ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT
MASTER OF BUSINESS ADMINISTRATION (MBA)

The effect of Service Quality gaps on customer satisfaction: The Case of Dashen bank

BY
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A thesis submitted to Addis Ababa University college of Business and Economics in partial fulfillment of the requirement for the Degree of Masters of Business Administration.

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Declaration

I declare that this thesis is my original work and has not been submitted for any Degree in any other University. I have undertaken the study independently with the guidance and support of the research advisor.

Signature: ____________________

Axumiet Mulugeta

This thesis has been submitted for examination with my approval as university advisor.

Advisor________________________

GemechuWaktola(Phd)

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Acronyms

SERVQUAL: Service Quality

DEG: demographic value of gender

DEA: demographic value of age

DEL: demographic value of level of education

TMSE: Total mean score of expectation

TMSP: Total mean score of perception

TMSG: Total mean score gap

Abstract

The government of Ethiopia has launched economic reforms, financial liberalization measures and restructuring of financial institutions with the aim of promoting a competitive environment and efficient banking services to the public. The major objective of this study is assessing the effect of service quality gap on customer satisfaction in five branches found under Dashen bank. To attain this objective, questionnaires was designed and categorized under five dimensions of the SERVEQUAL model. The sample consists of 390 respondents selected based on convenience sampling procedure from the selected branches. This study used quantitative research design and both primary and secondary data. The collected data's was analyzed with the help of SPSS version 23.Mean gap score of expectation and perception were used to investigate the relationship between dependent and independent variables. The correlation results indicate that there is a positive correlation between the service quality gap dimensions and customer satisfaction. The finding of the analysis showed that, the performance of Dashen bank in providing quality service is not in a position to meet the expectation of the customer. Low service quality leads low customer satisfaction. Based on this, in order to improve performance of the bank, the researcher suggested that, the bank should prepare complaint-handling mechanisms, relevant and timely training for its front line employees and make service quality gap analysis on fixed time framework.

Key words: Service quality gap, Perception, Expectation Tangibility, Reliability, Responsiveness, Assurance, Empathy, Customer satisfaction, SERVEQUAL model.

Chapter One

Introduction

This chapter presents the background of the study, statement of the problem, research questions, objective of the study, significance of the study, scope of study, limitations of the study and organization of the research report.

1.1. Background of the study

According to (Asubonteng, 1996), due to intense competition and the hostility of environmental factors, service quality has become a cornerstone marketing strategy for companies. This highlights how important improving service quality is to organizations for their survival and growth since it could help them tackle these challenges they face in the competitive markets. This means that service-based companies are compelled to provide excellent services to their customers in order to have a sustainable competitive advantage. There is however, a need for these organizations to understand what service quality is in order to attain their objectives.

In the growing service sector there is still the most problematic challenge how to deal with service quality. Quality is one of the most expected by customer's aspect of almost all service products. High and unique quality is a way to win customers and make them loyal for a long time. Management literature proposes many concepts and approaches concerning how to deal with service quality. There are also many different concepts how the notion "service quality" should be understood. (Urban, August 2009)

Due to the global competition, it is necessary to provide quality service in order to satisfy customers. Therefore, betterment of quality of service and sustained customer satisfaction is a major challenge for banks as it results in rapid growth and development of the banking sector. Hence it is very important that banks provide quality services on a continuous basis to meet the needs and desires of customers. (S. Revathi, Sep' 2016)

(The World economic Forum ,2015) defines a country's competitiveness as a "set of institutions, policies and factors that determine the level of productivity of a country" and argues that productivity "is the main long-run engine for growth, living standards and prosperity" (schewab, 2015-2016). The definition suggests that a higher competitiveness ranking shows higher productivity of the country's economy, which in turn should lead to higher and more sustainable economic growth. In addition, economic growth leads to higher living standards and prosperity of the country's citizens. According to the economists of the World economic Forum (WEF), "a more competitive economy is the one that is more likely to grow faster over time" (schewab, 2015-2016), i. e., higher competitiveness index values should show a country's ability to grow faster than those countries with lower competitiveness index rates.

Service quality is considered as a critical dimension of competitiveness by enhancing customer Satisfaction (lewis, 1989). Customer satisfaction is the extent to which a service meets or exceeds customer needs and expectations. (mitchel, 1990)Satisfaction is an overall customer attitude towards a service provider (leveseque & McDougali, 1996)or according to (zineldin, 2000)an emotional reaction to the difference between what customers anticipate and what they receive. When customers are satisfied, they are more likely to return.

Among many concepts of service quality, the service quality gaps model plays an unquestionably significant role in the service management literature. Gaps approach proposes precious propositions on how the notion "service quality" might be understood and how the service quality emerges across a service organization. The model (Parasuraman A. , 1985)consists of the following gaps: customers' expectations vs. their understanding by managers, managers' perception of customers' expectations vs. service specifications, service specifications vs. fulfillment, information about service vs. service that is actually provided and, finally, the gap between customers' expectations and service provided. In spite of the fact that the five service quality gaps model is relatively well known, still many researchers propose new frames of service quality gaps.

After (Parasuraman A, 1988)made extensive research they find five dimensions customers use when evaluating service quality, thus are **tangibles, reliability, responsiveness, assurance and empathy.**

Customer satisfaction has been studied by some researchers using a single item scale (Cronin J. J., 1994) means customer's overall feeling towards a service is asked to measure satisfaction while others use a multiple item scale (Parasuraman A. , 1985) satisfaction is measured using various dimensions for example the SERVQUAL dimensions. Customer satisfaction is defined as a function of the customer's expectations and perceptions of performance according to the expectancy - disconfirmation paradigm (Tse, 1988) and it is a construct closely related to perceived service quality (Magi A. &., 1996).

Taking in consideration the dimensions of service quality in the customers' satisfaction, this paper will try to analyze the effect of service quality gaps in the satisfaction of customers in the selected branches of Dashenbank.

1.2. Background of the organization

Dashen Bank S.C. is a privately owned company established on September 20,1995 E.C. in accordance with the licensing and supervision of Banking Business Proclamation No. 84/1994 of Ethiopia to undertake commercial banking activities, with a paid up capital of Birr 50 million and 33 shareholder. Currently, the Bank has managed to raise its paid up Capital to Birr 454 million. The Bank has 2,110 employees and more than 540,000 customers.Dashen Bank S.C. is the first networked Bank and it has three divisions under the Control department namely: Management Information System, Internal Audit and Inspection Divisions (Dashin bank 12th annual report, June 30,2008). Dashen bank currently has a total of **1,698,923** customers in all 343 branches from wise saving accounts and from current accounts.

Business & Organizational Development

(Dashen bank annual report, Nov,2017)In Ethiopia, where only 15% of women and 25% of men have a bank account [according to The 2016 Ethiopia Demographic and Health Survey (2016 EDHS), implemented by the Central Statistical Agency (CSA)], the market remains untapped and opportunities are rife for growth and expansion. Dashen Bank capitalized on the tremendous opportunities with aggressive expansion of its foot prints across the length and breadth of the Nation. During the reporting fiscal year, 83 branches were opened. Much of the credit for the fast expansion in the Bank's branch network goes to District Offices, whose number grew by three, with the establishment of Wolaita, Dire Dawa and Dessie Districts, to 12. Shortly after their formation, the District Offices are standing firm on their feet. With devolution of power, customers, shareholders' and employees' interests are now being attended closely. The expansion has brought in closer to a thousand new and youthful workforces.

With the aim of positioning itself for greater domestic as well as international competitiveness, Dashen announced the tender in January 2017 for a holistic management strategy overhaul. Following the announcement, five companies submitted their proposals.

International Banking

During the financial period under review, the Country's economy experienced pressure on foreign currency, affecting the performance of private commercial banks including ours. Mindful of this setback, the Bank had been exerting unstinted efforts to avail competitive services to exporters and remittance recipients. The Bank has so far established business relationship with eight international money transfer operators namely Western Union, Money Gram, Xpress Money, Dahabshiil, EzRemit, TransFast, and Ria. Furthermore, deal had been concluded with KAAH Express and the service is expected to start shortly. Dashen Bank has established correspondent banking relationship with 461 banks scattered across 172 cities in 72 countries. Despite the pressure on foreign currency, international banking operations continued to generate a substantial amount of income for the Bank. The overall income earned from foreign banking operations amounted to Birr 898.9 million, which suggests an increase by 1% as compared to that of 2015/16 fiscal year.

1.3. Statement of the problem

Service quality plays an important role in attracting and retaining customers. This has been recognized as a strategic requirement in highlycompetitivebusiness environments.
(Parasuraman A. , 1985)

In the present competitive environment, consumers are increasingly aware of alternatives in relation to services and organizations providing services. Consequently, expectations rise and consumers become more critical of the quality of services. (S, August 2013)

Service quality is one of the most effective means of establishing a competitive position and improving profit performance. To establish a competitive position, banks must measure and determine their level of service quality, if they desire to keep their consumers and satisfy their needs. (G.Saravanakumar, Jan-March, 2014)

Nowadays, service quality has received much attention because of its obvious relationship with costs, financial performance, customer satisfaction, and customer retention. (Shanka, Bank Service Quality, Customer Satisfaction and Loyalty in Ethiopian Banking Sector, December, 2012)

Service quality and customer satisfaction are very important concepts that companies must understand if they want to remain competitive and grow. In today's competitive environment delivering high quality service is the key for a sustainable competitive advantage. (Biljana.Angelova and Jusuf, 2011)

According to (Urban, August 2009)The service quality gaps model shows how the information about customers' expectations has been changing, how the staff's comprehending and perception of customers' requirements have evolved crossing a service organization.

The most widely used models in measuring service quality in the banking sector are the SERVQUAL and SERVPERF models by (Cronin J. J., 1994). According to the SERVQUAL model (Parasuraman A, 1988)service quality can be measured by identifying the gaps between customers' expectations of the service to be rendered and their perceptions of the actual performance of the service. SERVQUAL is based on five dimensions of service quality (Parasuraman A, 1988) . These are reliability which is the ability to perform the service in an accurate and in dependable manner; **tangibles** which refers to the appearance of physical factors such as equipment, facilities and personnel; **empathy** which involves providing individual attention and care to customers; **responsiveness** is the willingness to provide help and prompt service to customers; and finally **assurance** refers to the knowledge and courtesy of employees and their ability to convey trust and confidence.

Among many concepts of service quality, the service quality gaps model plays un- questionably significant role in the service management literature. Gaps approach proposes precious propositions on how the notion "service quality" might be understood and how the service quality emerges across a service organization. (Urban, August 2009)

Models have been developed to assess the determinants of service quality. The works of (Parasuraman A, 1988)led to the development of a service quality model-SERVQUAL, which compares expectations and perceptions of customers regarding a particular service.

Service quality and customer satisfaction have received a great deal of attention from both scholars and practitioners because of their relevancy and relationship according to (Eshghi, 2008) and the main reason for focusing on these issues is improving overall performance of organizations (Magi A. &., 1996).

Trying to meet or exceed customers' expectations helps banks to maintain a high quality image. This shows the relevance of knowing much about the customers' perceptions by the bank management in order to survive in a competitive environment. (Chingang Nde Daniel).The expectations of customers are subject to external factors which are under the control of the service provider. The gap represents the difference between customers' expectations and customers' perceptions that referred to as the perceived service quality (Kumar, 2009). This study focuses on this gap, the difference between Dashen bank customers' expectations and perceptions of service using SERVQUAL model and how these service quality gaps affects the bank customers' satisfaction.

Therefore, the researcher becomes interested to undertake a study on the effect of quality service in customer satisfaction considering the following points. Firstly, complaints have been forwarded from customers through different communication tools. Secondly, these days, on the fast growing finance sector, the progress of Bank's performance on customer satisfaction is relatively declining and the sectors must strongly focused on customer satisfaction and service quality. Finally, at the best knowledge of the researcher, so far, few studies have done on the **service quality gap** and its relationship with customer satisfaction in the case of Dashen Bank.

1.4. Research questions

This research tries to address the under mentioned main and sub research questions:

- What is the gap between the customer expectation and the actual service served by the bank?
- How a service quality gap does affect the customers' satisfaction of Dashen bank?
- Which service quality variable has higher effect on customers' satisfaction?
- Do customers' service quality expectations vary depending on their demographic characteristic?

1.5. Research objective

1.5.1.General objective

The aim of the study is to determine the service quality gaps in the selected branches using SERVQUAL model that are affecting the banks' customer satisfaction.

1.5.2.Specific objective

- ➢ To examine the gap between the customer expectation and the actual service served by the bank?
- ➢ To examine how service quality affects the customer satisfaction of DB.
- ➢ To investigate which service quality variable has the higher effect on customer satisfaction.
- ➢ To examine if service quality expectations vary depending on customer's demographic characteristic?

