and is a modification of the SERVQUAL model. The only difference between SERVQUAL and SERVPERF is that the SERVPERF does not consider customer expectations. It brings into consideration only customer perceptions of service performance. Therefore, this model does not have a disconfirmation scale, which is the gap between expectations and perceived performance of service. It has only one part, which is the perceived performance of service. In this instrument, customers rate their perceptions of performance of the same attributes that are covered in the SERVQUAL model. The five dimensions, i.e. Tangibles, reliability,

responsiveness, assurance and empathy—identified in the SERVQUAL model are equally applicable to the SERVPERF model.

According to these scholars, SERVPERF can provide managers with a summary of overall service quality score, which can then be plotted in relation to time and specific customer segmentations related to consumer characteristics. The SERVPERF scale thus provides a useful tool for measuring the overall service quality attitudes of service managers. However, they suggest that great care should be exercised by managers of service organizations in attempting to derive more specific information from data captured by the SERVPERF scale for strategic decision making (Cronin & Taylor 1994).

2.10 SERVIQUAL Vs SERVPERF

Though many scholars supported the SERVQUAL, the use of gap scores has been opposed. Among them (Cronin and Taylor 1992) recommended using “SERVPERF” -a modified SERVQUAL instrument to measure service quality. According to them, instead of measuring both customer expectations and perceptions as in the case of SERVQUAL, the SERVPERF was practiced by only one part of the perceived performance on the differently labeled 7-point scale. The expectation does not exist in the SERVPERF and did not review the gap scores between expectation and perception. As a result, only 22 items will be remained when measurement of customer expectation is excluded. These scholars concluded the superiority of SERVPERF over the SERVQUAL for service quality measurement.

Later on in 1994, the SERVQUAL developers maintained on the superiority of their measurement and criticized the use of the SERVPERF for practical issues. The claim made by critics about the practitioners preferring simpler measurement of perceived quality through only the performance of the business was opposed by their argument that a widespread preference did not necessarily support their claim of superiority (Parasuraman et al., 1994). They emphasized the practical values of the SERVQUAL for

generating rich and meaning full information and as an analytical tool to cut off the weak points of service quality.

Again, (Cronin and Taylor 1994) defended that the SERVPERF can also provide practical values to managers. They suspected that the performance-based measure of service quality could offer a longitudinal index of the service quality perceptions, relative to time and customer subgroups. Finally their thoughts did not commit them to remain supportive to the SERVQUAL, yet remained confident of their SERVPERF (Hussien 2012).

On the other hand, as per the study conducted by (Quester and Romaniuk 1997) and (Angur, Nataraajan, and Jahera 1999) and cited in (Yeamdao Narangajavana 2007), both models were found to have insignificant differences in their performance of prediction.

2.11 Banking Service

Basically banking is a profit making and service giving business that is formed to accept a deposit from the surplus units and channel it to the deficits units of the economy in the form of loans. This task makes banks one of the most important financial intermediaries in every economy of every country.

It is a customer oriented service giving industry. Banks highly depends on customer service for their survival in the market. According to (Chowdhury 2014), customer is the center of attention and customer service is the differentiating factor. He further argues that banks have to serve their customer carefully because of the existence of other competitive banks.

On the other hand (Guo et al, 2008) recommended that in the dynamism of banking industry in this 21st century, they had to have distinct identity to provide excellent service. As per their recommendation, banks of these days have to be of world class standard, committed to excellence in customer service and have to play a vital role in the

ever growing and diversified of this sector. Here, they wanted to explore that today's customers are of global customer.

2.12 Bank History in Ethiopia

As per the agreement reached in 1905 between Emperor Minilik II and Mr. Ma Gillivaray, representative of the British owned National Bank of Egypt, the first modern bank called Bank of Abyssinia was introduced and inaugurated in Feb 16, 1906 by the Emperor. The bank was managed by the Egyptian National Bank. During that time, the Ethiopian government promised not to allow any bank to be established in the country within the coming 50 year concession period.

In short period of its existence, Bank of Abyssinia had been carrying out limited business such as keeping government accounts, some export financing and undertaking various tasks for the government. In 1931 Bank of Abyssinia was legally replaced by Bank of Ethiopia shortly after Emperor Hailesilassie came to power. Bank of Ethiopia was a purely Ethiopian institution and was the first indigenous bank in Africa.

In 1963 the function of commercial activity was separated and Commercial Bank of Ethiopia was formed.

The first privately owned bank, Addis Ababa Bank S.C was established and started operation in 1964. There were two other Banks in operation namely Banco di Roma and Bank O di Napolis S.C.

Following the declaration of socialism in 1974, the government extended its control over the whole economy and the private owned banks were merged and formed a bank called Addis Bank. Then in 1980 both Commercial Bank of Ethiopia and Addis were merged. In 1970 Agricultural and Industrial Development Bank was established.

Following the downfall of the Dengue regime, legal basis for investment in the banking sector was laid down. Then after, the following private Banks come to operation.

Name of Bank	Establishment year
Awash International Bank S.C	1994
Dashen Bank S.C	1995
Bank of Abyssinia	1996
Wogagen Bank	1997
United Bank	1998
Nib International Bank	1999
Co operative Bank of Oromia	2004
Lion International Bank	2006
Zeman Bank	2008
Oromia International Bank S.C	2008
Buna International Bank	2009
Berhan International Bank	2009
Abay International Bank	2010
Debub Global Bank	2012
Enat Bank	2012

2.13 Customer

A customer is anyone who receives products or services; customer can be internal or external to the organization and are the foundation of any business (Salas 2006).

Kotler (2003) also defines customers as a person or organization that buys a product or service either for use or resale. According to (Donna Eart 2004), there are two types of customers. They are external customer and internal customer.

1. External customer; this is someone who signs a check, pays our employees, and ultimately makes our pay check possible. External customers have choice, and if they don't like your product or service they can take their business elsewhere. A customer who suffers through a negative experience with a business, such as being treated impolitely by an employee, can also hinder a business by dissuading others from patronizing it.
2. An internal customer or internal service provider can be anyone in the organization. They are co-worker from each department unlike external customer. These internal customers don't have choice. While internal customers may not necessarily purchase the products or services offered by their employer, the internal customer relationship also plays a dominant role in the business's success. For example, the front line staffs who do not work well with customer service may have greater complexity placing orders or obtaining answers to his external clients' questions, consequentially in a poor level of service. Stressed internal relationships can also adversely influence company morale.

Varey, R.J (2002) also described customer as “not producers, not citizens but ‘us’ brought to life in our every day talk.

2.14 Customer Loyalty

Customer loyalty is the most precious intangible assets of modern business organization. In fact only high loyalty is not the key of business organization competition to win but

also the major guarantee of business organization stability and in effect the main target-profitability (Tang, 2014). These researchers further argue that, in the era of service economy, improving service quality always considered as one of the most effective to build customer loyalty.

But (Mattila, J.W. 2003) argues that loyalty is an effective risk reduction strategy. Especially when switching cost and risk associated with that product or service are high, loyalty increases. They also further argues that loyalty is from objective knowledge. On the other hand, there are scholars who relate loyalty with pricing.

Prrie, (2006) explained loyalty as “By improving service quality that is relevant to the market, the company will have potential to develop a loyal customer base which is a worthwhile goal. For one thing, it usually results in greater profits”

They agreed that customer loyalty as a prime determinant of long term financial performance of service firms where developed loyalty can significantly improve profit.

Richards varay (2002) also explained that customer loyalty and retention is the new Holy Grail for business. He further explained customer loyalty as “Customer loyalty is the name of the game and loyal customer will be behind tomorrow’s profitable companies”

The findings of Berry and Parasuraman, 1991 supported the hypothesis that loyalty is influenced by service quality. There is however, a difference between loyal customer and who simply retained rather than expressing loyalty. Most of the time, true loyal customers are known as being fewer prices sensitive when compared to retained customers. They increase frequency of repurchase. They are advocates of a given Organization. They can influence their family or peers. According to these scholars, therefore, customer loyalty is distinct from customer retention. Loyalty is only a valid concept to them in situations where customers can choose other providers.

In their researches, (Josee Bloemer, K, D. 1998) concluded that, customer loyalty of many banks, as service giving organizations; it will increase by introducing innovative products and services. They also relate customer loyalty as an expression of intended behavior to the product or service or to the company. Dr. Jothijalyatrishnan & G. (2014) also relates customer loyalty as an expression of intended behavior to the product or service or to the company. They also further explained customer loyalty as comprised of both customers' attitudes and behaviors.

Customers' attitudinal component represents opinions like willing to repurchase or purchasing another product or services from same company, willingness of advertising to others through word of mouth, showing commitment not to easily switch to other similar service provider and willingness to buy at a premium price. On the other hand a behavioral aspect of customer loyalty represents actual repurchase, purchasing more and different product or service from same company and as a result being customer for life.

In general customer loyalty is the ultimate goal of any service organization (Kiran, 2011)

2.15 Customer Satisfaction

By quoting earlier researches, (Alok Kumar Rai S.M 2013) explained that satisfaction arises when customer weigh their perceptions of actual service performances against their expectations and nay discrepancy between the two generates disconfirmation which can be of three types.

1. Positive disconfirmation: high satisfaction, better than expectation, when product or service delivered is more than expected.
2. Negative disconfirmation: high dissatisfaction, of inferior quality than expected, when product or service delivered is less than expected.
3. Zero disconfirmation

According to them, the positive effect of customer satisfaction on loyalty has been repeatedly voiced in the literature.

