



Addis Ababa University

EFFECTS OF SERVICE QUALITY ON CUSTOMER SATISFACTION IN BANKING SERVICE: THE CASE OF COMMERCIAL BANK OF ETHIOPIA

By: Tesfaye Shibabaw

Addis Ababa University School of Graduate Studies Program Department of Marketing Management

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By: Tesfaye Shibabaw

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Advisor: Dr Mesfin Lemma

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By: Tesfaye Shibabaw

Approved By Board of Examiners

_____ Advisor	_____ Signature	_____ Date
_____ Internal Examiner	_____ Signature	_____ Date
_____ External Examiner	_____ Signature	_____ Date

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Declaration

I, Tesfaye Shibabaw, declare that this research entitled “EFFECTS OF SERVICE QUALITY ON CUSTOMER SATISFACTION IN BANKING SERVICE: THE CASE OF COMMERCIAL BANK OF ETHIOPIA” is the outcome of my own effort and study and that all sources of material used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of my advisor. This study has not been submitted for any degree in this university. It is offered for the partial fulfillment of the degree of MA in Marketing Management.

By: Tesfaye Shibabaw _____
Signature Date

Confirmed by Advisor _____
Mesfin Lemma (PhD) Signature Date

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List of Abbreviations

AS-Assurance

CBE-Commercial Bank of Ethiopia

DM-Demography

EM-Empathy

OSQ-Overall Service Quality

RL-Reliability

RS-Responsiveness

SAT-Satisfaction

TA-Tangibility

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ABSTRACT

Customer satisfaction has been one of the main concerns of banks of around the world. This has been necessitated by the stiff competition in the banking industry. Banks are striving hard to offer quality services and products in a bid like competition to maintain existing customers and to convince new ones as well. Customers on the other hand, want the best value for their money so they are always coming around to get in need of best service. The main objective of the research was to assess the effect of banking service quality on customer satisfaction using the five service quality dimensions of SERVQUAL model in Commercial Bank of Ethiopia. A sample of 290 customers in 12 branches was taken. The questionnaire was developed based on five dimensions of SERVQUAL model. In methodology part the collected data are analyzed using descriptive statistical tools like mean and correlation and also to analyze the effect relationship regression analysis was implemented using SPSS21 statistical tool. The main findings of the study include the following: all five dimensions of SERVQUAL have negative gap scores; from these five dimensions assurance is the main source of satisfaction based on customers' perspective; all the five dimensions have significant relationship with customer satisfaction. The output of regression shows, from the five dimensions reliability, assurance and empathy have positive effect on customer satisfaction while tangibility and responsiveness were insignificant as the result customer satisfaction is predicted by service quality by the value 58.3% based on the five dimensions of SERVQUAL model. Recommendations made also include; commercial bank of Ethiopia should make efforts to improve the physical attributes of its branches, increase the trust relationship with its customers by doing what is expected or has been promised, the bank should be able to increase its endeavor to give customers what they need from branches. The employees should be polite enough to assure customers feel confident and safe. Employees should try to understand and identify with customers' specific needs and help according to their respective need.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Service quality and customer satisfaction are very important concepts that companies must understand in order to remain competitive and profitable in business and as a result to achieve growth or organizational intentions. Service quality is considered very important because it leads to higher customer satisfaction, profitability, reduced cost, customer loyalty and retention (Daniel & Berinyuy, 2010). It should be considered as an unavoidable strategy that helps an organization to attain its objectives. For that matter, many organizations that resorted to having superior service quality have been found to be market leaders in terms of sales and long-term customer loyalty and retention (Anderson and Sullivan, 1993).

According to Asubonteng et al., (1996), due to intense competition and the hostility of environmental factors, currently, service quality has become a basic marketing strategy for any service sector companies. This increases the importance of improving service quality to organizations for their survival and growth; and also it could help them to resist the challenges they face in the competitive markets. This means that service based companies are obliged to provide excellent services to their customers in order to have a sustainable competitive advantage.

Service quality becomes increasingly important for today's working environments particularly in high customer involvement industries like that of banking sector. It is apparent that, many banks with good customer service can have high customer satisfaction and end up with greater customer loyalty (Anderson and Sullivan, 1993) which, in turn, leads to future revenue (Fornell, 1992).

Keeping pace with current technological advancements, people today are choosing a new approach to banking services; they are well informed and sensitive for the service rendered by organizations. Therefore, the customers of a bank have higher expectations and demand high level of assurance, reliability, physical evidences, responsiveness and empathy. In short they demand over all better banking services than in the past. Owing to this advancement in banking

services, managers of a bank need to take into consideration customers' expectations and perceptions, and must address the issues of improving the perceived quality of banking services they provide.