1.6. Significance of the Study

Banks serve as backbone to the financial sector, which facilitate the proper utilization of financial resources of the country. The banking sector is increasingly growing and it has witnessed a huge flow of investment. In addition to simply being involved in the financial intermediation activities, banks are operating in rapidly innovating industry that urges them to create more specialized financial services to better satisfy the changing needs of their customers.

In order to cope with the complexity and mix of risk exposure to banking system properly, responsibly, beneficially and sustainably, it is of great importance to evaluate the overall performance of the banking sector specifically the uniqueness of the service quality that must be served by the bank. Findings from this study will provide to the bank a valuable insight in the way enhancing a better service quality that can compete with other competitive banks by minimizing the service quality gaps.

In addition to this, this paper will add up to the existing knowledge as it raises different issues related to service quality gaps. Last but not least, it can also be a stepping stone and a reference for further studies that can be done on preparing financial sectors for global competitiveness.

1.7 Scope of the Study

The scope of the study is limited to selected branches of Dashen banks established in Ethiopia. It has taken into account the performance of the banks for the period 2009-2010 E.C. The study only assesses the one service quality gap from the seven potential gaps identified by (Zeithmal et al, 1990) those are knowledge gap, standard gap, delivery gap, internal communication gap, perception gap, interpretation gap and the service gap. Perception gap within the service organization is the only focus on this study that may lead to a final and most serious gap. It is the gap between customers' expectations and service provided using SERVQUAL model and their impact on the customers' satisfaction. Other variables and models that are specified to financial sectors, are not included in the study. On top of the above, the scope of the research sample will be restricted on the selected branches customers' of the bank of Dashen bank.

1.8 Organization of the Study

This research report is organized under five chapters and other sections, namely, the list of reference and appendixes. The first chapter which has already been discussed provides the introduction of the research topic. The research is carried out with the assessment of the theoretical function and relevant literature in chapter two and the suitable methodology utilized to answer the research question is discussed in chapter three. Data analysis and interpretation of the research result found by using the appropriate instrument for the methodology selected is dealt in chapter four. The final chapter five covers the discussion of results, conclusion, recommendations and further area of study.

Chapter Two

Review of Related Literature

Introduction

This chapter reviews literature related to the subject of study. The researcher tackled the theoretical as well as the empirical review of literature. A summary of identification of the research gap is given. The chapter also includes a conceptual framework for the study.

Theoretical Literature Review

2.1 Service

Service quality is the customers 'overall impression of the relative inferiority or superiority of the organization and its services. Customers in the present banking environment are knowledgeable and highly demanding, due to rapidly developing information technology and advanced communication channels. The present competitive business environment facilitates customers to switch banks easily seeking better options for higher levels of satisfaction. This is a major challenge to the banks. (Hennayake, feb 2017)

(Schneider, 2004) Highlighted that pure services cannot be seen, touched, held, or stored because they have no physical manifestation, but are considered part of a process or interaction. (Berry, 1980)Distinguished between services and goods and argued that, services are acts, deeds, performances, or efforts, whereas, goods are articles, devices, materials, objects, or things. As opposed to acquiring title or ownership when buying a physical good, a service consumer receives only the rights to a service for a specified amount of time. (Kandampully, 2002)

2.1.1 Characteristics of service

The service industry is increasingly competitive in its nature, especially the travel industry. Service professionals must be concerned themselves with a minimal increase in the market share in addition to maintaining their existing customer base (palmer, 2004) . Customers are constantly presented with new opportunities to find a service provider that is capable of fulfilling their demands and meeting their expectations with the growing horizon of the service industry.

(Lovelock, 2001) Believes that the pressure placed on service organizations to achieve service excellence is truly justified. In his research, he pointed out three issues [i] today customers are more demanding of the products and services they buy. [ii] The development of sophisticated technology has made it convenient for all service organizations, large and small, to offer personalized services that are highly valued by the customer. And [iii] in an increasingly competitive and international marketplace, providing a quality service encounter is seen as having the advantage over the competition

In addition to the characteristics stated above Services have been defined as multidimensional; which includes intangibility, heterogeneity, and inseparability of production and consumption (Parasuraman, V., & L., 1985). Although this is not a pre-determinate factor constituting a service in some cases perishability is additional characteristic of services (Hartman, 1993)

a) Intangibility: (Zeithaml, Parasuraman, & Berry, 1990) claims that intangibility is the fundamental factor that differentiates services and goods. As services are defined as an intangible process, customers can only measure its quality through their own subjective perception (Kandampully, 2002)The conception of a service can be viewed through three dimensions of intangibility, namely, physical intangibility dimension referring to the untouchability, mental intangibility – the degree of visualization, and generality dimension – the accessibility or inaccessibility feature (Lovelock, 2001). Intangibility, therefore, necessitates a subjective engagement of the consumer in evaluating the process.

b) Heterogeneity*:* The service delivery is itself very dependent on the staff member's skill level. For this reason, firms have the extra challenge maintaining standards of quality Zeithaml et al., 1985) .The limited access to other staff members means that this staffs also need to be excellent problem solvers, often improvising to provide the best quality of service possible. Heterogeneity in this sense therefore indicates the varying demands and expectations of customers that staff or managers in the services production have to meet. This is due to the fact that service production and delivery involves the interaction of service personnel and customers that make delivery of services non-identical in nature (Schneider and White, 2004).

c) Inseparability: As a process that is intangible then, service is experienced the moment it is delivered (Kotler, 2003)the provider is present when the service is being delivered and consumed. Therefore, consumers are often physically involved and become a vital part of the service delivery process. Thus, the quality of the service depends on the provider's performance as well as the customer's participation (Kelly, 1990). The delivery of the service becomes a human performance and the customer is inseparable from participation. Organization must strive hard to ensure maximization of consumption of output by customers when service is readily available as no further storage can be made (Schneider, 2004).

d) Perishability: Services are perishable, which means that they cannot be saved, stored for reuse at a later date, resold, or returned in the same sense as a product (Lovelock, 2001). (Parasuraman, V., & L., 1985)Definition of perishability states that, unlike products that can be stored or reinvented for future orders, services cannot be returned, recaptured; only repeated. The issue of perishability is also of prime concern for the producers (Hartman, 1993). This dimension of service comes to play especially, when an organization can't fully meet the demands of the consumers (Hartman, 1993).

2.2 Service quality

Service quality has been considered as an essential component in the service industry because it has been recognized as a driver of corporate marketing and financial performance to flourish the financial market (Buttle, 1996). (Ogunnaike, 2010)Revealed that technological integration affects the service quality so banks are making efforts to change their mechanism and establishing technological advancement to deliver the quality services to the customers. They further suggested that banks management should develop experienced, knowledgeable and proficient human resource that can accurately deal with the operations of the bank.

During the past two decades, service quality has become a major area of attention to practitioners, managers and researchers because of its strong impact on business performance, lower costs, return on investment, customer satisfaction, customer loyalty and profitability (Cronin J. a., 1992). (Mostafa, 2005) Observes that service quality has become a famous research topic because of its important relationship to cost, profitability, customer satisfaction, customer retention, service guarantee, and financial performance. More over providing service, understanding customer expectations and the customer's perception of the service encounter is a vital component to delivering superior service. Delivering superior service, especially in the travel industry creates a myriad of opportunities for the service organization to surpass the competitive and become a recognized leader in the service industry. It only stands to rationalize that the concept of the service encounter directly affects satisfaction, loyalty and future behavioral intentions; which in turn, has a direct effect on the organization's success and financial stability (Parasuraman A, 1988)

Service quality is considered as a critical dimension of competitiveness (Lewis B. , 1989). Excelling in service quality and opting for high customer satisfaction is the vital issue and challenge facing the contemporary service industry (Huang, 2009). Service quality is an important subject in both the public and private sectors, in business and service industries (Zahari W., 2008)The concept of service quality has been defined differently by many authors as follows:

Service quality is the extent to which a service meets or exceeds customer needs and expectations (Lewis B. M., 1990)**.** (Bitner M. M., 1994) Also define service quality as a consumer's overall impression of relative inferiority/superiority of the organization and its services. On their part, (Lewis.R.C., 1983) define service quality as a measure of how well the service delivered matches customer expectations. Delivering service quality means conforming to customer expectations on a consistent basis. It has also been defined as the difference between customers' expectations and the service delivered (Parasuraman, V., & L., 1985). Service quality can also be quantified by the degree of discrepancy between customers' desired, as opposed to predicted, expectations and their perceptions of service performance (Parasuraman, V., & L., 1985). Service quality levels are higher when the gap between perceptions of performance and desired expectations is non-existent or small; the levels of satisfactory service quality exist when perceived performance exceeds predicted expectations (Parasuraman, V., & L., 1985).

Service quality evaluation takes place when the customer's perceptions of the service experienced are compared with the service expected. In contrast, product quality results from a comparison of customer's perceptions of product performance with the expected level of product performance. A Service quality gap results when service perceptions fall below expected levels. The gap that exists between the service provider's perception of quality and the customer's perception of quality is the perception gap **(Oliver, 1999)**. The difference between customers' expectations and the service delivered is termed the service quality (Parasuraman, V., & L., 1985). Despite some definitional nuances, researchers generally agree that service quality is concerned with whether service perceptions meet, exceed or fall short of customer expectations

(Cronin J. a., 1992), (Gronroos, 2007), (Parasuraman, V., & L., 1985); (Parasuraman, V., & L., 1985) (Zeithamal, 1993)Understanding the service quality expectations of customers would give marketers the opportunity to close the gap between expectations and perceptions of service quality levels.

2.3 Customer Satisfaction

(Berman, 2010), customer satisfaction occurs when customer's expectation has been met or exceeded by the firm in terms of value and customer service provided. Customer service needs to be integrated with the overall value provided by the product or services to satisfy the customers' requirement. Retaining customers and building customer relationship on a long lasting base can be very challenging for many organizations. Therefore, measuring customer satisfaction is very important in building and developing CRM strategies. (Oztaysi, 2011), describes that in order to develop CRM strategies, first of all, companies should assess their customer's satisfaction level and this helps in developing effective relationships with customers. It is clear that a customer who has been loyal to the organization or a brand will have high amount of satisfaction from their purchases over time. Therefore, the higher the amount of satisfaction organization or a brand provides, the larger the number of loyal customers it will have.

According to (Robert-Lombard, 2009), customer satisfaction is defined as the degree to which a business product or service performance that meets the expectation of customers. When the firm's product or service performance matches or exceeds the expectations, then the customer is satisfied or delighted, if not then the customer is dissatisfied. There are different factors that influence customer satisfaction such as expectations, perceived service and perceived quality (Hu, 2009). Expectations influence the total satisfaction when the customer evaluates a product or service performance. Satisfaction is customers' emotional response when evaluating the difference between expectation of the service and the perception of actual performance. This perception of performance is obtained through physical interaction with the organization and the product and services of the organization (Salami, 2005). The customer first forms an expectation based on their needs, values, past experiences about product/service and the perceived value is evaluated through recent service experiences such as perceived product quality and perceived service quality. There is direct relationship between perceived service quality and satisfaction. (Balaji, 2009)

2.4 Service quality gaps according to Parasuraman et al. (1985)

The concept of five quality gaps proposed by (Parasuraman, V., & L., 1985)has its origins in the concept of service quality as a gap between customer's perception and customer's expectations proposed also by the same authors. Service quality as a gap between customers' perception and expectations establishes that customers' expectations are viewed as normative and predictive standards, i.e. customers know what a service provider should and will offer **(Parasuraman et al, 1994)**. Then it is possible to assess the discrepancy between what was expected and what was perceived in the service providing process. For assessing this gap the Servqual method is dedicated, which probably is the most often used method for service quality measurement. The expectations-perceptions service gap is measured by customers' interviews based on the standard questionnaire (Servqual). The customer gap, like Servqual questionnaire, consists of five attributes (dimensions) of service quality: tangibles, reliability, responsiveness, assurance, empathy (Parasuraman A. Z., 1988).But this external gap is the fifth one in the service quality gaps model, and is affected by four organizational (internal) quality gaps which interact with one another in many ways (Zeithaml, Parasuraman, & Berry, 1990). Each of four, internal, quality gaps represents quality losses.