There are various popular measures of customer satisfaction. Among them, two approaches are widely employed. These are transaction-specific and cumulative or overall satisfaction. The former one defines customer satisfaction as an emotional response by the customer to the most recent transaction. It is within the time frame of consumption. The later one reflects customers' cumulative impression of a firm's service performance (Rahim Ajao Ganiyu, 2012).

According to these researchers, satisfied customers tend to have a higher usage level a service than those who are not satisfied. They also pointed out that although customer satisfaction is a driver of customer loyalty, a number of literatures over the past decades have called this into question and empirical studies have begun to demonstrate service contexts in which customer satisfaction and loyalty do not always correlate positively.

Oliver, R. (1980) also stated that most experts agree that customer satisfaction is short term, transaction specific measure, whereas service quality is an attitude formed by a long-term, Overall evaluation of a performance.

In the literatures of the influence of service quality on customer loyalty, lots of researchers have introduced a number of mediating variables. Among them customer satisfaction is the most commonly used. Kotler (1999) believed that customer satisfaction is the degree of customer's level of pleasant feeling with certain products bought or service consumed. The result is from comparing the perception of products or services and personal expectation of them.

After the reviewing, (Caruana 2000) put forward a model that contained service quality, customer satisfaction and customer loyalty. The result of their study showed that service quality had a direct influence on customer loyalty. According to them, while customer satisfaction was introduced, service loyalty would be affected by service quality through customer satisfaction indirectly, customer satisfaction would play an intervening role.

2.16 The relationship between Service Quality and Customer Loyalty

The relationship between service quality and customer Loyalty has been vastly researched in various service settings. Previous research has shown that service quality directly affects customer loyalty (Kiran K.a 2011)

Other scholars have reported that service quality has an indirect effect on loyalty, mainly via customer satisfaction as a mediating variable (Collier and Beinstock 2006; Cristobal; Flavian and Guinaliu 2007). Meanwhile, (Agyapong, 2011) concluded that perceived service quality is necessary but not adequate situation for customer loyalty.

In the era of service economy, improving service quality has always been considered as one of the effective ways to improve customer loyalty. (Tang, Y.D. (2014). According to these researchers, to a large extent, service quality can affect customer loyalty to the enterprise.

Also, previous researches have confirmed that the relationship between perceived quality and customer loyalty exists and is positive (Bernard Adoyu, 2012).

According to (Dr. Jolhijayakrishnan, G. 2014) findings too, service quality dimensions such as tangibility, reliability, responsiveness, assurance and empathy are positively related with customer loyalty.

As discussed under the loyalty title, loyalty is an intention to repurchase and willingness to recommend to others. According to studies done by (Cronin and Taylor 1992), service quality did not appear to have significant (positive) effect on repurchase intentions. Whereas (Boulding et al. 1993) found positive relationship between service qualities and repurchase intentions and willingness to recommend.

On top of that, according to the meta-analysis conducted by (Carrillat et al. 2009) and cited by (Bourlessab, 2013) service quality impacts purchase intentions and thus customers' loyalty in a direct as well as in an indirect way through satisfaction.

Additionally, as cited by this researcher, in the context of banking services, (Bloemer et al. 1998) discovered that reliability and efficiency of a service have impact on the level of customers' loyalty. In the same way, (Kheng et al. 2010) investigated a direct positive link between service quality factors such as reliability, empathy and assurance and customer loyalty.

Nevertheless, as cited by (Bourlessab, 2013) and found by (Bloemer et al. 1999), the relationship between service quality and loyalty is unclear and needs further investigation.

Hence, the present study examines the impact of Oromia International Bank service quality factors (i.e. Tangibles, Reliability, Responsiveness, and Assurance & Empathy) on its export customers' loyalty.

2.17 Conceptual model of the Research

The following conceptual model has been developed based on literature review findings used in this research.

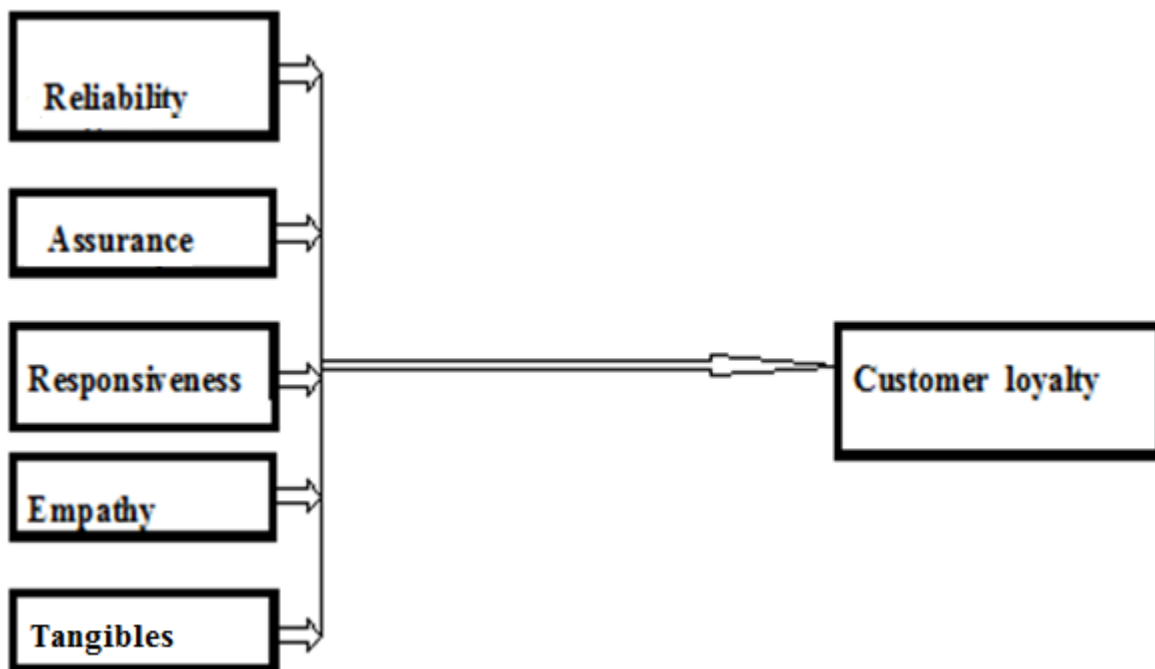


Figure 2.1: Inter-relationship between service quality and loyalty

Chapter Three

3 Research Design and Methodology

3.1 Research design

In order to achieve the study objectives and to test the affirmed hypothesis, descriptive statistical tools such as frequency, percentage and mean scores are used. Correlation analysis is used to identify the relationship between service quality dimensions and customer loyalty.

3.2 Data type and source

The study used both primary and secondary data. The primary data are collected from exporters of the Bank in city branches. To investigate the study, Self administered questionnaire with 22 items SERVPERF scale, on a five-point Likert-type scale used is ranging from “strongly disagree” (1) to “strongly agree” (5), representing the five SERVQUAL dimensions is employed. In addition secondary sources such as bank annual bulletin, internet, various journals and articles are explored to understand the association between service quality and customer loyalty.

3.3 Target population

The target population of the study was borrower exporters of OIB. The study focuses on Addis Ababa city because a high number of exporters are situated in it.

3.4 Sampling technique

Since the researcher is the employee of this Bank and the number of exporter customers of the Bank is limited, census data collection method has been applied. A census is a

collection of information from all units in the population or a 'complete enumeration' of the population. “We use a census when we want accurate information”.

Advantages of Censuses compared with Sample Surveys:

- The estimates are not subject to sampling error.
- Increase confidence interval. Conducting a census often results in enough respondents to have a high degree of statistical confidence in the survey results.
- Maximum chance of identifying of negative feedback. By acting on negative feedback immediately, organizations have the chance to improve their customer satisfaction ratings.

In this study, as per the bank’s March 31, 2015 report, there are 59 borrower exporter customers in Addis Ababa city and everyone was invited to the study. But only 53 of them responded.

3.5 Research Instrument

A questionnaire is used by the researcher to collect the primary data. The questionnaire is of structured type. A structured questionnaire is used to increase the credibility of information that is provided by the respondents. In this approach the investigator first checked whether the respondents used the bank service for at least one year. The instrument has been adopted from Andaleeb and Conway, (2006). The reliability of the study was tested by undertaking pilot study on 10 export customers’ responding using Cronbach's alpha and found acceptable, 0.94; and then proceeded to others.

3.6 Method of data analysis

The data are analyzed with the help of SPSS that helped to tabulate and analyze the valid responses. The data that are gathered through primary and secondary sources are summarized using descriptive statistics through tables, frequency distribution, percentages, mean, standard deviation and Pearson correlation analysis to search out the compressed picture of data.

3.7 Ethical Consideration

The data collected from the customers are intended only to be used for academic purpose and specifically for the consumption of this research; and will not be provided to anybody that intends to use beyond this study. Questionnaire was distributed to and collected from target export customers in a sealed envelope and through emails. The researcher clarified the question only when requested. Other than this, the researcher did not influence the response of any customer. By doing so, this research is concluded without losing its validity.

Chapter Four

4. Data Analysis and Discussions

This chapter focuses on the analysis part of the data gathered from the 53 respondent exporters of Oromia International Bank. The data is presented in tables, charts and diagram and as well as the result are critically interpreted and analyzed.

At the outset, the questionnaire was planned to distribute to 53 exporters of Oromia International Bank as per described in the methodology part and since the customers under investigate are limited in number and known to the researcher, all questionnaires were collected back and used for analysis purpose. The analysis of the study is conducted using descriptive statistics by computing the mean scores and standard deviations to identify the common responses of respondents for each question that were listed under the dimensions.

4.1. Demographic characteristics of respondents

This section is designed to discuss the general demographic characteristics of respondents which were presented in the first part of the questionnaire.