In addition to upgrading service facilities, most banks appear to have recognized the importance of providing quality services to maintain competitive advantage. It is not difficult to convince them that superior financial products can be easily imitated by competitors, and thus are not enough to ensure competitive advantage. Banks have come to accept the view that it is the quality of service that may better distinguish them over the long run. However, most bank managers know little about their customers, which hinders their efforts to monitor and manage service quality development. But be acquainted with customers' desires is crucial because currently, such knowledge is becoming indispensable for all bank managers (Zhou et al., 2002). Generally, it is interesting to study expectations and experiences of customers in many different contexts. It is of particular interest to study these concepts in the context of banking services because banks play an imperative role in the economical development of a country and it is prerequisite for firms to know what customers expect and perceive from banks. Therefore, in this study, customer's expectation is defined as what customers think should be offered by the ideal bank while customer's perception is defined as what they experienced in the bank services and this is assessed after the performance. In addition, service quality is mainly focused on meeting the customer's needs and also how good the service offered meets the customer's expectation of it. It is however difficult according to previous studies to measure service quality because of its intangible nature and also because it deals with expectations and perceptions of customers which is difficult as well to determine due to the complexity of human behavior (Daniel & Berinyuy, 2010).

Usually, in our country banking service is being delivered by employees' point of view, however, customers feeling are rarely considered. Hence the purpose of this study is to measure service quality of banking services in Commercial Bank of Ethiopia in Addis Ababa by using SERVQUAL model.

1.2 Statement of the Problem

Banks should provide the level of service quality demanded by customers. However, it is not unusual hearing from customers of a bank when they complain on the services rendered by banks due to such circumstances there has to be assessment to determine where the problem is. Studies suggest that customers' assessments of service quality are the results of a comparison of what they expect with what they experience. Any mismatch between the two is 'quality gap' (Kotler, 1999).

According to Johns, (1999), a service is defined differently in various service industries. The differences in service industries are based on the unique characteristics services which include: intangibility, heterogeneity, inseparability and perishability. Due to this reason measuring service quality seems to pose difficulties to service providers. This means that a service must be well defined by the provider in terms of its characteristics in order to understand how service quality is perceived by customers. It is very important for companies to know how to measure these constructs from the customers' perspective in order to better understand their needs and hence satisfy them (Daniel & Berinyuy, 2010).

Banking service is heterogeneous and intangible hence measuring banking service quality is difficult than physical product providing organizations out puts. However measuring its current situation and examining the gap is mandatory in order to have a better improved banking service (Gilmore, 2003).

According to sources of Commercial Bank of Ethiopia, currently, the bank has greater than 900 branches and it strives to be world class bank in 2025. (<http://www.combanketh.et>). Despite major progresses have been made to improve the overall service quality of the organization, there are complains of customers between the service rendered by the organization and the expectation of customers yet. Consequently, the bank service performance has to be examined in order to know where the difference between the two (expectation & perception) lays to have a contribution in meeting its vision on time.

After carefully analyzing various research studies conducted so far using the SERVQUAL model, many research works have been carried internationally in different service industries such as telecommunication, education, tourism, restaurants, banking, health care, etc, but when we

come to our country limited empirical studies have been conducted using the SERVQUAL model to assess service quality in banking service. So a study on banking services (Commercial Bank of Ethiopia) is done to find out the relationship between service quality and customer satisfaction. In this study, whether service quality has a positive effect on customer satisfaction is assessed which supports the argument of linking service quality and customer satisfaction in different dimensions. Therefore, using the SERVQUAL model was the better mechanism to do this research.

So in order to examine the gaps, the study tried to measure the effect of service quality of bank service on customer satisfaction using the SERVQUAL model from the customers' perspective.

1.3 Research Objectives

General Objective

- The main objective of this research was to assess the effect of service quality of Commercial Bank of Ethiopia on customers' satisfaction.

Specific Objectives

- To determine the gap between customers' expectations and perceptions in the banking service.
- To identify the service quality dimension that is the strongest in the banking service from customers' perspective.
- To determine the strongest customers' expectations that influence their overall satisfaction in relation to the services they get in the bank.
- To determine how gaps between customers' perceptions and expectations could be narrowed.

1.4 Research Questions

- Is there significant relationship between service quality and customers' satisfaction in the banking service sector?
- Is there gap between customers' expectations and perceptions on those different dimensions of SERVQUAL model?

1.5 Research Hypotheses

The hypotheses developed based on the problem statement that tested in this study were founded on the following assumptions:

H1: The more physical design and appearance of a service, the greater the effect on customer satisfaction.