- Gap 1 takes place **between actual customers' expectations regarding the service performance and the expectations perceived by managers.** This gap arises from managements' lack of full understanding how customers formulate their expectations on the basis of the number of sources: advertising, past experience with the firm and its competitors, personal needs, and communications with friends (Fitzsimmons & Fitzsimmons, 2008). The gap might be caused by a lack of time devoted to gaining first-hand knowledge of customers or too many management layers between top managers and contact personnel (Kasper, Helsdingen, & Gabbott, 2006), or inaccurate information from market research and demand analyses (Gronroos, 2007), etc. In the literature there are some suggestions how to overcome each quality gap. The strategy for closing this gap includes improving market research, fostering better communication between management and its contact employees, and reducing the number of levels of management.

- The next quality gap (2) is **the discrepancy between managers' perceptions of customers' expectations and the actual specifications** that they establish for service delivery (Zeithaml, Parasuraman, & Berry, 1990). Gap 2 is mainly a result of the lack of management commitment to service quality, the degree of goal setting, the degree to which the service can be appropriately standardized, and the perception of feasibility (Kasper, Helsdingen, & Gabbott, 2006). Authors across the literature suggest setting goals and standardizing a delivery process to avoid this gap. But according to Gron- roos commitment to service quality among management as well as service providers is far more important to closing the quality specification gap than any too-rigid goal-setting and planning procedure (Gronroos, 2007).

- Gap 3 appears when employees are unable and/or unwilling to perform the service at the desired level (Zeithaml, Parasuraman, & Berry, 1990). The gap is constituted by the discrepancy between specifications of a service that managers have established and actual service performance. The service performance gap is influenced by three main factors: cooperation, perceived control, and employee-job fit (Chenet, Tynan, & Money, 2000) But, according to these authors, the three factors mentioned above cannot explain the 3-rd service quality gap without considering trust and commitment, which are endogenous factors. These factors influenced also other organizational quality gaps. Other scholars also add technology-job fit, conflict and ambiguity of roles as potential reasons of the gap 3. Among the suggested solutions allowing coping with this gap there are: introducing effective internal marketing in an organization, changing the supervisory system, and better employees training (Gronroos, 2007).
- The fourth major cause of low service quality perceptions is the gap 4 **between what a firm promises about a service and what it actually delivers** (Zeithaml, Parasuraman, & Berry, 1990). Service provider's promises form in many ways customers' expectations. A firm might overpromise or misrepresent customers by advertisement announcements, contact personnel information or other marketing activities. Such exaggerated promises might be made due to: the lack of integration and coordination of marketing communication with operations, the organization fails to perform according to specifications, whereas external communication

follows these specifications; and people's propensity to promise too much (Gronroos, 2007). To avoid this gap an organization should, above all, pay much attention to the advertising campaigns planning, making them accurate and realistic. The gap model proposed by (Parasuraman, V., & L., 1985) demonstrates how service quality emerges (Gronroos, 2007). Authors of the model and following commentators in each of four internal quality gaps point the faults and mistakes that might appear in an organization and which cause the gaps. And comprehensive literature review shows that there are a bit fewer guidelines how to operate to avoid quality losses in quality gaps. Authors usually provide general prompts drawn from marketing and service operation guidelines. And there are no direct suggestions how to find and deal with quality gaps in systematic way. The service quality gaps model shows how the information about customers' expectations has been changing, how the staff's comprehending and perception of customers' requirements have evolved crossing a service organization. The model shows the loop; in this loop there are many losses of what quality is, and what meaning of service quality is expected by customers. Organizational service quality gaps show the cause-effect chain where the quality losses take place.

The idea of the five service quality gaps model is to follow the road on which the information about the customers' expectations is carried, being careful of the places where there are dangers of its deformations. It might be considered that the strongest point of quality gaps concept is that it provides explanation of the process of quality formation inside an organization; it is a fertile framework that helps managers deeply understand how service quality emerges, it also provides ideas concerning different quality gaps that might occur. It seems that the weak point concerns utilization of this model in practice; there are not many application guidelines.

2.5 Relationship between service quality and customer satisf action

(Parasuraman, V., & L., 1985) Suggested that when perceived service quality is high, then it will lead to increase in customer satisfaction. He supports that fact that service quality leads to customer satisfaction and this is in line with (sarvan, 2007) and (Lee, 2000) who acknowledge that customer satisfaction is based upon the level of service quality provided by the service provider**.**

According to Negi, (2009, p.33), the idea of linking service quality and customer satisfaction has existed for a long time. He carried a study to investigate the relevance of customer-perceived service quality in determining customer overall satisfaction. In the context of mobile services (telecommunication) and he found out that reliability and network quality (an additional factor) are the key factors in evaluating overall service quality but also highlighted that tangibles, empathy and assurance should not be neglected when evaluating perceived service quality and customer satisfaction**.**

(Sebastianelli, 2002)Carried a study to find out the link between service quality and customer satisfaction, from their study, they came up with the conclusion that, there exist a great dependency between both constructs and that an increase in one is likely to lead to an increase in another. Also, they pointed out that service quality is more abstract than customer satisfaction because, customer satisfaction reflects the customer's feelings about many encounters and experiences with service firm while service quality may be affected by perceptions of value (benefit relative to cost) or by the experiences of others that may not be as good.

2.6 The relationship between service quality and global competitiveness

Competitiveness is not firm's performance *per se*. Instead, it is an indicator of a firm's position in competition and is a leading factor that drives firm's performance (Barney, 1991)

How service quality enhances service firm's global competitiveness has a strong theoretical foundation that can be illustrated in several directions. First, while service firms usually provide heterogeneous offerings to customers and thus achieve inimitability, quality enhances this heterogeneity by giving customers a perception of desirable differentiation and therefore augments their positive appraisal on the firm (Rust, 1994). This nature of service quality has a particular suitability in supporting firms in multiple international markets because differentiation at the local level is highly desirable in attracting customers and avoiding the rigidity of global standardization (Vrontis, 2009). More importantly, a firm engaging in optimizing service is likely to achieve a better balance between global assets, such as brand name and local applications, leading to market positions that are better than either global or local competitors (Özsomer, 2012) .Second, service quality is by far one of the most valuable assets that leads to customer loyalty (Bell, 2005). Third, Service quality in this sense stands for a signal that assures local customers and further creates positive emotional attitude, which is hard to alter once it has been built (Edwards, 1990). This type of emotional bonding with customers is likely to help the firm build a positive customer network that drives the firm’s performance (Johnson, 2005). For example, hostile perception of a multinational firms’ foreignness in the local market can be alleviated if a firm demonstrates its deep commitment to customer care (Edvardsson, 2005).Fourth, service quality is likely to spur word-of-mouth (WOM) benefits if it is positively perceived (Headley, 1993). WOM is low cost but high credibility communication tools that can help firm’s erect competitive advantages (Chen, 2008).

In the globalized modern world, new media and communication tools quickly spread consumers’ voice across country borders (Okazaki, 2013). Service quality thus provides a powerful basis for spreading positive words about the firm by the consumers through international channels that consumers perceive to have higher credibility (Nijssen, 2009). Fifth, building superior service quality means that the firm has a superior supporting system that possesses operations and social complexity and prevents imitations (Rapert, 1998). Sixth, service firms, unlike manufacturing firms, need more careful control on the interface between the firm and customers (Capar, 2003). Good service quality means that a global firm improves its interface interactivity and productivity and produces a better communication channel through which the firm collects valuable international market information that enhances the firm’s strategy-making processes and leads to a better competitive position.

2.7 How to measure service quality in the banking industry?

Different researchers for measuring service quality have developed several conceptual models. It is envisaged that conceptual models in service quality enable management to identify quality problems and thus help in planning for the launch of a quality improvement program thereby improving the efficiency, profitability and overall performance (Deshmukh, 2005). The SERVQUAL scale (Parasuraman, V., & L., 1985) has been widely applied by both academics and practitioners across industries in different countries in terms of service quality measurement. (Parasuraman, V., & L., 1985) Developed a procedure for quantifying customers’ perceptions of service quality. SERVQUAL determines customers’ quality perceptions as influenced by a series of five distinct gaps that can interfere with delivery of high quality service. (Zeithamal V., 2006**,** stated that "service quality is a focused evaluation that reflects the customer's perception of reliability, assurance, responsiveness, empathy, and tangibles" **(Zeithaml et al., 2006, p. 106-107).** Services Marketing Integrating Customer Focus across the Firm.

They added that among these dimensions, "reliability" has shown consistently to be the most important dimension in service quality**.**

(Parasuraman A, 1988) Has developed the new refined instrument of SERVQUAL with five dimensions namely; tangibles, reliability, responsiveness, assurance, and empathy.

1. **Tangibility**: representing the service physically

Tangibles are defined as the appearance of physical facilities, equipment, personnel and communication materials. Tangibles provide physical representations or images if the service that customer, particular new customers will use to evaluate quality.

2. **Reliability**: delivering on promises

Reliability is defined as the ability to perform the promised service dependably and accurate. In the broadest sense, reliability means that the company delivers on its promises about delivery, service provision, problem resolution, and pricing. Customers want to do businesses with companies that keep their promises, particularly their promises about the service out come and core service attributes.

3. **Responsiveness**:-being willing to help

Responsiveness is the willingness to help customers and provide prompt services. This dimension emphasizes attentiveness and promptness in dealing with customer requests, questions, complaints and problems, responsiveness is communicated to customers by the length of time they have to wait for assistance, answer to questions or attention to problems, responsiveness also captures the notion of flexibility and ability to customize the service to customer needs.

4. **Assurance***:*-Inspiring trust and confidence

An assurance is defined as employees' knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. This diminution is likely to be particularly important for services that customers perceive as high risk or for services of which they feel uncertain about their ability evaluate outcomes.

5. **Empathy**:–Treating customers as individuals

Empathy is defined as, the caring individualized attention that the firm provide its customers. The essence of empathy is conveying, though personalized or customized service, customers are unique and special and that their needs are understood. Customers want to feel understood by and important to firms that provide service to them. Personal at small service firms often know customers by name and build relationships that reflect their personal knowledge of customer requirements and preferences. When such a small firm competes with larger firms, the ability to be empathic may give the small firm a clear advantage.

The methodology of Fick and Ritchie (1991) was criticized by Cunningham et al. (2004) who mentioned that, "they simply reported the mean scores of consumer expectation and perception of service performance measures and failed to determine the relative impact of various SERVQUAL items on overall service quality and satisfaction". They further mentioned that SERVQUAL can result in better findings if data analyses of individual items are done by means of multivariate statistical techniques.

When developing SERVQUAL, (Parasuraman, V., & L., 1985) noted that both focus group and in-depth interviews methods were adopted in the beginning with senior management of different service firms, including; banks, telecommunication, securities brokerages, appliance repair and maintenance shops, and credit card companies. Further, empirical research was undertaken where proved that the criteria used by consumers in evaluating and assessing service quality consists of ten dimensions which was later refined to five main dimensions (Parasuraman et al., 1988). Customers' responses to their perceptions and expectations are measured on a 7-point Likert scale at (perception - expectation) gap scores.

The refined version of SERVQUAL, (Parasuraman et al., 1988) replaced communication, credibility, security, competence, and courtesy with one main dimension of assurance. This consists of a number of dimensions, including:

1. Customers should be able to trust employees of these firms,
2. Customers should be able to feel safe in their transactions with these firms' employees.
3. A firm's employees should be polite; their employees should get adequate support from these firms to do their jobs well.

Further, understanding /knowing the customers, and access was replaced by empathy. The items they used for empathy (expectation and perception) are:

1. Firms should not be expected to give customers individual attention,
2. Employees of these firms cannot be expected to give customers personal attention.
3. It is unrealistic to expect employees to know what the needs of their customers are
4. It is unrealistic to expect these firms to have their customers' best interests at heart,
5. They shouldn't be expected to have operating hours convenient to all their customers.

2.8. Functioning of the SERVQUAL

SERVQUAL represents service quality as the discrepancy between a customer's expectations for a service offering and the customer's perceptions of the service received, requiring respondents to answer questions about both their expectations and their perceptions (Parasuraman A, 1988). The use of perceived as opposed to actual service received makes the SERVQUAL measure an attitude measure that is related to, but not the same as, satisfaction (Parasuraman A, 1988). The difference between expectations and perceptions is called the gap which is the determinant of customers' perception of service quality.

The expectations of customers are subject to external factors which are under the control of the service provider. The gap represents the difference between customers' expectations and customers' perceptions which is referred to as the perceived service quality (Kumar, 2009)

Criticisms of SERVQUAL Model (Buttle, 1996, p.10-11)

Notwithstanding its growing popularity and widespread application, SERVQUAL has been subjected to a number of theoretical and operational criticisms, which are detailed below:

2.8.1 Theoretical criticisms

• **Paradigmatic objections:** SERVQUAL is based on a disconfirmation paradigm rather than an attitudinal paradigm; and SERVQUAL fails to draw on established economic, statistical and psychological theory.