4.1.1. Respondents' Age and Gender

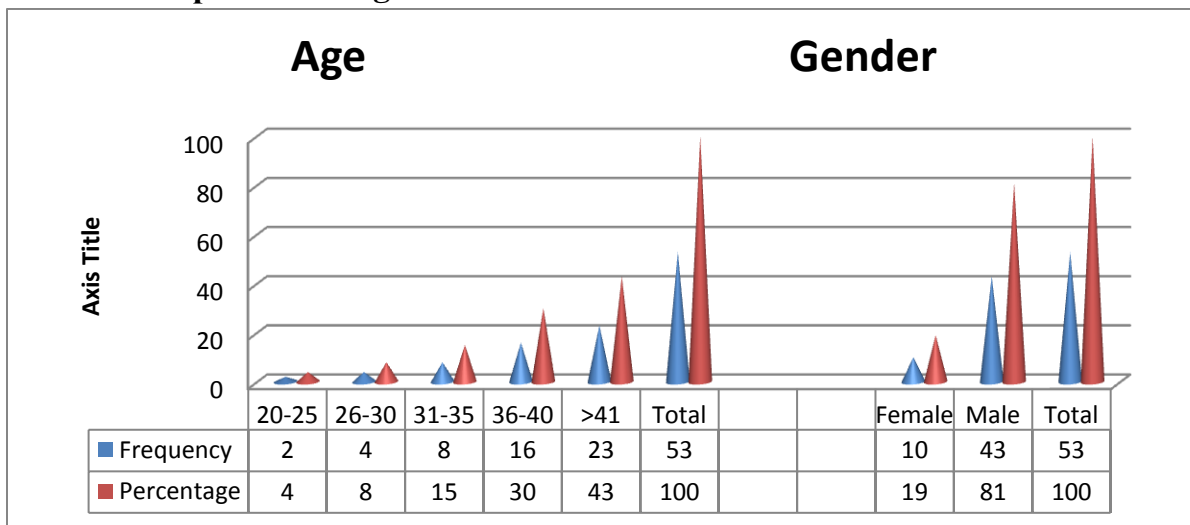


Figure: 4.1: Respondents' Age and Gender

Source: Survey Result (2015)

As indicated in the above figure 4.1, among the total respondents, a 43 percent of the respondents fall in the age bracket of above 41 years. The rest of the respondents constitute 30 percent; a 15 percent, 8 percent and 4 percent represent in the age bracket of 36-40, 31-35, 26-30 and 20-25 respectively. From this survey it is observed that most of the respondents represent the age above 41 years. Regarding their gender, the researcher notes that, out of the total respondents, males dominate by 81 percent while the female respondents constitute 19 percent.

4.1.2. The Status of the respondents within the business

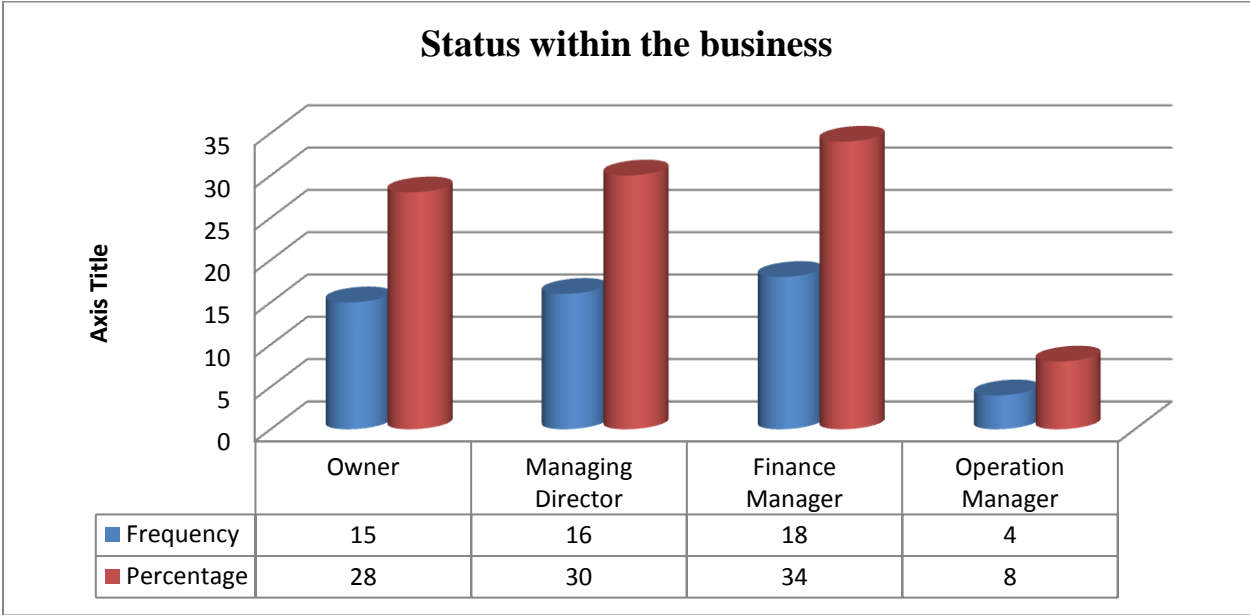


Figure: 4.2: The Status of the respondents within the business

Source: Survey Result (2015)

As per the above figure, 34 percent of the questionnaire was responded by Finance Managers, 30 percent was by Managing Directors, 28 percent was by Owners and only 8 percent was by Operation Managers.

4.1.3. Educational level of the respondents

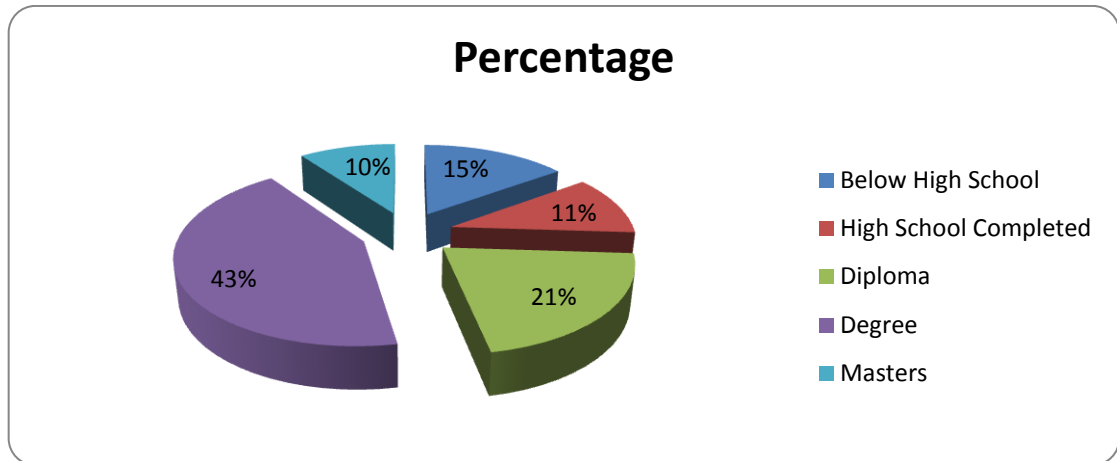


Figure: 4.3: Educational level of the respondents

Source: Survey Result (2015)

Regarding educational level of the respondents, from the above figure, one can see that the educational level of the most of the respondents is at the degree level with the percentage position of 43 followed by diploma level with the percentage position of 21 the remaining are masters, Below High School and high school completed with 10 percent, 15 percent and 11percent respectively. This indicates that most of the respondents are educated with a degree level and can be categorized as professional respondents.

4.1.4. Marital Status of the respondents

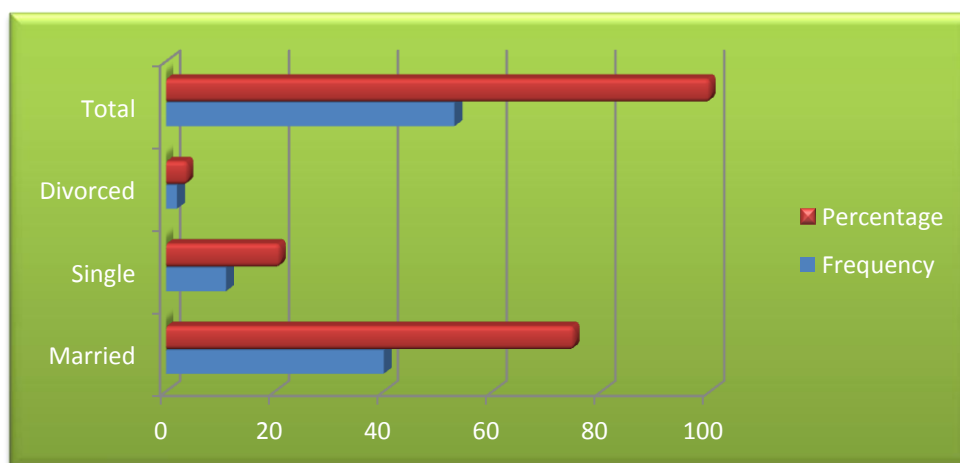


Figure: 4.4: Marital Status of the respondents

Source: Survey Result (2015)

From the above figure the researcher noted that off the respondents, majority of them were married and followed by single and divorced.