H2: The greater the responsiveness of a service, the higher the effect on customer satisfaction.

H3: Assurance has positive effect on customer satisfaction.

H4: Reliability of a service has positive effect on customer satisfaction.

H5: Empathic service has positive effect on customer satisfaction.

1.6 Significance of the Study

Assessing the satisfaction level of customers' is an important task of a service giving organization since it will help to identify and diagnose the gaps between what customers expect and perceive about the service, thus the result of this study able to help CBE managers and subordinates to have insight on the level of quality service they provide. Generally, the result of this study able to help all banks in the country to be acquainted with the expectations of customers' in relation to service quality dimensions. After identification and diagnosis of the gaps, the outcome will assist managers to focus on service provision problems. It also can help researchers to conduct banking service quality assessment by using SERVQUAL model in our country context.

1.7 Scope of the Study

The research based its study on the banking service quality of Commercial Bank of Ethiopia in Addis Ababa based on the service provided by 12 branches that were selected in the four districts of Addis Ababa. Selection of branches included those of all sizes, be it small or big. The study assessed how customers perceive service quality in these branches of CBE in general. Even though, size of branches matter in choice, the assumption was most of these branches offer similar service to their own customers.

Because of the broad nature of this area of study, the study could not access all the literature concerning customer satisfaction and service quality because it would have been too much. Thus, it is in a limited aspect within the literature, thereby around the relationship between customer satisfaction and service quality dimensions of the SERVQUAL model. Finally, the study scope was restricted to the research plan i.e. the effect of service quality on customer satisfaction (expectations and perceptions) by using SERVQUAL model.

1.8 Limitation of the Study

There were some limitations associated with this study that need to be discussed. The assessment was done only in a few selected branches of CBE. Thus, it is difficult to conclude that the findings are of the banking sector of the country. Carrying out this study on branches having different size could be a limitation because customers may expect more from bigger branches than smaller ones. Although assessing service quality needs to involve employees, the study did not consider the employees. However, the above limitations were less significant compared to the importance of carrying out this type of study. Such a study should be carried out frequently in order to monitor service quality and find out satisfaction levels of customers and hence it will help to make necessary adjustments in case of any weaknesses or strengths.

1.9 Definition of Key Terms

The following terms are the key terms used throughout in this study and according to Parasuraman et al., (1988), they are defined as follows:

Service Quality- the overall assessment of a service by customers.

Reliability – the ability to perform the promised service dependably and accurately.

Responsiveness – the willingness to help customers and to provide prompt service.

Assurance – the employees' knowledge and courtesy, and the ability of the service to inspire trust and confidence

Empathy – the caring, individualized attention the service provides its customers.

Tangibles – the appearance of physical facilities, equipment, personnel and communication materials.

SERVQUAL- an instrument used to measure service quality by comparing customer expectations with their perceptions of the service.

Customer Satisfaction- is a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time (i.e. post-purchase, post consumption)

Customer expectation- is desires or wants of customers exactly what service providers show, offer and this is based on past experience and information received

Customer perception-understanding based on what is observed or thought of customers are based solely on what they receive from the service encounter.

1.10 Organization of the Study

The study is organized into five chapters. Chapter one as an introductory chapter deals with the back ground of the study, the statement of the problem, research objective, research questions, research hypotheses, significance of the study, scope of the study, limitation of the study, definition of key terms and organization of the study. In the second chapter, the content of the literature review is discussed. It includes conceptual and theoretical background of the study in relation to concepts of service quality, customer satisfaction, SERVQUAL & gaps models and banking service. The methodology of the study is discussed in chapter three that includes the research design, ideas about data source, sampling techniques, data collection tools, method of data analysis, validity, reliability and ethical issues. The next chapter of the study i.e. chapter four is concerned about the analysis and presentation of findings of the data that was collected. After the analysis of the data, the conclusion and the recommendation of the research based on the findings are articulated in chapter five.

CHAPTER TWO

RELATED LITERATURE REVIEW

2.1 Service

Many authors define service on their own words but the ideas of the explanations can be included in the following concepts;

- ❖ A service is an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production.
- ❖ Services are economic activities that create value and provide benefits for customers at specific times and places, as a result of bringing about a desired change in/on behalf of the recipient of the service (Lovelock et al., 2004).
- ❖ Services are any intangible act or performance that one party offers to another that does not result in the ownership of anything (Kotler & Keller, 2009).