• **Gaps model:** there is little evidence that customers access service quality in terms of P – E gaps.

• **Process orientation**: SERVQUAL focuses on the process of service delivery, not the outcomes of the service encounter.

• **Dimensionality:** SERVQUAL's five dimensions are not universal; the number of dimensions comprising service quality is contextualized; items do not always load on to the factors which one would a priori expect; and there is a high degree of inter- correlation between the five dimensions (Reliability, assurance, tangible, empathy and responsiveness).

2.8.2 Operational criticisms

• **Expectations:** the term expectation is polysomic meaning it has different definitions; consumers use standards other than expectations to evaluate service quality; and SERVQUAL fails to measure absolute service quality expectations.

• **Item composition:** four or five items cannot capture the variability within each service quality dimension.

• **Moments of truth (MOT):** customers' assessments of service quality may vary from MOT to MOT.

• **Polarity:** the reversed polarity of items in the scale causes respondent error. • Scale points: the seven-point Likert scale is flawed.

• **Two administrations:** two administrations of the instrument (expectations and perceptions) cause boredom and confusion.

• **Variance extracted:** the over SERVQUAL score accounts for a disappointing proportion of item variances.

2.9 Empirical Studies on the effect of service quality gaps in the customer's satisfaction

(Shanka, Bank Service Quality, Customer Satisfaction and Loyalty in Ethiopian Banking Sector, December, 2012) Conducted in Hawassa city aimed on assessing the service quality of private banks and its impact on customer satisfaction. The study also tried to test the relationship that exists between customer satisfaction and their loyalty. Purposive probability sampling method was employed to identify the sample respondents. In this study primary and secondary sources of data were used to collect the needed information from the sources. The primary data were collected through administrating questionnaire from selected customers. In order to get the answer for questions, 260 questionnaires were distributed to 260 customers of private banks in

Hawassa city. From the 260 questionnaires, 250 responses were received. The screening process resulted in excluding 5 responses from the study because of missing data items. The remaining responses 245 represent an effective response rate of around 94% of the total sample. The mean score values for service quality dimensions was between 2.6 and 3.4. This indicates that improvements of service quality should be conducted on all the five service quality dimensions, especially the dimensions of responsiveness and empathy. This study also found a positive relationship between all service quality dimensions and customer satisfaction. Accordingly, the results of this research paper confirmed the theory of literatures regarding the relationship between service quality dimensions and customer satisfaction.

Competitive Study of Service Quality Based on the Perception of Customers and Management (Mahmood, Khalil, & Al-Hattami, Apr. 2013).The study uses non-probability sampling technique to collect the data from the management and customers of Islamic banks. The estimated sample size of 600 on 85 branches is applied in the region of Lahore. After one month struggle of the researcher, a total response of 529 (354 customers and 175 managers) has been received. The data are analyzed through Mean, Standard Deviation as well as independent sample t-test. Results indicate that there is a significant difference between the perception of customers and management. Management has a constant perception about the service quality but customer's opinion shows a discrepancy according to the nature of services.Customers ranked **tangibility** as the most important dimension such as modern technology for the delivery of products, convenient working hours, separate departments and counters, appealing outlook and efficient transactions to the customers. Assurance ranked as the second most important dimension such as staff treatment of customer, fast and efficient counter services, staff give individual attention to the customers and customers‟ business needs. On the other hand, customers ranked compliance as the least important dimension of service quality.

A study by (Corneliu) in the comparative analysis of customer satisfaction and service quality analysis offered by Raiffeisen Bank used SERVQUAL method. It will follow the 5 dimensions' research contained in a set of 22 questions. Positive values of GAP correspond to size tangibles and reliability. Concerning the first dimension we can say that the bank customer fails to provide a space decorated in a welcoming and promotional material related bank services are attractive. Regarding the reliability, the bank notes a sincere concern to resolve customer issues promptly and timely service delivery. Responsiveness and Empathy dimensions recorded negative average scores. Mainly insufficient staff employee determines negative scores on receptive bank employees. There is dissatisfaction in terms of opening hours; the bank could therefore find convenient solutions to meet all kinds of customers. It also summarizes additional data such as the interviewee's personal issues and general aspects of its banking relationship with the bank feedback. By applying the questionnaire, it calculated average weight for each dimension: Tangibles 18.2%, Reliability 20.9%, Responsiveness 21.3%, Assurance 21.7% and Empathy 17.9%. Customers surveyed attaché the utmost importance transaction security and confidentiality, empathy and visual impression, registering percent lower. We can notice that the weighted average score did not change in the situation of banking service quality dimensions, resulting in the overall average positive score of 0.00751, the minimum and maximum recorded size remains the responsiveness and tangibles.

A study conducted in Malaysia about identifying the gaps between customer expectations and perceptions on service quality dimensions of Islamic bank (Ahmed, 2015) collected data by means of self-administered questionnaires. It comprises four sections of data analysis. The first section is descriptive analysis based on the demographic information of the respondents. The second section discusses the validity and consistency of the research instrument. The third section measures the gap between expectations and perceptions on service quality dimensions of Islamic banks in Malaysia. Finally, the fourth section performs a comparative analysis between expectations and perceptions on service quality of Islamic banks based on demographic variables by using independent samples t-tests and one-way ANOVA. The findings indicate that Malaysian Islamic banks must strive hard towards improving all the dimensions and items of service quality to foster higher perceived service quality and customer satisfaction.

A similar study conducted by (Banerjee, 2012)on customer perception and expectation of public and private banks in India observed that customer perceptions were less than expectations due to the failure of providing prompt service, employees were too busy to respond to their customers, a general unwillingness to help customers and poor communication with customers while services are being delivered. To reduce these gaps, the authors suggested that banks should focus more on customer perceptions, especially about the safety of transactions, employee behavior, employee courtesy and employee ability to answer the customers' questions.

From the review of literature, it is found that service quality is the key element for customer satisfaction and loyalty towards the competitiveness of the bank in the industry. Organizations are paying special attention towards the quality of products and services to retain the customer for long period. It is also asserted that customers‟ satisfaction is a difference between the expectations and perception after the use of product and services. Compliance, employees‟ behavior and attitude, banking hours, branch network, confidentiality, security and individual concentration of bank's management towards the customers are the basic factors to measure the service quality.

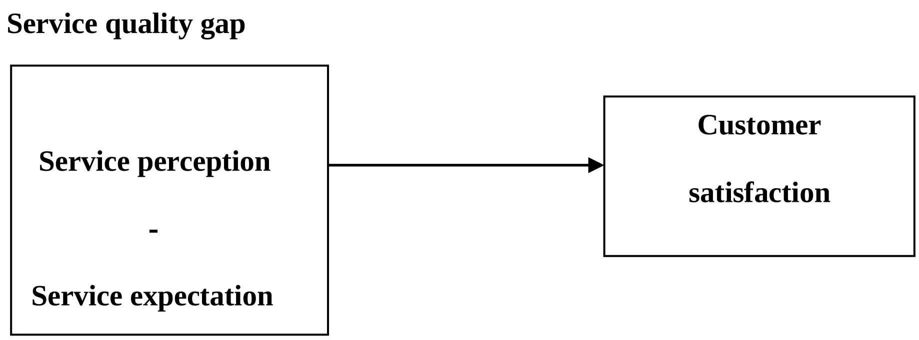
2.10 Conceptual Framework

The conceptual framework (Figure 1) explains the underlying process, which is applied to guide this study. As discussed above, the SERVQUAL model is suitable for measuring service quality and customer satisfaction in Dashen bank offering services using the service quality dimensions.

The research use the same dimensions to measure both service quality and competitiveness because it assume both are related (Parasuraman A. Z., 1988) and improving service quality helps to organizations for their survival and growth since it could help them tackle these challenges they face in the competitive markets.

Therefore, in this research, the initial 22 items of SERVQUAL model are used to measure the perceived service quality and customer satisfaction of Dashen bank. The model is a summary for the 22-items and want to find out the overall service quality perceived by customers and which dimensions customers are satisfied with.

Regarding this study particular situation and to ensure validity of the work it is going to consider an additional variable; 'service'. This study is going to look at the services rendered in the light of variety and quality. This is because the raison d'être for people coming to the bank and cannot be left out because they affect significantly, the way customers perceive the quality of the services in this bank. This study is not going to treat it as a service in terms of individual services but generally and the objective is to find out the gap between expectations and experience concerning the service variety and service quality in the Dashen bank. That is, are the service types enough in terms of variety for the locality in which the bank is? Do they have sufficient quality? The study therefore is going to treat these two attributes under the additional dimension ‘products’.



Independent variable Dépendent variable

Figure 1:- conceptual framework

Chapter Three

Research Methodology

Introduction

The aim of this section is to highlight the overall methodological considerations of the thesis. The methodology section is divided into six sub-sections. The first section outlines the general research design, which the paper relies on. The second section encompasses a data type and source applied throughout the thesis. The following third section elaborates on the population and sampling techniques determined for the research. The fourth section outlines the source and type of data. Section five and six respectively constitute the data collection procedure finally, the seventh section elaborates description of the data analysis method and ethical consideration.

3.1 Research Design

In order to achieve the objectives of this study, the research followed a quantitative and explanatory research design which deals with use of statistical tools and numbers to address the previously mentioned research questions. Quantitative research method is the systematic and scientific investigation of quantitative properties and phenomena and their relationships (Kothari, 2004). It involves studies that make use of statistical analyses, theories and hypotheses to obtain their endings (Marczyk, DeMatteo, & Festinger, 2005). By using a quantitative method, the researcher sought data gathered from the questionnaires, which are statistically analyzed to produce a quantified result. And by using deductive approach, the study measures service quality gaps and the relationship with satisfaction based on specific dimensions using SERVQUAL method which are **Tangibility, Reliability, Responsiveness, Assurance and Empathy.** Which are subdivided into 22 statements, which were directed to measuring service quality in the bank. This dimension is in line the technical quality dimension proposed by (Gronroos, 2007) which could be used to measure service quality and this is very relevant in the case of bank that mostly deal customers.

There are five different types of research designs: experimental design; cross-sectional or social survey design; longitudinal design; case study design; and comparative design (Bryman& Bell, 2007).

Cross-sectional design which this study will use, entails the collection of data on more than one case (usually quite a lot more than one). At a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables (usually many more than two), which are then examined to detect patterns of association (Bryman& Bell, 2007, p.55).

This design considers more than one case because it is interested in the association between cases, at a single point in time meaning data are collected on variables simultaneously. Data must be quantifiable in order to establish variation between cases. This design also allows examination of relationship between variables and no causal inference can be established because data is collected simultaneously and the researcher cannot manipulate any variables (Bryman& Bell, 2007, p.55). It enables the study to be able to identify and categorize the variables which eases the design of questionnaires such that they can capture all the data the studywill need from the respondents. It studies Dashen banks' service quality gap, and it will be approaching the respondents to find out their perceptions of service quality in the banks' experiences based on the dimensions of the SERVQUAL model. This enables to assess how the respondents perceive service quality in the Bank in a quantitative way and thereby make conclusions by evaluating their gap score means.

3.2 Population, Sampling Technique and Sample Size

3.2.1 Population of the Study

The population for the study consisted of individuals' customers of the bank who transact in Addis Ababa City selected Branches. The research focused on individuals because they form a critical mass of the bank's business.

3.2.2 Sampling Technique

The focus of this study is to identify the service quality gap provided by Dashen bank S.C and its effect on customer satisfaction using SERVQUAL Model. The target population for the study is customers of Dashen bank S.C. in the selected 5 branches of the bank. After determining the sample group, the researcher employed convenience-sampling technique to distribute questionnaire for the respondent.

The rationale behind employing convenience-sampling method is because not all customers are available in the bank at the same time and it is not possible to contact everyone who was in sample.

3.2.3 Sample Size

Coming to the appropriate number of participants, identifying a sufficient sample size is important. Large sample sizes are desirable as they are more representative of the population and inversely proportional to sampling error. But, in this study due to time and financial constraint, 390 sample sizes are selected as shown below. To determine the sample size of the study, Solvin's formula which is formulated by Michael Solvin in 1960 is used by assuming a 95 percent confidence level and P = 0.05 are assumed as follows and by having a total population of 14,084 from randomly selected branches ,where as in this research I will use the customers having saving account .