4.1.5. Annual Profit of the business they engaged in

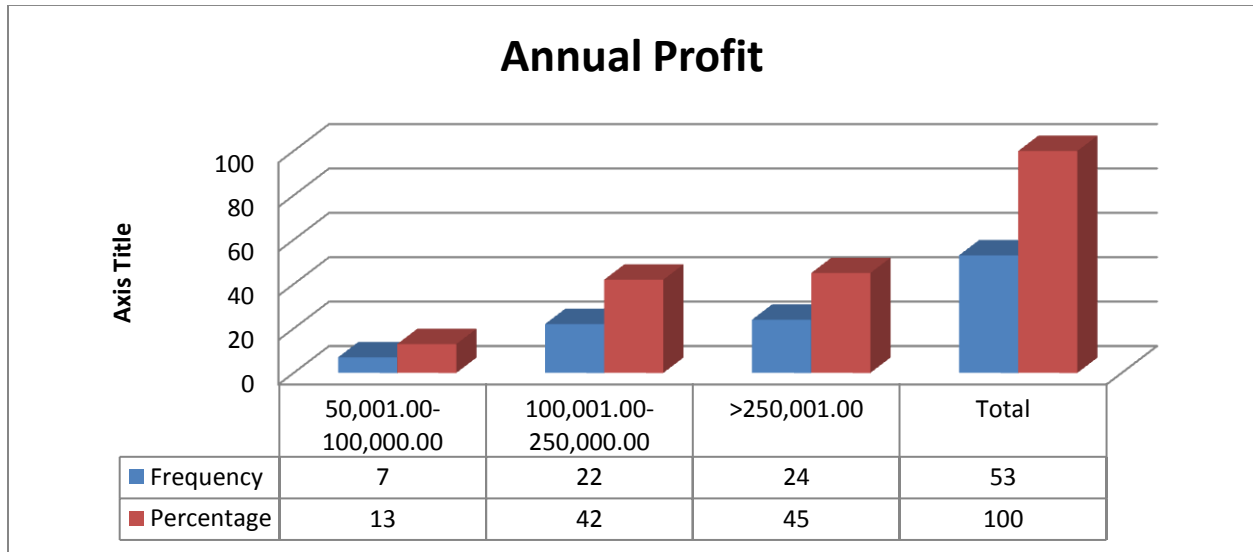


Figure: 4.5: Annual Profit of the business they engaged in

Source: Survey Result (2015)

As it can be seen from this survey result, annual profit of >250,000.00 with 45 percent is dominating followed by between 100,001.00 and 250,000.00 with 42 percent and between 50,001 and 100,000.00 with 7 percent.

4.1.6. Business Engaged in

Table: 4:1

Measures	Characteristics	Frequency	Percentage
Business Line of the Respondents	Export Trade	21	40
	Export Trade and Others	32	60
	Total	53	100

Source: Survey Result (2015)

Concerning business line of the respondents, the researcher observed that of 53 exporter respondents 21 are engaged in international trade only and the rest 32 have other business line in addition to International trade.

4.1.7. Types of Business Entity

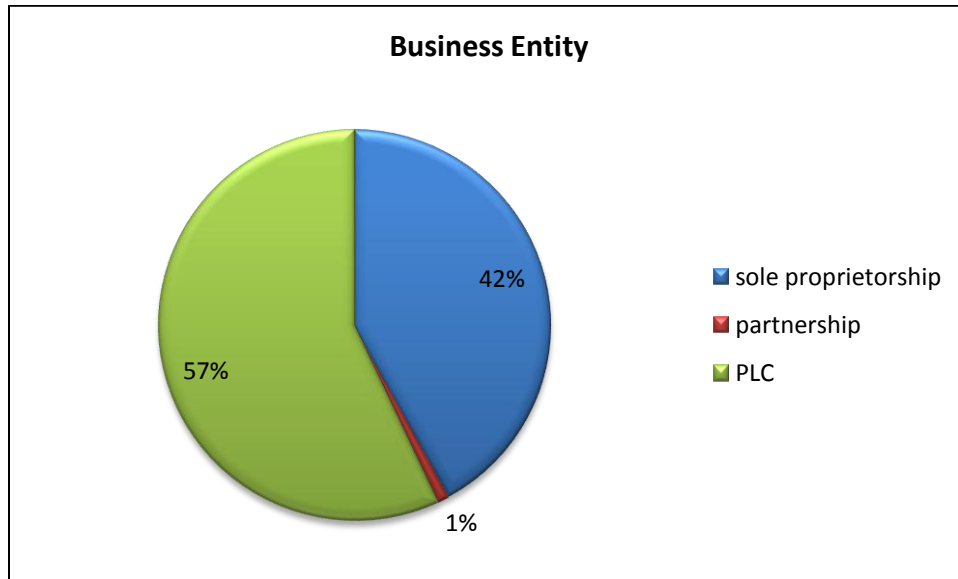


Figure: 4.6: Types of Business Entity

Source: Survey Result (2015)

From the above figure it can be understood that the majority of respondents are categorized under the business entity of PLC covering 57 percent and the rest are categorized under the business entity of Sole Proprietorship and Partnership with 42 percent and 1percent respectively.

4.1.8. Length of Relationship with OIB

Table: 4:2

Measures	Characteristics	Frequency	Percentage
Length of R/ship with OIB	1year	15	28
	1-2years	13	25
	2-3 years	11	21
	3-4years	9	17
	>4years	5	9
	Total		53

Source: Survey Result (2015)

Regarding the duration of the respondents stayed with the OIB, as it can be observed from the above table 15 of them are new for OIB and only 5 of them stayed with this bank for more than 4 years. The rest 13 of them stayed for two years, 11 for three years and 9 of them stayed for 4 years with this bank.

4.1.9. Accounts maintained with OIB and Relationship with Other banks

Table: 4:3

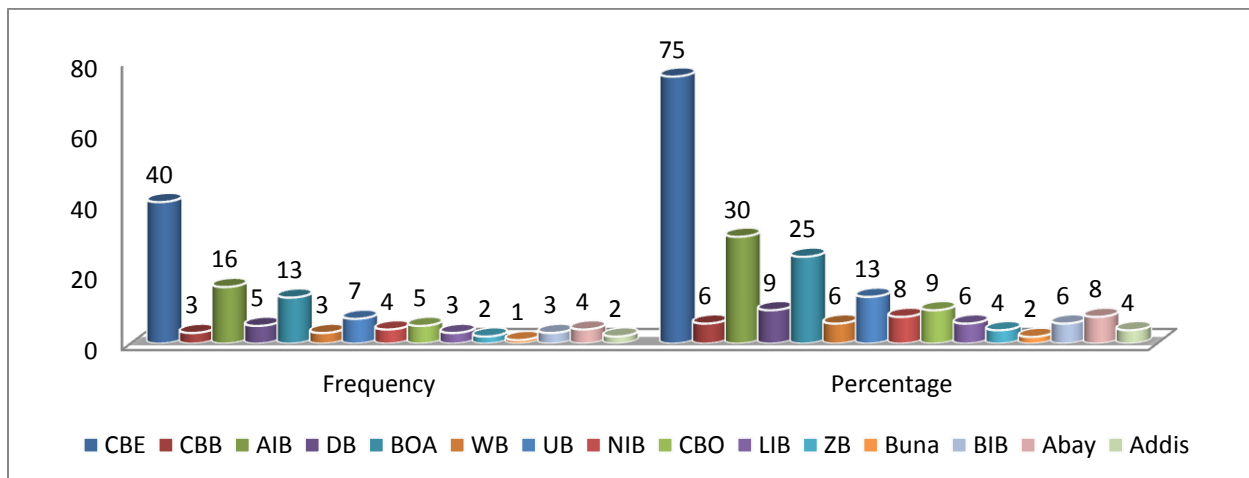
Measures	Characteristics	Frequency	Percentage
Accounts maintained with OIB	Current Account	53	100
	Fixed Time deposit	1	2
Relationship with Other banks	Yes	53	100

Source: Survey Result (2015)

As it can be seen from the above table all respondents maintained current account with OIB and only one of the respondents has fixed time deposit with this bank and all of them have relationship with other banks in one way or other way. Types of relationship or services availed by other banks and other banks that they have relationship with will be discussed in the following titles.

4.1.10. Respondent’s relationship with other Bank

Figure: 4.7



Source: Survey Result (2015)

The above figure shows that off total respondents 75 percent of them have relationship with Commercial bank of Ethiopia, 30 percent of them have relationship with Awash International Bank Share Company, 25 percent of them have relationship with Bank of Abyssinia, 13 percent of have them relationship with United Bank, 9 percent of them have them relationship with Cooperative bank of Oromia. Off total respondents, none of them have relationship with Development Bank of Ethiopia, Debub Global Bank, Enat Bank and Addis International Bank out of banks in the country.

4.1.11. Types of Service availed with other Banks

Table: 4:4

Characteristics	Frequency	Percentage
Credit and International banking service	48	91
Other services	5	9
Total	53	100

Source: Survey Result (2015)

Out of 53 export customers in OIB, almost 91 percent of them are users of credit and international banking service with other banks and only 9 percent of them are not. This means that these customers borrow from OIB and at the same time borrow from others.

4.2. General Discussion

In order to analyze the service quality of OIB and its impact on its customer loyalty, five standard dimensions of SEVIQUAL which are reliability, assurance, responsiveness, empathy and tangibles were chosen.

➤ Reliability

Reliability is the ability to perform services dependably and accurately in a consistent manner. It contains five standard attributes to assess the accuracy and credibility of bank services. Reliability appraises the promises of banks and its execution in the eyes of export customers. It is an important determine of service quality besides staff attitude,

knowledge and skills. It is found that service reliability is the service “core” to export customers and OIB should follow a “do-it-right-first” principle.

➤ **Assurance**

Assurance indicates the employees’ knowledge, courtesy and their ability to convey trust and confidence. It has the medium impact on export customer loyalty which leads to the benefit of customer referral, positive word of mouth.

OB can create export customer loyalty by ensuring trustworthy behavior and reflection of genuine commitments to service provision and found to be crucial factors for export customer loyalty.

➤ **Responsiveness**

This dimension is a sign of the willingness of employees to provide prompt services to export customers. Customers are very sensitive to employees’ sign of willingness in service giving organizations. Service recovery and problem solving are recognized as important parts of service quality and accurate communication, proper service delivery and effective conflict handling resulted into overall export customer loyalty.

➤ **Empathy**

It shows the magnitude of caring and individual attention given to customers. It is imply that employees’ commitment to deliver quality services to export customers.

➤ **Tangibility**

This dimension reflects the physical aspects of the servicescape, appearance of personal look and tools used for the provision of services. It is more concerned with aesthetic part of the banks. It is found that customers prefer tangible dimension of service quality in service industry. Therefore, banks can create customer relationships by delivering tangibles and intangible elements to the core products. Considering the above explanations the mean value of each dimension with detailed analysis is as follows:

4.3. Analysis of each item in the service quality dimensions.

Analysis of each of the five service quality dimensions is discussed below. The highest and the lowest mean scores will be identified and presented with its service quality dimensions.

a. Reliability:

The reliability dimension with its five attributes which indicate OIB's promise to do something by a certain time, genuine interest in solving problems, perform services dependably, provide services at time promised and error free. The customer's responses to the questions of reliability are analyzed below in table 4.4

Respondent's rating of Reliability Dimensions

Table: 4.5

R	Items	N	Mean	Std. Deviation
R1	OIB promises to do something by a certain time	53	2.94	.818
R2	OIB Shows genuine interest in solving problems	53	3.36	.682
R3	OIB Performs services dependably	53	3.32	.779
R4	OIB Provides services at time promised	53	2.96	.759
R5	OIB is committed to error free services	53	3.25	.705

Source: Survey Result (2015)

As the table No 4.5 shows, the reliability attributes *R2* and *R3* relatively scored high mean value, being 3.36 and 3.32 respectively. Whereas, the *R1* and *R4* scored low mean value, 2.94 and 2.96 respectively. This shows that even though the bank has genuine interest in solving problems and performs its service dependably, the time it will take to process and provide what it promised is long.

b. Assurance:

The assurance dimension with its four attributes which illustrates customers trust employees of OIB i.e. customer’s transaction safeness, OIB’s staff politeness, considerable support from OIB staff to customers. The customer's responses to the questions of assurance are analyzed below in table 4.5

Respondent’s rating of Assurance Dimensions

Table: 4.6

A	Items	N	Mean	Std. Deviation
A1	Customers trust the employees of OIB	53	3.58	.770
A2	Transactions are safe in OIB	53	3.58	.842
A3	Employees of OIB are polite	53	3.60	.817
A4	There is considerable support from this Bank	53	3.43	.821

Source: Survey Result (2015)

As it is depicted in the table 4.6, A3 scored greater mean value being 3.6 which means that the bank staff are polite in contacting their customer followed by trust of customers on OIB staff and safeness of customer’s transaction in OIB with equal mean which is 3.58. This result ensuring that the customers feel secure concerning their transaction which means their transaction is not subject to fraud and theft. Whereas the considerable support given by OIB staff to customers is with lowest score being mean value of 3.43. This means that as much as their politeness, staffs of OIB do not give considerable support to their customers.

c. Responsiveness:

The assurance dimension with its four attributes which illustrates customers trust employees of OIB i.e. customer’s transaction safeness, OIB’s staff politeness, considerable support from OIB staff to customers. The customer's responses to the questions of assurance are analyzed below in table 4.6.

Respondent's rating of Responsiveness Dimensions

Table: 4.7

Rp	Items	N	Mean	Std. Deviation
Rp1	Staff of OIB tell customers when services would be performed	53	2.89	.847
Rp2	Staff of OIB give prompt services to customers	53	3.26	.763
Rp3	Staff of OIB are always willing to help customers	53	3.53	.823
Rp4	Staff never found busy to respond to customers	53	3.04	.876

Source: Survey Result (2015)

Regarding responsiveness of OIB's staff to their customer's requests, as much as they are willing to help their customer, they have no confidence to tell their customers when service would be performed as the mean value to these items are 3.53 and 2.89 respectively. More over the bank's staff busyness did not allow them to give prompt service as much as needed by their customer since their mean in the above analysis revealed to be 3.04 and 3.26 respectively which are categorized under moderate category.

d. Empathy:

The following table presents customers response toward the five attributes of empathy which are customer's individualized attention expected from OIB staff, services convenience, personalized attention to customers, operating hours convenience and understanding specific needs of their customers.

Respondent's rating of Empathy Dimensions

Table: 4.8

E	Items	N	Mean	Std. Deviation
E1	Staff of OIB give customers individualized attention	53	3.25	.853
E2	Services of OIB are convenient to customers	53	3.15	.845
E2	Staff of OIB gives customers personalized attention	53	3.19	.856
E3	The operating hours of OIB are convenient	53	3.65	.928
E4	Staff of OIB understand the specific needs of their customers	53	3.30	.799

Source: Survey Result (2015)

From the table 4.8, it can be observed that the convenience of time is better than convenience of the service itself as their mean score shows one is greater than the other i.e. 3.65 is greater than 3.15. This result shows that the lesser convenience of service may be due to location or branch spatial distribution which needs further study and which stimulate the bank to worry about but which is not applicable to its operating time for this time. Another important point revealed in the above table is that, though the staffs of OIB have better understanding of specific needs of their customer, they don't give personalized and individualized attention to their customers consistently as it is discovered in their mean score of 3.30 which is greater than 3.15 and 3.2.5 respectively. This indicates that customers are not comfortable with regard to personalized and individualized service that they are enjoying currently.

e. Tangibles:

The four attributes constituted in tangibles of OIB are here discussed in the below table 4.8. They are related to physical design and appearance of the bank. Modernity of equipments and physical facilities, neatness of the staff and placement of format on proper place are presented to respondents and rated as follows.

Respondents rating of Tangibles dimensions

Table: 4.9

T	Items	N	Mean	Std. Deviation
<i>T1</i>	The equipment of OIB is modern looking	53	3.15	.632
<i>T2</i>	OIB has good physical facilities	53	3.40	.660
<i>T3</i>	The staff of OIB appear neatly	53	3.92	.712
<i>T4</i>	Materials and formats are in proper place	53	3.87	.731

Source: Survey Result (2015)

From the four attributes listed under physical design and appearance of this bank, most of the respondents agreed more with neatness of the staff and the placement of materials and formats on proper place than availability of good physical facility and its modernity. This is confirmed by the respective derived mean from their rating about physical design and appearance of this bank. The calculated mean for each is 3.92, 3.87, 3.40, and 3.15 as it is tabulated above.

4.4. Analysis of summarized service quality dimensions.

In the previous titles customers responses to the five OIB service quality dimension attributes were presented and analyzed and interpreted in the form of their respective mean scores. Under this title customer response regarding the five overall service quality dimensions they have been asked in general will be presented and discussed based on the result of analysis made. The mean score of each of the 22 items were computed and converted to their respective dimensions.

The summarized mean score of this five OIB service quality dimensions is tabulated as presented bellow and the table includes the mean, standard deviation and interpretation of mean scores of OIB's service quality dimensions.

Respondent's rating of overall service quality dimensions

Table: 4.10

	Quality Dimensions	N	Mean	Std. Deviation
R	Reliability	53	3.17	0.7486
A	Assurance	53	3.55	0.8125
Rp	Responsiveness	53	3.18	0.8273
E	Empathy	53	3.31	0.8562
T	Tangibles	53	3.59	0.6838

Source: Survey Result (2015)

The table 4.10 shows that the mean value of all variables under quality dimensions fall between 3.17 and 3.59 and their respective standard deviation of all variables ranges from 0.6838 to 0.8562. It can be easily observed that Tangibles and Assurance scored high with respective mean value of 3.58 and 3.55 than others. This means that most of the respondents agreed more with physical design and appearance and other attributes attached to tangibles of the bank and also with attributes of assurance like safest transactions in the bank, politeness, including other elements related to it than other variables. On other hand the banks Reliability and Responsiveness scored low mean value of 3.17 and 3.18 respectively.

This result indicates that customers are almost neutral with regard to the attributes inside the dimensions of reliabilty such as bank's promise to do something by a certain time and providing services at the time promised; and also almost neutral concerning attributes consisted in responsiveness like busyness of the staff and inability to tell the customer when to deliver the service. To further clarify these affairs of state, according to these 53 respondents, OIB is not strong in service delivery time and keeping the promise promised during recruiting time.

4.5. Analysis of overall customer loyalty

Table: 4.11

L	Loyalty Attributes	N	Mean	Std. Deviation
<i>L1</i>	Recommending OIB to others	53	3.36	.857
<i>L2</i>	Considering OIB first for bank service	53	3.28	.601
<i>L3</i>	Continuing with OIB in the future bank need	53	3.36	.682

Source: Survey Result (2015)

As it was discussed in the literature review part, the items presented in the above table are the major characters that verify customer loyalty. Accordingly, these indicators were given in the form of question to the respondents and their response mean value and standard deviation is tabulated above. Consequently, the mean value result of all the three items is greater than average i.e. 3 but very close to it. Above all the mean value of considering OIB first for bank service scored least which is inconsistent with vision of the bank. This means that according to this particular finding, the loyalty of these customers is not currently staff on which the bank can rely on unless it improves its service quality, especially qualities in connection with service delivery time and keeping promise.

4.6. Relationship between service quality dimensions and Export customer loyalty through Correlation analysis

To test the association and degree of association between service quality dimensions and loyalty of OIB's exporters, the correlation analysis was conducted. Correlation analysis deals with relationships among variables and helps to gain sight into the direction and strength of relation between the variables.