BRANCH WISE SAVING ACCOUNT OPENED		**BRANCH WISE CURRENT ACCOUNT OPENED**		**Total**
AIRPORT BRANCH	4,508	AIRPORT BRANCH	431	
ADEY ABEBA STADIUM BRANCH	1,247	ADEY ABEBA STADIUM BRANCH	145	
BIHERE TSIGE BRANCH	3,131	BIHERE TSIGE BRANCH	202	
LAFTO BRANCH	3,106	LAFTO BRANCH	179	
LIDETA BRANCH	2,092	LIDETA BRANCH	131	
SUM	**14,084**		**1,088**	**15,172**

Table 3.1 List of sample banks selected randomly.

$$n = \frac{N}{1+N(e)2}$$

Where, n is the sample size

N is the population size,

E is the level of precision or sampling error = (0.05)

$$n=\frac{14,084}{1+14084(0.05)2}=388.95\approx390$$

3.3 Data Source and Type

The research approaches used in this study were quantitative in order to achieve the research objective. Quantitative research focuses on determining the relationship between variations of independent and dependent variables. The reason for choosing quantitative research approach was to meet the purpose of examining how an independent variable affects a dependent variable. With regard to the sources of data, the study used primary source of data. Based on the nature, scope, objectives and availability of time and resource, the researcher used questionnaires distributed on the selected branches.

3.3.1 Primary Sources

According to Malhotra (2005), primary data are originated by the researcher for the specific purpose of addressing the problem at hand. Even if obtaining can be expensive and time consuming, primary data, being the most significant were gathered through structured questionnaires. The questionnaires were prepared in English and interpreted to Amharic before they were distributed. The questionnaires have four parts: The first part of the questionnaire was about the personal information of respondents. The second section designed to measure the customers **Expectation** about the bank service delivery system. The third part of the questioner was about **Perception** of the bank's service quality and the last part was about customer satisfaction.

3.4 Method of data collection

Primary data sources were used to answer research questions. Primary data was mainly obtained through the administering of questionnaires structured questionnaires were developed containing closed ended and the respondents can easily understood. The variable was measured using Likert scale with five response categories. (Strongly disagree, disagree, neither agree nor disagree (Neutral), agree and strongly agree). “The Likert scale method was preferred to make questions interesting to respondents and thereby enhance their cooperation. (Robson Colin, 2002).

Branches			sample size
AIRPORT BRANCH	4,508	0.325	126
ADEY ABEBA STADIUM BRANCH	1,247	0.0917	35
BIHERE TSIGE BRANCH	3,131	0.219	82
LAFTO BRANCH	3,106	0.216	82
LIDETA BRANCH	2,092	0.146	57
	14,084	1	390

Table 3.2 sample proportion that will be taken from branches

3.5 Data analysis method

After the data is collected, it is necessary to utilize statistical techniques to analyze the data. The survey data processed using SPSS version 23. Descriptive statistics has been used to interpret demographic variables of the respondents.

Inferential statistics has been employed to find out the relationship between service quality gaps and customer satisfaction. The effect of service quality gap on customer satisfaction was analyzed using correlation, regression analysis and mainly mean score gap between perception and expectations.

The study will use the SPSS package for the analysis of the data. It uses descriptive statistics mainly involving the mean, standard deviation, skewness and kurtosis in the data analysis.

3.5.1 Measurement

The SERVQUAL model is used to assess consumers' expectations and perceptions regarding service quality in the sectors. Both expectations and perceptions are measured using a 5-point scale to rate their level of agreement or disagreement **(1-strongly disagree and 5- strongly agree)**, on which the higher numbers indicate higher level of expectation or perceptions. Perceptions are based on the actual service they receive in Dashen bank while expectations are based on experiences and information received about the bank. Service quality scores are the difference between the perception and expectation scores (P-E) with a possible range of values from -4 to +4(-4 stands for very dissatisfied and +4 means very satisfied). The quality score measures the service gap or the degree to which expectations exceed perceptions. The more positive the P-E scores, the higher the level of service quality leading to a higher level of customer satisfaction. Satisfaction and service quality are treated together as functions of a customer's perceptions and expectations. In most cases, when expectation and perception are equal, service quality is satisfactory. This study will use the disconfirmation paradigm, which is based on the discrepancy theories. According to this paradigm, consumer's satisfaction judgments are the result of consumer's perceptions of the difference between their perception of performance and their expectations. Positive disconfirmation leads to increased satisfaction while negative disconfirmation leads to decreased satisfaction. This theory has been used to develop questionnaire.

3.6 Ethical considerations

The research treats any information that is found from any individual confidentially without disclosing the respondent's identity and it is going to be as open minded as possible and express opinions as they are given. The study will not modify anything and it is going to be very appreciative of all literature that has contributed in any way to this research.

3.7 Validity and Reliability Test

3.7.1 Validity Test

The research instrument of this study is developed by Parasuraman et. al, 1988. Therefore, verifying the validity of the instrument was not needed.

3.7.2 Reliability Test

The reliability of a measure is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the "goodness" of a matter. The Cronbach alpha coefficient is an indicator of internal consistency of the scale. A value of Cronbach alpha above 0.70 is used as a reasonable test of reliability. To meet the consistency reliability of instrument, the questionnaires was distributed to 35 respondents of selected branch customer and the Cronbach's alpha for the independent variables (Tangibility, Reliability, Responsiveness, Empathy and Assurance) was found to be 0.745. Therefore, the five dimensions of service quality were found to be in a good level in their internal consistency and thereby in measuring the dimensions of interest.

Factors	Cronbach's Alpha	No. of Items
Tangibility	0.807	4
Reliability	0.830	4
Responsiveness	0.775	5
Assurance	0.764	4
Empathy	0.722	5

Table 3.3 Reliability statistics

Chapter 4

Results and discussions

This chapter will discuss how data's was collected accurately on the Dashen banks' perception and expectation of service quality. The guide provided information on the following research purpose; to check the gap of service quality of Dashen bank customers using SEVQUAL model and to test which attributes of service quality holds the highest expectation gap score.

4.1 The questionnaire

For the purpose of analysis 399 questionnaires were prepared and distributed on the selected branches .out of these distributed 352 were collected and 334 are found properly filled.

Using SERVQUAL model the research uses 22 statements which is subdivided by 5 dimensions (Tangibles, reliability, responsiveness, assurance and empathy) which is designed to evaluate the service quality of Dashen bank on this research case.

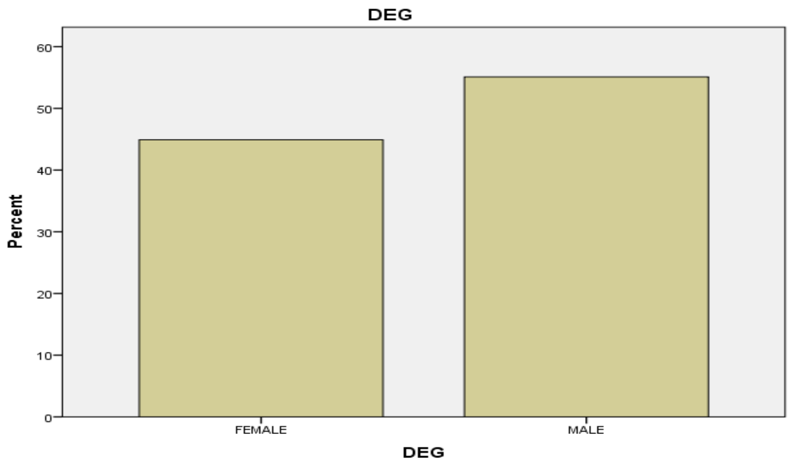
The first part of questionnaire provides the demographic part that provides general information of respondents of the questionnaire .which is Gender, age, level of education. The statements are divided into two parts which measures expectations of customers and perception of customers.

This study tries to use disconfirmation paradigm to develop the questionnaire which is consumer's satisfaction judgments are the result of consumer's perceptions of the difference between their perception of performance and their expectations. Positive disconfirmation leads to increased satisfaction while negative disconfirmation leads to decreased satisfaction.

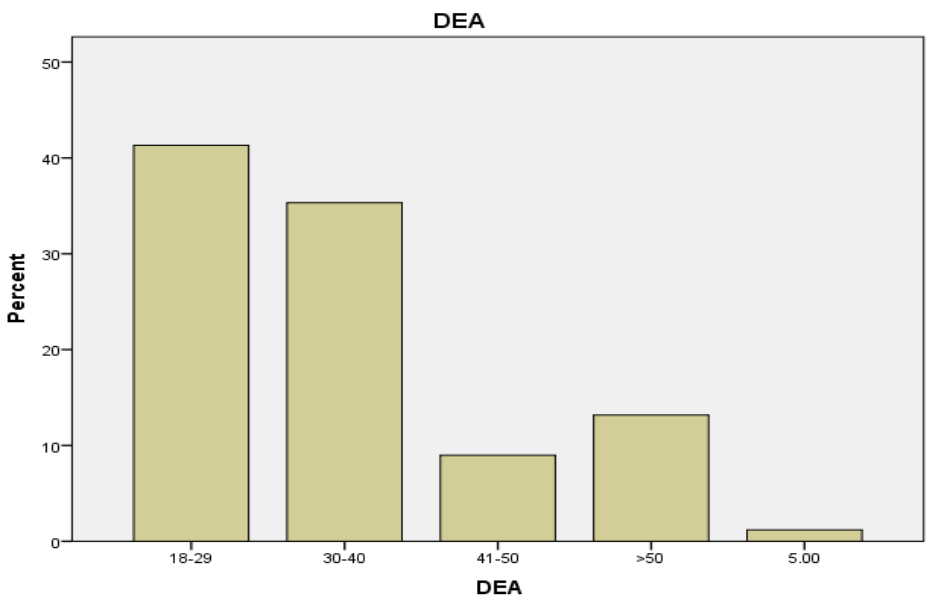
4.2 Demographic characteristics of respondents

4.2.1 Respondents profile

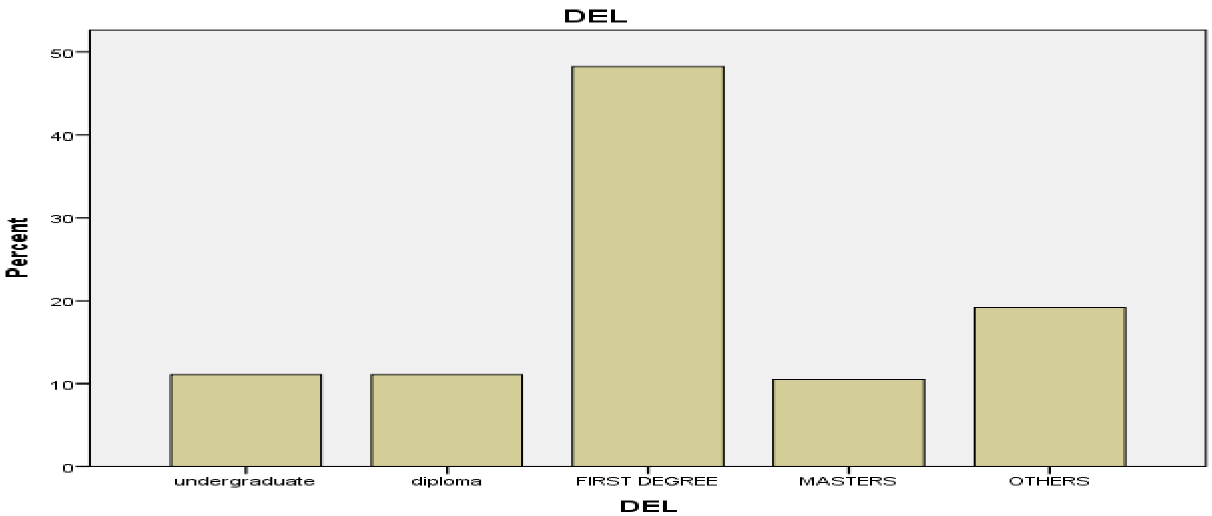
1. Gender:-the below chart shows that from these respondents who fill the distributed questionnaires males were 55.1% females 44.9 which is slightly less than males. Therefore, we can conclude that we have the majority of the respondents for the study was males.



2. Age:-from the collected questionnaires 41.3% of them were from age 18-29,35.3% of the respondents were 30-40, 9% 41-50 and 13.2% were above 50. This implies that majority of the respondents for this study are aged up from 18-29.



3. Level of education: - with regards to educational level of respondents first degree represents 48.2%, 19.2% others, 11.1% for undergraduate and diploma and finally 10.5% of respondents were master's holders. This implies that from the respondents the majority of the bank customers on the selected banks are degree holders.



4.2.2 The effect of demographic results on the service quality expectation of the bank

A. Gender

From table 4.1 we can infer that total mean score of service quality expectation of men's are more than females' .Therefore 84% of the total respondents of male and 82% of female expects more than 4.5 mean score value of service quality of the bank. This implies that male dashen bank customers expect more service than females

DEG * TMSE Cross tabulation									
Count									
		TMSE					4.5-		
		4.00	4.25	4.50	4.75	5.00	5		Total
DEG	female	4	23	39	55	29	123	0.82	150
	Male	5	24	57	60	38	155	0.84	184
Total		9	47	96	115	67			334

4.1 cross tabulation result of gender with mean score of service quality expectation.