The aim incorporates both the negative and positive relationships by looking at the coefficient of correlation which falls between -1 and +1 indicating negative correlation and positive correlation respectively. Between the two signs there is 0 which shows

absence of correlation. In addition, the significance levels of the association were also computed. The sign of the correlation coefficient defines the direction of the relationship while the absolute value indicates the strength of the correlation. As per Rubin et al. (1994) study and cited by Merga B (2012), if Pearson correlation coefficient falls between 0.00-0.19, there is slight or negligible correlation between the variables; if it is between 0.20-0.39, there is quite small correlation; if it is between 0.40-0.69, there is moderate correlation; if it is between 0.70-0.89, there is high correlation and if it is between 0.90-1.00, there is very high correlation between the variables.

To this specific study, the correlation analysis made is to explore the relationship and its degree of relationship between Reliability, Empathy, Assurance, Responsiveness and Tangibility with OIB's exporters' loyalty.

Accordingly the result of this study is presented and interpreted with discussion using the following diagrams.

4.6.1. Correlation between Reliability and Loyalty

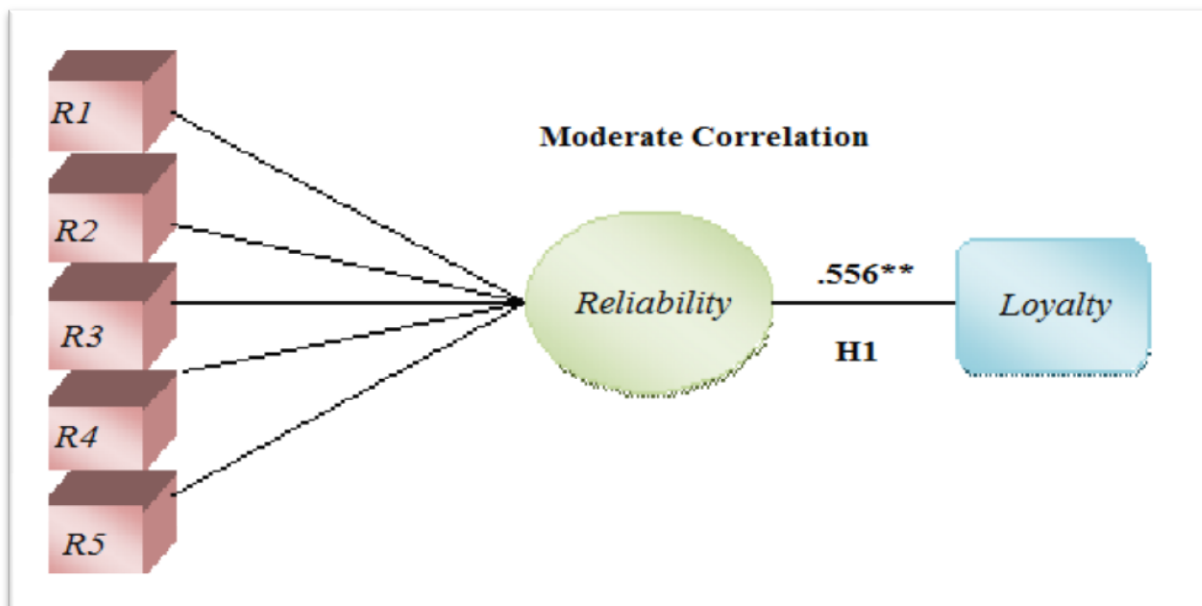


Figure: 4.8: Correlation between Reliability and Loyalty

Source: Survey Result (2015)

From the analysis made and as it is presented in the above diagram, the researcher observed that the correlation between the aggregate Reliability items as independent variable and exporters loyalty as dependent variable is positive, moderate and significant. This means that the more the bank tries to improve its service quality specifically reliability at this point of stage, the more its exporters' loyalty will be. It indicates that reliability is one of the service dimensions where the bank shall give attention so as to retain its exporters. Improving reliability items will directly have positive impact on exporters' loyalty.

4.6.2. Correlation between Assurance and Loyalty

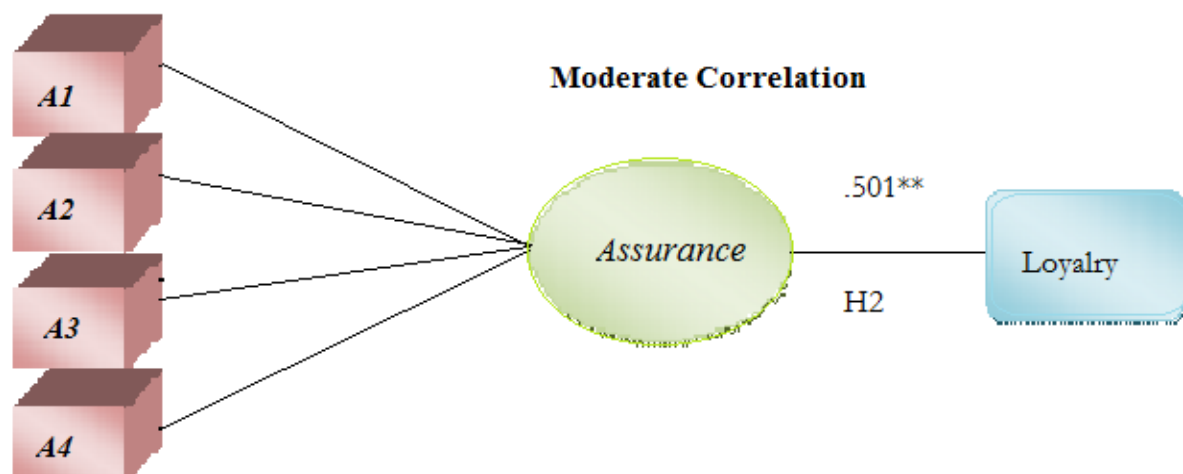


Figure: 4.9: Correlation between Assurance and Loyalty

Source: Survey Result (2015)

As it is in the case of the correlation between Reliability and Loyalty as independent and dependent variables respectively, the correlation between Assurance and Loyalty is also positive, moderate and significant implying that the better the banks assurance position in the industry the better the exporters loyalty will be. As per the result of this particular study, assurance is also the area which helps loyalty of exporters if the bank gives attention and exerts effort to improve it. Looking for ways to improve assurance items will affect exporters' loyalty positively.

4.6.3. Correlation between Responsiveness and Loyalty

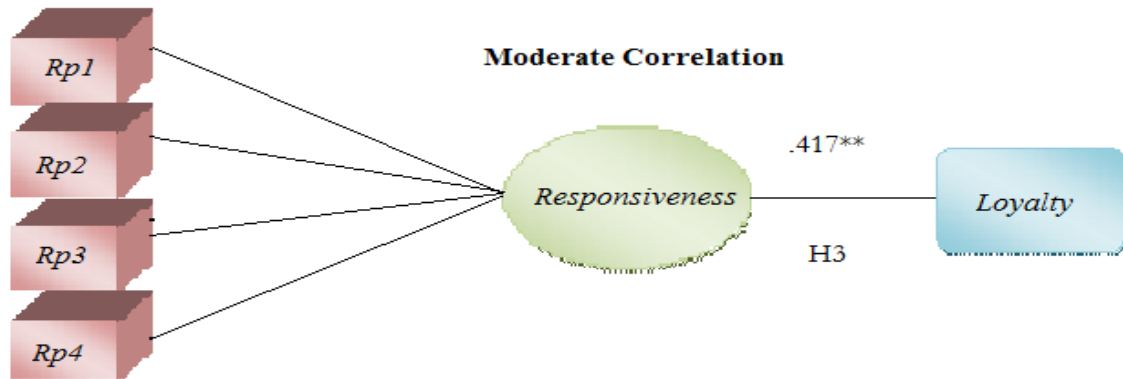


Figure: 4.10: Correlation between Responsiveness and Loyalty

Source: Survey Result (2015)

The same way as the service quality dimensions discussed above, by simply looking at the analysis result presented in the above diagram, it is observable that the correlation between the aggregate responsiveness items as an independent variable and exporters' loyalty as a dependent variable also shows that there is positive, moderate but significant relationship between this service quality dimension and exporters' loyalty. If OIB critically review its quality in responsiveness while serving its exporters and improve it no debate that it will gain loyalty.

4.6.4. Correlation between Empathy and Loyalty

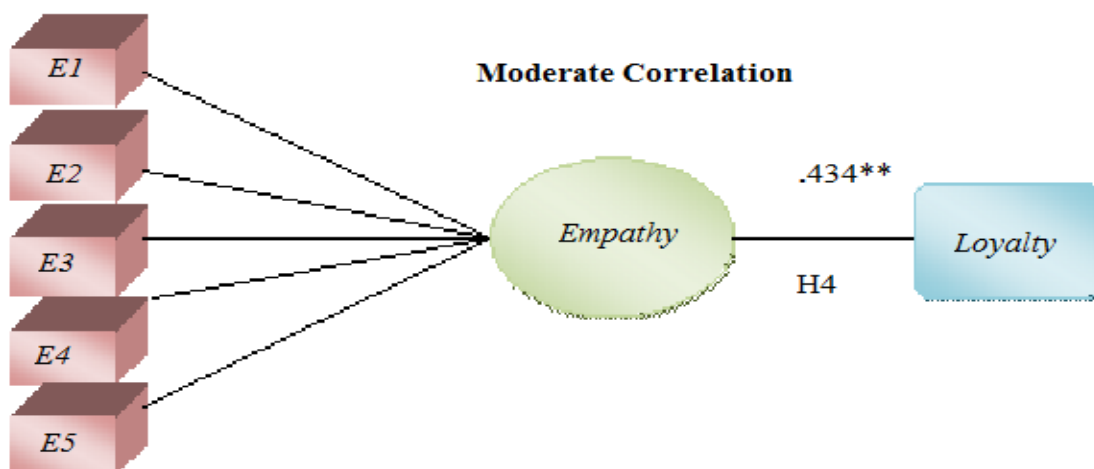


Figure: 4.11: Correlation between Empathy and Loyalty

Source: Survey Result (2015)

The above figure indicates that there is positive, moderate and significant relationship between empathy elements such as providing convenient, individualized and personalized service to exporters at convenient time and their loyalty. This means that the more OIB's service and service hours are convenient, the more loyalty will be. In addition these customers prefer individualized and personalized service to increase their loyalty. Here as the case of the above titles too, Empathy elements are assumed to be independent and exporters' loyalty is assumed to be dependent. It is known that the movement of the independent variable will move the dependent variable in the same direction and in the same fashion the improvement of this dimension will necessarily improve OIB's exporters.