B. Age

From table 4.2 we can conclude that the service quality expectation of age 41-50 are higher of all ages, which is 90%, respondents of these ages are expected more service than other ages. From the described age division respondents 86% of age 30-40, 81% of age 18-29 and 77% of above 50 ages have higher expectation from Dashen bank. This implies that from the selected bank customers' aged from 41-50 expected more service quality from the bank from the other ages.

DEA * TMSE Cross tabulation									
Count									
		TMSE							Total
		4.00	4.25	4.50	4.75	5.00	4.5-5		
DEA	18-29	5	21	37	47	28	112	0.81	138
	30-40	0	16	44	36	22	102	0.86	118
	41-50	0	3	5	15	7	27	0.9	30
	>50	4	6	9	16	9	34	0.77	44
	5.00	0	1	1	1	1	3		4
Total		9	47	96	115	67	278		334

Table 4.2 cross tabulation result of ages with total mean score of service expectation responses.

C. Level of education

From the stated level of education diploma holders of Dashen bank customers expects more service quality than other which is 86%. From the total respondents of each demographic level 84% of first degree holders, 82% of master's holders, 81% of others and 78% of undergraduate have higher expectations of service quality respectively.

DEL * TMSE Cross tabulation									
Count									
		TMSE							
		4.00	4.25	4.50	4.75	5.00	4.5-5		Total
DEL	Undergraduate	3	5	9	9	11	29	0.78	37
	Diploma	0	5	9	11	12	32	0.86	37
	FIRST DEGREE	3	22	42	72	22	136	0.84	161
	MASTERS	2	4	12	7	10	29	0.82	35
	OTHERS	1	11	24	16	12	52	0.81	64
Total		9	47	96	115	67			334

4.3 Cross tabulation result of level of education with total mean score of service expectation.

4.3. Regression analysis

From the below table we can infer that there is a positive and statistical relationship between the independent variable, total mean score gap value of perception – expectation and the dependent variable customer satisfaction .The coefficient of determination R-square indicates 44.9%(.449) of the variation on customer satisfaction is explained by TMSG.

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.670[a]	.449	.447	.73204

a. Predictor (constant), TMSG

Table 4.4 model summary of TMSG

The regression coefficient is the value that represents the rate of change of one variable (dependent variable which is customer satisfaction) as a function of changes in the other variable (independent variable which is total mean score gap of Perception – Expectation). It represents the mean change in the response variable for one unit of change in the predictor variable while holding other predictors in the model constant. This statistical control that regression provides is important because it isolates the role of one variable from all of the others in the model.

On this table it is found that the B value which measures how strongly total mean gap score value of perception – expectation (TMSG) influences customer satisfaction, the dependent variable. Accordingly, a unit increases in total mean gap score leads to a 1.03 increase in customer satisfaction holding the other factors constant. Therefore, the more the bank works on filling the gaps of its customer perception with their expectation the more they will be satisfied.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.623	.071		65.229	.000
	TMSG	1.038	.063	.670	16.441	.000

a. Dependent variable :customer satisfaction

Table 4.5   coefficients of TMSG

4.4 Gap score analysis

The gap score analysis enables us to analyze Dashen bank customer's expectation and perception gap of service. Therefore, we can differentiate which dimension of service quality in the bank has lower perception comparing to their expectation and which one needs attention.

According to (Parasuraman, A., Zeithaml, V. A., & Berry, L. L. , 1985) the higher (more positive) the perception minus expectation score, the higher the perceived service quality and thereby leading to a higher level of customer satisfaction. In this regard, the gap scores are calculated based on the difference between Dashen bank customers' perceptions and expectations of services.

In this study, it was found that the total customer's perception of service quality was less than their expectation. This negative gap score that is found on the analysis can indicate us Dashen bank didn't meet its customer's expectation.

Dimensions	Statement	Perception score	Expectation score	Gap score
Tangibles	TA1	3.568862	4.6916	-1.122738
	TA2	3.778443	4.5359	-0.757457
	TA3	3.883234	4.5479	-0.664666
	TA4	3.796407	4.7754	-0.978993
				-0.8809635
Reliability	RL1	3.422156	4.509	-1.086844
	RL2	3.697605	4.6856	-0.987995
	RL3	3.299401	4.3443	-1.044899
	RL4	3.577844	4.491	-0.913156
	RL5	3.751497	4.0988	-0.347303
				-0.8760394
Responsiveness	RS1	3.628743	4.6138	-0.985057
	RS2	3.841317	4.2665	-0.425183
	RS3	3.853293	4.8383	-0.985007
	RS4	3.625749	4.479	-0.853251
				-0.8121245
Assurance	AS1	3.943114	4.4521	-0.508986
	AS2	4.05988	4.9521	-0.89222
	AS3	4.035928	4.6557	-0.619772
	AS4	3.742515	4.6826	-0.940085
				-0.74026575
Empathy	EM1	3.296407	4.3323	-1.035893
	EM2	3.667665	4.5659	-0.898235
	EM3	3.547904	4.1198	-0.571896
	EM4	3.928144	4.3353	-0.407156
	EM5	3.709581	3.985	-0.275419
				-0.5381765
Total		81.655689	98.9579	-17.302211
Average gap score				-0.78646414

Table 4.6 Summary of mean gap score of expectation and perception table

From the five dimensions tangibles reports higher negative gap score which is -0.88 , reliability -0.876,responsiveness -0.812, assurance -0.74 and Empathy -0.538. These negative gap score result clearly shows that Dashen banks' offered service is less than its customer's level of service quality expectation.

The item which score the highest expectation score is "Customers should be able to feel safe in their transactions with employees in the Bank'' which is 4.95, Employees should give prompt service to customers 4.83 have the next highest score and. The physical environment of the bank should be clean 4.77.

The dimension that scores the highest perception rate of the customers', which Dashen bank is relatively performing well, is from Assurance which have " Customers feel safe in their transactions with employees in the bank which is" 4.05, "Employees are polite with customers" 4.03 and "The behavior of employees instill confidence in customers" 3.94.

The more perceptions are close to expectations, the higher the perceived level of quality. The largest gap score that is far from the expectation of customers' is "Dashen bank branches have up-to-date equipment's" -1.12, "When they promise to do something by a certain time, they do." -1.086 and "Dashen bank performs the service right the first time -1.04".

4.5 Description of dimensions

	Average gap of tangibility	Average gap of reliability	average gap of responsiveness	Average gap of assurance	Average gap of empathy
Mean	-0.880999551	-0.8760485	-0.812151198	-0.740278743	**-0.637724671**
Std. Deviation	0.385212671	0.349423054	0.412461711	0.350122237	**0.112853857**
Median	-1	-1	-0.5	-1	**-0.4**
Skewness	0.057753005	0.338635671	0.382811368	1.22807279	**0.898948269**
Std. Error of Skewness	-0.000433408	-0.00043341	-0.000433408	-0.000433408	**-0.500433408**
Kurtosis	1.41645388	0.44487686	-0.752243707	-3.6441465	**-1.625763883**
Std. Error of Kurtosis	-8.79756E-05	-8.7976E-05	-8.79756E-05	-8.79756E-05	**-8.79756E-05**
Grouped Median	-0.815230607	-0.8821406	-0.762317272	-0.708671563	**-0.722753508**

Table 4.7 Descriptive statistics for the 5 dimensions

1. **Tangibility**

   Tangibles have an average score of -0.88 that means the bank has tangibles less than the expectation of its customers and the median gap is -1. The standard deviation is 0.38 indicated how the gap is spread away from the mean. The distribution is positively skewed with a skewness of 0.057, which indicates that the figures are deviated more to the left. The kurtosis value is 1.41 which mean that there is clustering somewhere away from the mean.

2. **Reliability**

   The mean is -0.87, which means that the bank customers' are not satisfied with the quality of services as compared with their expectation. The standard deviation is 0.34, which means that the gaps are spread away from the mean. The distribution is positively skewed with a value of 0.338 indicating the gaps are deviated to the left of the mean and the gaps are clustered away from the mean with a kurtosis value of 0.891.

3. **Responsiveness**

   Averagely Dashen bank customers are unsatisfied with the level of services offered by the bank as they have a gap of -0.812 for this dimension. The median is less than the mean with gaps of -0.5. The standard deviation of the responsiveness dimension is 0.412 which indicates that the gaps are not very widely deviated from the mean. The deviation is to the left with a positive skewness of 0.38. The gaps are also clustered at a point different from the mean of the distribution because the kurtosis value is -0.75.

4. **Assurance**

The average gap for this dimension is -0.74, which indicated the bank's customer dissatisfaction of this dimension. The median gap is -1. The standard deviation is 0.35 showing slight deviation from the mean that is spread towards the left as the distribution is positively skewed with a value of 1.22 and the gaps cluster at some point away from the mean with a kurtosis value of -3.6.

5. **Empathy**

The average gap score for the empathy dimension is -0.637. The median gap for this distribution is -0.4 .It has a standard deviation of 0.11, which have slights less than the other four dimensions standard deviation that means that the gaps are deviated from the mean but not very much. They are deviated to the left because the distribution is positively skewed with a value of 0.89 and clustered at a value away from the mean with a kurtosis value of -1.625

4.6 customer satisfaction

Customer satisfaction is defined as a function of the customer's expectations and perceptions of performance according to the expectancy - disconfirmation paradigm (Tse, 1988) and it is a construct closely related to perceived service quality (Magi A. &., 1996).

In order to measure the level of customer satisfaction in Dashen bank, this study uses the question that asks the respondents with a statement of “My feeling about Dashen bank service delivery can be best described as”. With an alternative answer of highly satisfied, satisfied, neutral, dissatisfied and highly dissatisfied .The banks' customer response for the above-mentioned question is summarized in the following table.

My feeling about Dashen bank service delivery can be best described as						
		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Dissatisfied	62	17.7	18.6	18.6	
	Neutral	51	14.6	15.3	33.8	
	Satisfied	159	45.4	47.6	81.4	
	Highly satisfied	62	17.7	18.6	100	
	Total	334	95.4	100		
Missing	System	16	4.6			
Total		350	100			

Table 4.8 customer satisfaction level of respondents

From the total respondents 159 or 45.4% of customers are satisfied, 62 or 17.7% of the bank customers are highly satisfied, 51 or 14.6% of the bank are neither satisfied nor dissatisfied and 62 or 17.7% of the bank customers are not satisfied.

Descriptive Statistics							
	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
My feeling about Dashen bank service delivery can be best described as	334	3.00	2.00	5.00	3.6617	.98452	.969
Valid N (listwise)	334						

Table 4.9 description of customer satisfaction

As observed from the above table the mean value of customer satisfaction is 3.66 and standard deviation of 0.984.

Out of 334 respondents 210 or 63.1% of the total respondents are satisfied and 17.7% or 59 customers of the total respondents are not satisfied with the provided service of the bank. Therefore, this indicates that the bank should work on the unsatisfied customers of the bank as insuring service quality of the bank is being mandatory on today's competitive bank industry.

4.7 correlation analysis between total mean score gap value of perception and expectation and customer satisfaction of the bank

(A.Burns, 2008) States that correlation is a measure of the degree of correspondence between variables .They can be positively correlated, this occurs when an increase or decrease in one variable coincides with an increase or decrease in another variable. A negative correlation occurs when one variables increase (decreases) as the other variable decreases (or increases) .Random correlation occurs when there is no real relationship between the two variables.

From the table 4.10, we can observe that the correlation between total mean score gap of service perception and expectation with customer satisfaction of the customer is +.670, this is significant at 0.1 level.

This indicates that there is significant and positive relationship between total mean score gap of service quality and customer satisfaction so that any improvement in one of the dimensions will positively contribute to enhancing customer satisfaction. Therefore, the study result confirms that service quality gap is positively and significantly correlated with customer satisfaction in Dashen Bank S.C."

Correlations			
		TMSG	My feeling about Dashen bank service delivery can be best described as
TMSG	Pearson Correlation	1	.670**
	Sig. (2-tailed)		.000
My feeling about Dashen bank service delivery can be best described as	Pearson Correlation	.670**	1
	Sig. (2-tailed)	.000	
	N	334	334
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 4.10 correlation

Chapter 5

Summary of findings, conclusion, recommendation and limitation

This chapter deals with the summary of findings, conclusions drawn from the findings and the recommendations forwarded for improvement in services quality gap between the perception and expectation process of the selected branches of the banks. The recommendation covers the importance of improving on those dimensions in which the banks got inferior score and also to keep working on the superior scored dimensions. The chapter is presented under the headings: summary of findings, conclusions, and recommendations.

5.1 summary of findings

The basic interest of this is study is to evaluate and examine Dashen bank customers' expectation and perception gap of service quality. In addition, how this gap affects the customers' satisfaction of the bank.

The customer's expectation and perception gap is evaluated on the basis of five service quality dimensions encompassing tangibility, reliability, responsiveness, assurance and empathy .the result has showed that the overall mean score of perception less than expectation.

The correlation between total mean score gap of service perception and expectation with customer satisfaction of the customer is +.670, this is significant at 0.1 level. This indicates that there is significant and positive relationship between total mean score gap of service quality and customer satisfaction

This study examined the service quality gap between service expectation and perception of Dashen bank customers. The respondent overall expectation from the scale of 1-5 is 4.5 that clearly show Dashen bank customers expect a lot from the bank. From the stated five dimensions Assurance have the highest expectation from the customers' perspective which is 4.685. Dashen bank therefore should give careful attention for the ability of the contact-personnel of the bank to care for and provide personalized attention to clients. This shows when measuring service quality of this bank Assurance plays a vital role.

Tangibles and responsiveness have also the next highest expectation score of the bank which is 4.6 and 4.5 respectively. Therefore Dashen bank customers have also the highest expectation from the banks appearance of the facilities, equipment's, written materials and employees of the bank and willingness to help the clients and deliver prompt service.

Tangibility physical facilities, equipment, and appearance of personnel which scores -0.88 and Reliability dimension items which scores -0.87 in keep customer record correctly leads the other with highest frequency and means score. Least scorers was found from the items " provide service at promised time" and "the branch inform any failure ahead of time" have slightly the same negative perception result .

From tangibility dimension item "the banks' up to date equipment's" have the highest gap score of -1.12. From reliability, dimension items "promise to do something by a certain time" and "the banks' performance of giving service right the first time" has 1.08 and 1.04 mean gap score respectively.

The study finding shows that reliability have the lowest perception result of the customers which is 3.54.therefore as per the customers valuation of the bank the ability to deliver all services as promised in a dependable manner are given lower score when compared to the other dimensions. As per Dashen bank customers service perception evaluation assurance has the next lower mean score result which is 3.71.This shows that Dashen bank customers perceives lower perception value of the knowledge and courtesy of employees and their ability to convey trust and confidence so that the customer feels he or she is in courteous, able and competent hands.

The finding from the mean gap score analysis of this study observed that tangibles score the highest gap score result as compared to customer's expectation. This indicates that Dashen bank customers expects to see well equipped organized, modernized equipment's physical facilities, personnel's and communication materials from the bank.

5.2. Conclusions

The aim of the study is to determine the service quality gaps in the selected branches using SERVQUAL model that are affecting the banks' customer satisfaction. On the basis of the analysis given in the previous chapter, the following conclusion is drawn

The study accepts the hypothesis question as the research findings reveals that there was gap between expectation and perception, in terms of the quality of the service provided by the bank branches, meaning that customer satisfaction were not met.

The study result confirms that service quality gap is positively and significantly correlated with customer satisfaction in Dashen Bank S.C."

The finding of the study indicated that Dashen bank is performing lower than its customer's expectation, as table 4.1 indicates all the perception scores are less than the expectation scores of the selected branch customers.

Thus the findings are important to enable the bank to have a better understanding of customers Perception and expectation gap of service quality of banking and consequently of how to improve their satisfaction with respect to aspects of service quality. Due to the increasing competition in banking industry, customer service is an important part and Dashen bank should do rethinking on how to improve customer satisfaction with respect to service quality.

The study result indicates that customers were not satisfied with most of these two dimension items under tangibility and reliability as compared with their expectation.

This indicates that the banks customer expectation was high on reliability and tangibility dimension items but they perceive less when compared to the other dimension items.

From the dimension items knowledge and courtesy of employees and their ability to inspire trust and confidence have the least gap score of -0.53. Therefore, the study findings indicates assurance have relatively good score mean as compared with the customers expectation.

5.3 Recommendations

This research has shown the effect of service quality gap on customer satisfaction in Dashen Bank. For improving quality service, Based on the findings and conclusions of the study, the researcher forwards the following recommendations to Dashen bank managements.

- Tangibility and reliability are considered as one of important factors that scores the least customer perception result as compared to their expectation. Therefore the banks management should work on the indicators of these dimensions i.e. the bank should use updated equipment's like voucher counters, screens, signage's, computer lights and ATM's and should work on keeping the customers record correctly in ordered to enhance its customers' satisfaction.

- In our current competitive banking services preference of customers and their demands keeps on changing at a rapid speed and the bank should operate proactively in meeting its customers' needs and preferences. Accordingly, the bank should be customer center should work on minimizing the perception and expectation gaps.

- Findings also show that customers expected more than what they perceive in these branches and hence no satisfaction. This indicates Dashen bank must strive hard to improve all the dimensions of service quality in order to bring higher perceived service quality and customer satisfaction.

- Management's focus area should emanate from the customer's need or expectations. From the expectation mean score result Assurance has the highest mean score result so that the bank should exert its maximum effort on the knowledge and courtesy of employees and their ability to convey trust and confidence so that the customer feels he or she is in courteous, able and they are on competent hands.

In general as all the perception and expectation gap result shows negative scores, Dashen banks have to improve performance on all the dimensions of service quality in order to increase customer satisfaction and bringing the customers to higher level of loyalty since customers expect more than what is being offered by other banks. This will enable them maintain high level of competitiveness in the banking industry.

5.4 Limitations

There are some limitations associated with this study that needs to discuss. Firstly, the results obtained from this study cannot generalized to a wide range of similar situations concerning the remaining Dashen bank branches because of the non-probability sampling technique used even though the methodology used in this study could be applied to these similar situations. In addition, the issue of customers' perceptions could be questioned because the sample size consisted of respondents that come from both developing and developed economies that may differ so that their expectation may differ. In this kind of studies, the questionnaires will be so boring for the respondents so that the respondents must assisted but in this case, the bank branches were not willing to distribute it by the researcher. Therefore, it was creating some biased responses that was filled out of understanding that creates rework to collect the questionnaires in one branch almost three times. However, the above limitations are less significant compared to the importance of carrying out this type of study. Such study should be carried out frequently in order to monitor service quality gap of the expectation and perception of the bank customers' to find out satisfaction levels of customers and hence make necessary adjustments in case of any weaknesses or strengths.

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APPENDIX A: QUESTIONNAIRE

A Questionnaire on the effect of service quality gaps on customer satisfaction

My name is AxumietMulugeta, a graduate student at Addis Ababa University School of Business and Economics. I am conducting a research on‘’ Impact of Service Quality gaps on Customer Satisfaction in the case of Dashen bank S.C’’ in partial fulfillment of Master of Arts in Business Administration.

I kindly request you to spend some minutes of your time in filling the questionnaire. Any Information which you provide will be kept confidential. Your genuine response is highly appreciated for the outcome of the study.

This questionnaire has two parts, Expectations and Experience.

Thank you for your kind cooperation in filling the questionnaire.

I. Demographic questions(mark X)

1. Gender Male ☐ Female ☐
2. Age 18-29 ☐ 30-40 ☐ 50 abov ☐ ☐
3. Level of Education Undergraduate ☐ Masters ☐ Others ☐

Direction: This part of the questionnaire intends to find your**expectation**and **perception**towards the service quality of Dashen bank S.C. Please circle the number which reflects your perception and rank the statements using the below measure.

1= strongly disagree, 2=Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree.

II. Expectations:

This section deals with your opinion asDashen bank customer. Please, show the extent to which you think Dashen bank service ‘should’ possess the following features.It intends to know your expectation from Dashen Bank.

No	Statement of service quality	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Tangibles					
1	Dashen bank should have modern equipments.					
2	Their physical facilities (vouchers, counters, screens, signage's, computers, lights,ATM's) should be visually appealing.					
3	Their employees should be well dressed and appear neat.					
4	The physical environment of the bank should be clean.					
	Reliability					
5	When the bank promises to do something by a certain time, they should do so.					
6	When a customer has a problem, the bank should show a sincere interest in solving it.					
7	Dashen bank should perform the service right the first time					
8	They should provide their services at the time they promise to do so.					
	Responsiveness					
9	They should keep their records accurately.					
10	Employees should make information easily obtainable by the customers.					

11	Employees should give prompt service to customers.					
12	Employees should always be willing to help customers.					
13	Employees in the bank should never be too busy to respond to customers' requests.					
	ASSURANCE					
14	The behavior of employees in Dashen bank should instill confidence in customers.					
15	Customers should be able to feel safe in their transactions with employees in theBank.					
16	Their employees should be polite.					
17	Employees of the bank should have the knowledge to answer customers' questions.					
	EMPATHY					
18	The bank should give customers individual attention.					
19	Their operating hours should be convenient to all their customers.					
20	Employees should give customers personal service.					
21	They should have their customers' best interest at heart.					
22	The employees should understand the specific needs of their customers.					

III. **Perceptions:** The following statements deal with the perceptions of service experienced in Dashen bank. Please, show the extent to which these statements reflect your perception of service in the bank.

No	Statement of service quality	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Tangibles					
1	Dashen bank branches have up-to-date equipment's.					
2	ıysical facilities (like vouchers,computers, signage's,ATM's) are visually appealing					
3	ıployees are well dressed and appear neat.					
4	ıe physical environment of the bank branches is clean.					
	eliability					
5	'hen they promise to do something by a certain time, they do.					
6	'hen a customer has a problem, they show a sincere interest in solving it.					
7	ashen bank performs the service right the first time.					
8	Dashenbankprovides the service at the time they promised to do so.					
	esponsiveness					
9	ashen bank keep their records accurately					
10	ıployees make information easily obtainable by customers					
11	ıployees give prompt service to customers.					
12	ıployees are always willing to help customers.					
13	ıployees are never too busy to respond to customers requests.					

	ssurance					
14	he behavior of employees instill confidence in customers.					
15	ustomers feel safe in their transactions with employees in the bank.					
16	nployees are polite with customers.					
17	nployees of Dashen bank have the knowledge to answer customers' questions					
	MPATHY					
18	ashen bank gives customers individual attention.					
19	heir operating hours are convenient to all their customers.					
20	nployees give customers personal service.					
21	ashenbankhas their customers' best interest at heart.					
22	he employees understand the specific need of their customer.					

IV. **Level of Customer Satisfaction Direction**: the following statement describes your feeling about Dashen bank. Please respond by choosing the number which best reflects your own perception.

23. My feeling about Dashen bank service delivery can be best described as

1. Highly dissatisfied 2. Dissatisfied 3. Neutral 4. Satisfied 5. Highly satisfied

Thank You for Taking Your Time To Fill This Questionnaire!!!.