4.6.5. Correlation between Tangibles and Loyalty

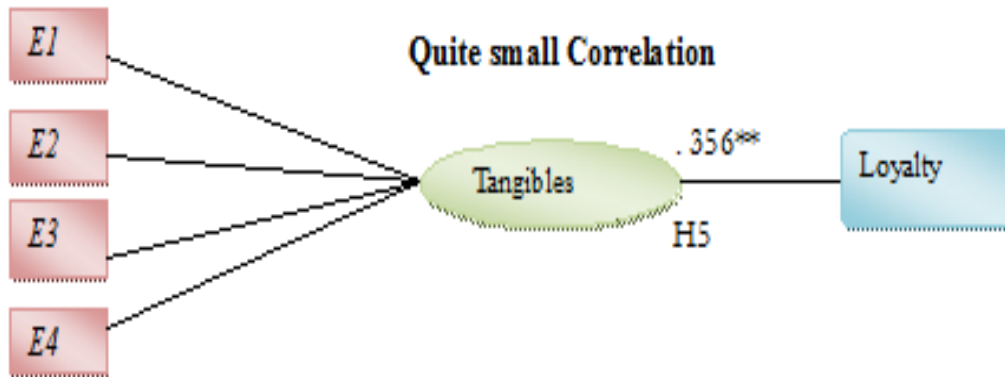


Figure: 4.12: Correlation between Tangibles and Loyalty

Source: Survey Result (2015)

Regarding the correlation between physical design and appearance and exporters' loyalty of OIB, it is proved through this study that their relationship is quite small but positive and significant. This means that the association between items of tangibles as independent variable and loyalty as dependent variable is not strong or in more elaborative terms these respondents are not complaining physical design and appearance of the bank. In other words the bank shall not kill more time in improving physical design and appearance to retain current exporters that are at hand.

4.6.6. Correlation between Service quality in aggregate and Loyalty

In the last discussions I have observed that all items of service quality dimensions have a positive and statistically significant relationship with export customers' loyalty even though the strength of their correlation varies. In the next discussion the relationship between service qualities dimensions in general and customer loyalty is presented.

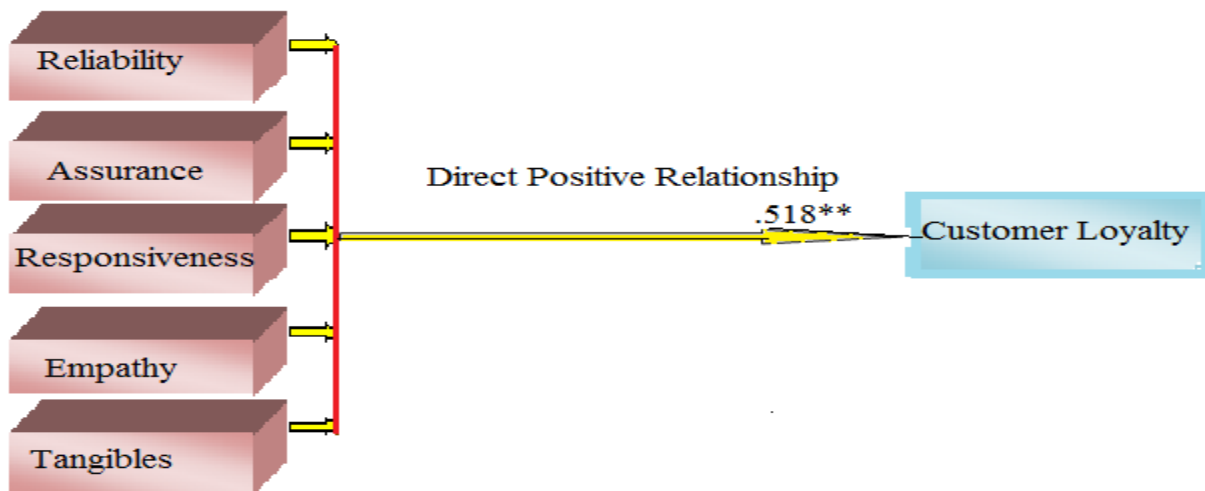


Figure: 4.13: Correlation between Service quality in aggregate and Loyalty

Source: Survey Result (2015)

From the above diagram also one can easily understand that there is still positive and significant relationship between service quality and customer loyalty. This means that quality services have direct impact on customer loyalty and if that is the case to maintain customer loyalty, improving service quality is not under question.

4.6.7. Summary of the approval of tested Hypothesis

Table: 4.12

Hypothesis	Independent Variables	Correlation value	Dependent Variables	Results
H1	Reliability	.556**	Customer Loyalty	Supports
H2	Assurance	.501**	Customer Loyalty	Supports
H3	Responsiveness	.417**	Customer Loyalty	Supports
H4	Empathy	.434**	Customer Loyalty	Supports
H5	Tangibility	.356**	Customer Loyalty	Supports

Source: Survey Result (2015)

The above table shows that variables that were tested by correlation statistical tests have positive relationship with export customer loyalty. As a result, the five hypotheses that have been proposed earlier in accomplishing this particular study are supported by all dimensions.

Chapter Five

5. Conclusion, Recommendations and Research Implication

The results of this study proved that there is a problem in connection with OIB's service quality towards exporters' loyalty. The effect of one on other is also revealed in the findings. As the major objective of this research was to assess the impact of service quality on exporters' loyalty, the findings showed us all dimensions have positive impacts, and in effect it inferred the importance of high effort in improving these areas of service.

5.1. Conclusion

The following conclusions were drawn from the findings of the study, which were obtained while testing the hypothesis.

To fulfill the objectives, borrower exporters with different demographic profile were invited in providing detail information. Accordingly, the majority of respondent were males accounting for 81 percent of the total respondents. Most of these exporters are above 36 year old with 73 percent of the total. This shows that customers that are involved in export business are mostly made up of adult males. Of total respondent 34 percent are finance managers and 30 percent are managing directors. This means that since the relationship between banks and business entity is the issue of finance, finance managers and managing directors are at front to answer issues that are related to banks' service quality. Regarding the educational level of these respondents, 74 percent of them are above Diploma level and from it can be concluded that in most of OIB's exporters business the management team is composed of professionals. Out of these exporters under study only 45 percent of them reported that their annual profit is greater than 250,000.00 ETB and 60 percent of them are engaged in additional line of business. Even though it needs further investigation, from these findings we can explore possible reasons. These are, either profit from export business is less compared to equity invested, as export borrowers of the bank are financed with millions of birr, and they needed additional line of business or expenses are inflated for unknown reasons. Concerning the type of

business entity these exporters engaged in, only 1 percent of them are sole proprietorship the rest are partnership and PLC with 42 percent and 57percent respectively. This means that mostly export business needs capital and management skill from greater than single individual.

The next and much correlated to the objective of this study is relationship duration of these exporters with OIB. The bank is seven years since established and as per this study, only 9 percent of them stayed greater than 4 years and above with this bank. The rest 17percent for four years, 21 percent for three years, 25 percent for two years and 28 percent for one years. From this finding one can observe that as the age of the bank increases, the number of export customer stay equivalently with the bank age reduces.

The other indicative findings and become points of discussion and highly associated with the objective of this study is that all of export customer under discussion have relationship with other competitors. It is an opportunity to them to evaluate and compare service quality of banks and switch to better server of their bank need. In relation to this about 90 percent of them have credit relationship, which is the most dominant service that exporters need, with other banks and this implies that they fairly and comparatively evaluated this bank. It also implies that these customers did not granted sufficient loan from OIB and went to their banks for additional finance.

Off total of respondents, 75 percent of them have relationship with Commercial Bank of Ethiopia and the reason is subject to further study.

The service quality dimension that scores better mean in customer's perception on OIB's Physical design and appearance followed by Assurance with mean scores of (3.59), (3.55) respectively. This means that for their current banking need neatness of the staff and the placement of materials and formats on proper place, availability of good physical facility and its modernity on top of staff politeness in contacting their customer is not bellow their expectation. Due to the safeness of customer's transaction in OIB, they also trust the staff and feel secure in this bank.

The third one is empathy which is related to how the service hour is convenient, how the staffs understand specific needs of the customer and how far they give individualized attention to their customer; in this dimension these respondents slightly agreed with a mean score of 3.31. The fourth and fifth rated perception of the quality service is reliability and responsiveness dimension with almost equal mean score of 3.17 and 3.18 respectively. In this dimension respondents were unhappy and OIB shall strictly review its service in this area so that it can improve exporters' loyalty.