መጠይቅ

ስሜ አክሱማይት ሙሉጌታ ይባላል። በአዲስ አበባ ዩኒቨርስቲ የሁለተኛ ድግሪ (MBA) ፕሮግራም ተማሪ ስሆን የመመረቂያ ጥናቴን የማደርገዉ “የዳሸን ባንክ የደንበኞች አገልግሎት ጥራት ክፍተት እና የአገልግሎት ጥራቱ ክፍተት በደንበኞች እርካታ ላይ ያለዉ ተጽእኖ” በሚል ርዕስ ላይ የሚያተኩር ነዉ።

እርስዎም ይህን መጠይቅ በመሙላት አስፈሊጊዉን ትብብር እንዲያደርጉልኝ እየጠየቅሁ በዚህ ጥናት በመሳተፍዎ ማንኛዉም የግል መረጃዎ ከተፈለገዉ የትምህርት አላማ ዉጪ ለሌላ ሦስተኛ ወገን ተላልፎ እንደማይሠጥ እያረጋገጥኩ በዚህ ጥናት በሙሣተፍ የሚሠጡት መረጃ እጅግ በጣም አስፈላጊ በመሆኑ ትክክለኛዉን መረጃ በመስጠት እንዲተባበሩኝ በድጋሚ ከልብ በመነጨ አክብሮት እጠይቃለሁ።

ይህ መጠይቅ ሁለት ክፍሎች ያሉት ሲሆን እነዚህም ዳሸን ባንክ እንዲሰጥዎት እሚፈልጉትን አገልግሎት እና እየሰጥዎት ያለዉን አገልግሎት ልዩነት ለመመዘን የተዘጋጀ ነው።

ለቀና ትብብሮትና መጠይቁን ለመሙላት ፍቃደኛ በመሆንዎት በቅድሚያ አመሰግናለሁ።

1ኛ) የግል መረጃ

ከታች ለቀረቡት መጠይቆች ከእርሥዎ ጋር ተዛማጅነት ባላቸዉ መረጃዎች ትይዩ ባሉት ሳጥኖች ዉስጥ “□” ምልክት በማድረግ ምላሽዎ ይስጡ።

1。 ጾታ፡ ሴት ☐ ወንድ ☐

2。 ዕድሜ 18-29 ☐ 30-40 ☐ 41-50 ☐ ከ 50 በላይ ☐

3。 የትምህርት ደረጃ፡ ሁለተኛ ደረጃ ወይም ከዛ በታች ☐ ዲፕሎማ ☐

የመጀመሪያ ድግሪ ☐ ሁለተኛ ድግሪ ☐ ከሁለተኛ ድግሪ በላይ ☐

2ኛ) የዳሸን ባንክ አገልግሎትን እንዲሆን የሚፈልጉበት ሁኔታ

ይህ መጠይቅ የዚህ ጥናት ሁለተኛ ክፍል ሲሆን ከዳሸን ባንክ እንዲያኙአቸዉ የሚፈልጓቸው አገልግልቶች ላይ ያተኩራል፡፡ስለዚህ እባክዎን ከዚህ በታች በቀረቡት መጠይቆች መሠረት በዳሸን ባንክ እንዲሰጥዎት የሚፈልጉትን አገልግሎት ጥራት ምን ያህል እንደሆነ በፍሬ ሃሳቡ ትይዩ ካሉት ቁጥሮች ዉስጥ አንዱን ብቻ በማክበብ ይመልሱ፡፡

1 = በፍፁም አልስማማም፣ **2** = አልስማማም፣ **3** = አልስማማም ወይም እስማማለሁ ለማለት እቸገራለሁ፣ **4** = እስማማለሁ፣ **5** = በጣም እስማማለሁ፡፡

ተ.ቁ	ፍሬ ሃሳብ	በፍጹም አልስማማም	አልስማማም	እስማማለሁም አልስማማም ለማለት እቸገራለሁ	እስማማለሁ	በጣም እስማማለሁ
	የሚታዩ ነገሮች (Tangibility)					
1。	ዳሸን ባንክ ዘመናዊ የሆኑ የቢሮ መገልገያዎች ሊኖረዉ ይገባል፡፡	1	2	3	4	5
2。	የዳሸን ባንክ መገልገያ ቁሶች ለአይን ማራኪ ሊሆኑ ይገባቸል፡፡	1	2	3	4	5
3。	ባንኩ ዉስጥ የሚሰሩ ሰራተኞች አለባበስ ጽዱና ማራኪ መሆን ይገባዋል፡፡	1	2	3	4	5
4。	ባንኩ አገልግሎቱን የሚሰጥባቸዉ በታዎች ሳቢና አስደሳች መሆን ይገባቸዋል፡፡	1	2	3	4	5
	ተዓማኒነት (Reliability)					
5。	ዳሸን ባንክ ለደንበኛዉ የገባዉን ቃል ባለዉ ሠዓት መፈፀም ይገባዋል፡፡	1	2	3	4	5
6。	ባንኩ ደንበኛዉ ችግር ሲገጥመዉ በእዉነተኛ እና ከልብ በመነጨ ፍላጎት የደንበኛዉን ችግር ለመፍታት መጣር ይጠበቅበታል፡፡	1	2	3	4	5
7。	ባንኩ የሚሰጣቸዉ አገልግሎች ከመጀመሪያዉ ምንም ስህተት የሌለባቸዉ መሆን አለባቸዉ፡፡	1	2	3	4	5
8。	ዳሸን ባንክ አገልግልቶቹን በገባዉ ቃል እና ሠዓት መሠረት ለተገልጋዮቹ መስጠት አለበት፡፡	1	2	3	4	5

	ምላሽ መስጠት (Responsiveness)					
9。	የዳሽን ባንክ ሰራተኞች የደንበኛዉን መረጃ በትክክለኛዉ መንገድ ማስቀመጥ ይጠበቅባቸዋል፡፡	1	2	3	4	5
10。	የባንኩ ሰራተኞች የባንኩ መረጃዎች ለደንኛዉ በተገቢዉ መንገድ በቀላሉ እንዲገኙ ማድረግ ይጠበቅባቸዋል፡፡	1	2	3	4	5
11。	የባንኩ ሰራተኞች ለደንበኞቹ ፈጣን የሆነ አገልግሎት መስጠት አለባቸዉ፡፡	1	2	3	4	5
12。	ሰራተኞቹ ሁልጊዜ ደንበኞቹን ለመርዳት ፍቃደኛ መሆን አለባቸዉ፡፡	1	2	3	4	5
13。	የዳሽን ባንክ ሠራተኞች የደንበኞቻቸዉ ጥያቄ ምላሽ ለመስጠት በሌላ ሥራ መጠመድን ምክንያት ማድረግ የለባቸዉም፡፡	1	2	3	4	5
	አስተማማኝነት (Assurance)					
14。	የዳሽን ባንክ ሠራተኞች ባህሪ ደንበኞቹ በባንኩ ላይ እምነት እንዲኖራቸዉ ማድረግ አለበት፡፡	1	2	3	4	5
15。	የዳሽን ባንክ ደንበኞች ከባንኩ ጋር በሚፈጽሙት ግብይት ሁሉ ደህንነት ሊሰማቸዉ ይገባል፡፡	1	2	3	4	5
16。	የዳሽን ባንክ ሠራተኞች ሁልጊዜም ለደንበኞቻቸዉ ትሁት መሆን ይገባቸዋል፡፡	1	2	3	4	5
17。	የዳሽን ባንክ ሠራተኞች ሁልጊዜም የደንበኞቻቸዉን ጥያቄ የሚመለስ በቂ እዉቀት ሊኖራቸዉ ይገባል፡፡	1	2	3	4	5
	የሠዉን ችግር እንደራስ ማየት (Empathy)					
18。	ዳሽን ባንክ ለእያንዳንዱ ደንበኛ በግል ተገቢዉን ትኩረት መስጠት ይገባዋል፡፡	1	2	3	4	5
19。	የዳሽን ባንክ የአገልግሎት ሠዓት ለደንበኞቹ ተስማሚ እና አመቺ መሆን አለበት፡፡	1	2	3	4	5
20。	ዳሽን ባንክ ሁሌም ለእያንዳንዱ ደንበኛ እንደሚመች አድርገዉ አገልግሎት የሚሠጡ ሠራተኞች ሊኖሩት ይገባል፡፡	1	2	3	4	5
21。	ዳሽን ባንክ የደንበኞቹን ዋነኛ ፍላጎት ለማሟላት ከልብ መስራት ይገባዋል፡፡	1	2	3	4	5
22。	የዳሽን ባንክ ሠራተኞች ሁሌም የደንበኞቻቸዉን ልዩ ፍላጎት መረዳት አለበት፡፡	1	2	3	4	5

3ኛ. ይህ መጠይቅ የዚህ ጥናት ሰስተኛ ክፍል ሲሆን ከዳሸን ባንክ አሁን ላይ እያገኙአቸዉ ያሉት አገልግልቶች ላይ ያተኩራል፡፡

ተ.ቁ	ፍሬ ሃሳብ	በፍጹም አልስማማም	አልስማማም	እስማማለሁም አልስማማም ለማለት እቸገራለሁ	እስማማለሁ	በጣም እስማማለሁ
	የሚታዩ ነገሮች (Tangibility)					
1።	ዳሸን ባንክ ዘመናዊ የሆኑ የቢሮ መገልገያዎች አሉት፡፡፡	1	2	3	4	5
2።	የዳሸን ባንክ መገልገያ ቁሶች ለአይን ማራኪ ናቸዉ፡፡	1	2	3	4	5
3።	ባንኩ ዉስጥ የሚሰሩ ሰራተኞች አለባበስ ጽዱና ማራኪ ነዉ፡፡	1	2	3	4	5
4።	ባንኩ አገልግሎቱን የሚሰጥባቸዉ ቦታዎች ሳቢና አስደሳች ናቸዉ፡፡	1	2	3	4	5
	ተዓማኒነት (Reliability)					
5።	ዳሸን ባንክ ለደንበኛዉ የገባዉን ቃል ባለዉ ሠዓት ይፈጽማል፡፡	1	2	3	4	5
6።	ባንኩ ደንበኛዉ ችግር ሲገጥመዉ በእዉነተኛ ከልብ በመነጨ ፍላጎት የደንበኛዉን ችግር ለመፍታት ይጥራል፡፡	1	2	3	4	5
7።	ባንኩ የሚሰጣቸዉ አገልግሎች ከመጀመሪያዉ ምንም ስህተት የሌለባቸዉ ናቸዉ፡፡	1	2	3	4	5
8።	ዳሸን ባንክ አገልግልቶቹን በገባዉ ቃል እና ሠዓት መሠረት ለተገልጋዮቹ እየሰጠ ይገኛል፡፡	1	2	3	4	5
	ምላሽ መስጠት (Responsiveness)					
9።	የዳሸን ባንክ ሰራተኞች የደንበኛዉን መረጃ በትክክለኛዉ መንገድ ያስቀምጣሉ፡፡	1	2	3	4	5
10።	የባንኩ ሰራተኞች የባንኩ መረጃዎች ለደንኛዉ በተገቢዉ መንገድ በቀላሉ እንዲገኙ እያደረጉ ነዉ፡፡	1	2	3	4	5
11።	የባንኩ ሰራተኞች ለደንበኞቹ ፈጣን የሆነ አገልግሎት እየሰጡ ይገኛሉ፡፡	1	2	3	4	5

12።	ሰራተኖቹ ሁልጊዜ ደንበኞቹን ለመርዳት ፍቃደኛ ናቸዉ።	1	2	3	4	5
13።	የዳሽን ባንክ ሠራተኞች የደንበኞቻቸዉ ጥያቄ ምላሽ ለመስጠት በሌላ ሥራ መጠመድን ምክንያት አያደርጉም።	1	2	3	4	5
	አስተማማኝነት (Assurance)					
14።	የዳሽን ባንክ ሠራተኞች ባህሪ ደንበኞቹ በባንኩ ላይ እምነት እንዲኖራቸዉ እያደረገ ይገኛል።	1	2	3	4	5
15።	የዳሽን ባንክ ደንበኞች ከባንኩ ጋር በሚፈጽሙት ግብይይት ሁሉ ደህንነት ይሰማቸዋል።	1	2	3	4	5
16።	የዳሽን ባንክ ሠራተኞች ሁልጊዜም ለደንበኞቻቸዉ ትሁት ናቸዉ።	1	2	3	4	5
17።	የዳሽን ባንክ ሠራተኞች ሁልጊዜም የደንበኞቻቸዉን ጥያቄ የሚመለስ በቂ እዉቀት አላቸዉ።	1	2	3	4	5
	የሠዉን ችግር እንደራስ ማየት (Empathy)					
18።	ዳሽን ባንክ ለእያንዳንዱ ደንበኛ በግል ተገቢዉን ትኩረት ይሠጣል።	1	2	3	4	5
19።	የዳሽን ባንክ የአገልግሎት ሠዓት ለደንበኞቹ ተስማሚ እና አመቺ ነዉ።	1	2	3	4	5
20።	ዳሽን ባንክ ሁሌም ለእያንዳንዱ ደንበኛ እንደሚመች አድርገዉ አገልግሎት የሚሠጡ ሠራተኞች አሉት።	1	2	3	4	5
21።	ዳሽን ባንክ የደንበኞቹን ዋነኛ ፍላጎት ለሟሟላት ከልብ እየሰራ ይገኛል፡፡	1	2	3	4	5
22።	የዳሽን ባንክ ሠራተኞች ሁሌም የደንበኞቻቸዉን ፍላጎት ይረዳሉ።	ልየ1	2	3	4	5

4ኛ. አጠቃላይ የደንበኞችን እርካታ

23። በአጠቃይ ዳሽን ባንክ የሚሰጥዎትን አገልግሎት እንደት ይመዝኑታል ? (አንዱን ቁጥር ያክብቡ)

1። በባንኩ አገልግሎት በጣም አልረካሁም 2። በባንኩ አገልግሎት አልረካሁም

3። በባንኩ አገልግሎት አልረካሁም ወይም እረክቻለሁ ለማለት እቸገራለሁ 4። በባንኩ አገልግሎት እረክቻለሁ

5። በባንኩ አገልግሎት በጣም እረክቻለሁ

መጠይቁን ፍቃደኛ ሆነዉ ስለሞሉልኝ ከልብ አመሰግናለሁ ! ! !