On the subject of exporters' loyalty, three questions i.e. recommending OIB to others, considering OIB first for any banking need and continuing with OIB in the future. According to scholars suggestions in the literature review part these items are the most indicatives of loyalty. They were given to the respondents in the form of questions and the result of the mean score of all the three questions are greater than 3 which means neutral but very close to it on the five Likert scale. These means that, the agreement of current customers found in this sector in recommending this bank to others, considering this bank first and the continuity of these customers with this bank in the future is not strong and it gives signs to this bank to think about if it wants to keep these customers and make them customers for life.

Furthermore, the correlation between each item of service quality dimensions and customer loyalty was analyzed. The result of the analysis showed that there is positive and significant relationship between all five dimensions of service quality and customer loyalty even though the degree of the relationship varies as the items in each dimensions varies. This finding is supported Kiran K.a (2011), Bernard Adoyu, 2012, Carrillat et al. (2009) and others.

From this study results, the highest correlation was found between Reliability and Loyalty which is 0.556, followed by Assurance 0.501, Responsiveness 0.417 and Tangibles 0.356 respectively. Off these the weakest correlation revealed is between Tangibles and Loyalty

At last but not least, the findings from this study also pointed out that there is a positive and statistically significant relationship between overall service quality dimensions and export customer loyalty. This means that improvement in service quality will promise higher export customer loyalty which leads to key objective of the business organizations in general and Oromia International Bank S.C. in particular.

5.2. Recommendations

As discussed in the findings of the study all five service quality dimensions have a positive and significant relationship with export customer loyalty. As a result with no debate to improving these aspects of service areas will absolutely contribute to the overall OIB's export customers' loyalty and sustainability in view of the fact that the current export customer loyalty level has no continual guarantee. On top of this, understanding of the major factors in the service quality dimensions that influence export customer loyalty should be critically revisited by the management of the bank to redesign and deliver what has promised at what time has been promised. Relying on these findings of the study, the following recommendations are forwarded by the researcher to improve the weak service quality areas so as to maintain borrower export customers' loyalty of OIB.

In order to improve and maintain export customers' loyalty which will in effect helps these customers in recommending this bank to other bank users, in considering OIB first among other competitors in this highly competitive industry and in relabeling the continuity of customers at hand in the future too, the following recommendations are provided on the already described items of service quality dimensions.

- The Bank should keep its promise during its marketing activities and advertisements. Borrower exporters come to banks for export finance need and the bank should offer sufficient loan to satisfy finance need of their customer. Customers shall not move here and there for the same bank need, which is loan.
- Customer contact points should be reduced.

Responsiveness attributes also requires special attention and therefore the following recommendations are found to be important.

- OIB should standardize its service delivery time and integrating them across various groups so as to give confidence to its staff to tell their customer when exactly service will be performed.
- The bank shall arrange trainings to its staff in the area of serving international business customer since these men have exposure of international service.

Because of the facts revealed in analysis of Empathy dimensions, the following recommendations became valid.

- OIB should give attention in branch location selection for better service convenience and render personalized attention to these Customer

Though it is not strong enough up to the desired level, Assurance scored relatively better than others and also need attention of the bank for better export customer loyalty. Accordingly, OIB staff should serve export customers politely to the extent of the desired level and offer continual and considerable support to these customers since most of them are credit customer of other banks and they might easily shift to other banks.

The last service quality dimension but relatively scored better score than all dimensions is Tangibles. Though better agreement is there, it is not strong enough, and is not free from recommendation and indispensable recommendation is hereof. Accordingly, The bank should cultivate a physical environment and organizational culture to make conducive to warm customers.

In general the researcher wants to recommend that OIB should minimize complaints on service quality dimensions at all costs to enjoy sustainable export customer LOYALTY and to achieve its vision, “To be the bank of your first choice”, more by reducing service disruptions, improving service delivery.

5.3. Research Implication

This study was conducted only on export customers of OIB found only in Addis Ababa and this means it is difficult to generalize the study to all the other banks and other customers. As the exporters contribute a lot to the country's economy in general and to banks in particular, further research is needed to come up with findings which will represent the whole exporters.

Even though the model used in the current research points out that the existence of positive and moderate relationship between service quality and export customer loyalty, future researcher can employ other model in order to find attributes that have strong impact on export customer loyalty in the banking industry so as to help management of this sector in maintaining their export customer loyalty.

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APPENDIX

Appendix A: Questionnaire

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

MASTERS IN MARKETING MANAGEMENT

Questionnaire for export customers of OIB

I am Girma Gobu, Marketing Management graduating student from Addis Ababa University School of Commerce.

Dear respondent,

This questionnaire is meant to collect information about the influence of Service quality on customer loyalty in case of Oromia International Bank /OIB/.

The information obtained will be used to complete the study in partial fulfillment of the requirements for the award of Masters Degree in Marketing Management.

The information that you would provide me is highly essential for significant contribution to the existing body of literature on consumer behavior and successful completion of my study. Please answer all items objectively. The researcher assures you that the information provided will be kept confidential and be used only for academic and professional ends.

Note: Kindly **put** a (√) mark with the option that reflects your level of agreement with the given statement.

Demographic questions

1. Age : 20-25 26-30 31-35 36-40 >41
2. Gender : Male Female
3. The status of the respondent: Owner Managing Director Finance Manager
Operations Manager other
4. Educational level: Below high school High school completed Diploma Degree
Master PhD
5. Marital status: Married Single Divorced Widowed
6. Annual profit: <10,000 10,001-50,000 50,001-100,000 100,001-250,000
>250,001
7. Business Engaged in: International Trade International Trade and others other
8. Type of Business Entity: sole proprietorship partnership PLC Cooperative
Corporation other
9. Length of relationship with the OIB: 1 year 1-2 years 2-3 years 3-4 >4
10. Types of Accounts Maintained with OIB: Current Account Saving Account Fixed
Deposit Account
11. Relationship with other Banks: Yes No
12. If your answer is yes to question # 11, Please list out such bank(s)
A..... B C..... D..... E..... F..... G.....
13. In such case, type of service availed with other banks: Credit and International banking
service others

Service Quality Related Questions

Note: Please also kindly put a (√) mark with the option that reflects your level of agreement

S/N	Dimensions	Scale of Measurement				
	I. Reliability	1 Strongly disagree	2 Disagree	3 Neutral	4 agree	5 strongly agree
1	OIB promises to do something by a certain time					
2	OIB Shows genuine interest in solving problems					
3	OIB Performs services dependably					
4	OIB Provides services at time promised					
5	OIB is Committed to error free services					
	II. Assurance					
6	Customers trust the employees of OIB					
7	Transactions are safe in OIB					
8	Employees of OIB are polite					
9	There is considerable support from this Bank					
	III. Responsiveness					
10	Staff of OIB are able to tell customers exactly when services would be performed					
11	Staff of OIB give prompt services to customers					
12	Staff of OIB are always willing to help customers					
13	Staff of OIB are never found too busy to respond to customers					
	IV. Empathy					
14	Staff of OIB give customers individualized attention					
15	Services of OIB are convenient to customers					
16	Staff of OIB gives customers personalized attention					
17	The operating hours of OIB are convenient					

18	Staff of OIB understand the specific needs of their customers					
	V. Tangibles					
19	The equipment of OIB is modern looking					
20	OIB has good physical facilities					
21	The staff of OIB appear neatly					
22	Every material and format associated with the services is in proper place					

Exporters Loyalty

		Not at all likely (1)	Slightly likely (2)	Moderately likely (3)	Quite likely (4)	Extremely likely (5)
23	How likely is it that you would recommend this company to a friend or colleague?					
24	How likely is it that you would recommend this company to a friend or colleague?					
25	I would continue with the bank in the future.					

26. If you maintain relationship with other banks, and if your reason is other than service quality, please specify.

27. What do you feel that the company should be doing so as to make you loyal and remain adhering to OIB?

Thank You so much.

Appendix B: Statistical Output

➤ Correlation between Assurance and Loyalty

		Correlations	
		Loyalty	Assurance
Loyalty	Pearson Correlation	1	.501**
	Sig. (2-tailed)		.000
	N	53	53
Assurance	Pearson Correlation	.501**	1
	Sig. (2-tailed)	.000	
	N	53	53

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

➤ Correlation between Empathy and Loyalty

		Correlations	
		Empathy	Loyalty
Empathy	Pearson Correlation	1	.434**
	Sig. (2-tailed)		.001
	N	53	53
Loyalty	Pearson Correlation	.434**	1
	Sig. (2-tailed)	.001	
	N	53	53

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

➤ Correlation between Reliability and Loyalty

		Correlations	
		Reliability	Loyalty
Reliability	Pearson Correlation	1	.556**
	Sig. (2-tailed)		.000
	N	53	53
Loyalty	Pearson Correlation	.556**	1
	Sig. (2-tailed)	.000	
	N	53	53

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

➤ Correlation between Responsiveness and Loyalty

		Loyalty	Responsiveness
Loyalty	Pearson Correlation	1	.417**
	Sig. (2-tailed)		.002
	N	53	53
Responsiveness	Pearson Correlation	.417**	1
	Sig. (2-tailed)	.002	
	N	53	53

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

➤ Correlation between Tangibles and Loyalty

		Loyalty	Tangibles
Loyalty	Pearson Correlation	1	.356**
	Sig. (2-tailed)		.009
	N	53	53
Tangibles	Pearson Correlation	.356**	1
	Sig. (2-tailed)	.009	
	N	53	53

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

➤ Correlation between aggregated service quality dimensions and Loyalty

		SERVQUAL	Loyalty
SERVQUAL	Pearson Correlation	1	.518**
	Sig. (2-tailed)		.000
	N	53	53
Loyalty	Pearson Correlation	.518**	1
	Sig. (2-tailed)	.000	
	N	53	53

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