Services make up the bulk of today's economy in developed economies around the world. It comes as a surprise to most people to learn that the dominance of the service sector is not limited to highly developed nations. For instance, World Bank statistics show that the service sector accounts for more than half the GNP and employs more than half the labor force in many Latin American and Caribbean nations. Service organizations range in size from huge international corporations like airlines, banking, insurance, telecommunications, hotel chains and freight transportation to a vast array of locally owned and operated small businesses, including restaurants, laundries, taxis, opticians and numerous business-to-business services (Lovelock et al., 2004).

2.1.1 Characteristics of Service

According to Mudie and Pirrie (2006), Kotler, (2002), Gilmore, (2003) services have the following four key distinguishing characteristics.

I. Intangibility

Intangibility is the main feature of service. Service cannot assure the quality because it cannot be counted, measured, tested, verified and inventoried in advance of sale. Most of the firms find it

difficult to understand how customers consider their services and evaluate the quality of their services (Siddiqi, 2011). Even though many services include tangible aspects such as an airline seat, a classroom, a restaurant table and food the service performance leading to a customer's experience is intangible. The benefits of buying a product are based on its physical characteristics whereas the benefits of buying a service are from the nature of the performance. In comparison to physical goods, services cannot be stored or readily displayed. They are difficult to communicate, cannot be protected through patents and prices are difficult to set. The intangible nature of services often means that customers have difficulty in evaluating and comparing services. As a result they may use price as a basis for assessing quality and they may place greater emphasis on personal information sources. This all leads to customers having higher levels of perceived risk. The intangibility of services makes them very different from the traditional product mix that is frequently analyzed in terms of tangible design properties. Similarly, physical distribution management may not be an important element of the 'place' mix decisions because there is no tangible product (Gilmore, 2003).

II. Inseparability (or simultaneous production and consumption)

According to Mudie and Pirrie, (2006), there is a marked distinction between physical goods and services in terms of the sequence of production and consumption.

Physical goods

Production ----- Storage ----- Sold ----- Consumed

Services

Sold ----- Produced and consumed at the same time

Whereas goods are first produced, then stored and finally sold and consumed, services are first sold, then produced and consumed simultaneously (Mudie and Pirrie, 2006). Because services are processes, deeds or acts, customers are involved in the production of a service. Also other customers may be involved in the production environment and centralized mass production is difficult, particularly if the service is more complex or customized. For most services both the buyer and the seller need to be at the same place at the same time for the service to occur. Because centralized mass production is difficult, customers often have to travel to the point of service production. For example, it is hard to imagine a haircut without both customer and hairdresser or barber present. Also promotion by the service personnel may take place (Mandal, and Bhattacharya, 2013). For a bank clerk or hairdresser the manner in which the service is

produced is an essential element of the total promotion of the service. Often customers are co-customers of a service with a small or large number of others. Thus the behavior and attitude of other customers may impact upon the nature and experience of a service. For example, a loud or over-demanding customer can deflect service staff's attention and impact on the quality of service delivery to other customers. In this circumstance it may be difficult for the service providers to control the quality and consistency of the service, unless staffs have been trained to deal with such situations in a precise and effective manner (Gilmore, 2003).

III. Variability (or heterogeneity)

According to Mudie and Pirrie, (2006), an unavoidable consequence of simultaneous production and consumption is variability in performance of a service. The quality of the service may vary depending on who provides it, as well as when and how it is provided. Again the intangible nature of services means that standardization and quality are difficult to control. Given that people are involved in providing the actual services in most sectors and that people are unlikely to operate as reliably and constantly as machines it is often difficult to measure and control quality. Therefore it may be difficult for customers to evaluate quality and for employers to measure and control quality. It can be done but is more difficult than measuring and controlling product quality. Also evaluations often depend largely on attitude, opinions and expectations of customers and potential customers (Mudie and Pirrie, 2006).

IV. Perishability

Services cannot be stored for later sales or use. As services are performances they cannot be stored. If demand far exceeds supply it cannot be met, as in manufacturing, by taking goods from a warehouse. Equally if capacity far exceeds demand, the revenue and/or value of that service is lost. A lawyer cannot store parts of his or her knowledge for others to use while the lawyer is in court or on holiday. The hairdresser cannot store haircuts so that when a rush occurs on a Saturday morning all customers can have their hair cut at once. Thus the availability of enough opportunities for service delivery at relevant times is important for service managers. In the competitive business world, service quality is considered as a competitive factor of the organizations. Moreover, it is also considered as an essential determinant factor that allows an organization to differentiate from other organizations. It helps an Organization to gain sustainable competitive advantage (Mudie and Pirrie, 2006).

2.1.2 The 7- P's of service

Marketing activity is normally structured around the '4 Ps' – product, price, promotion and place. However, the distinctive characteristics of services require the addition of three more Ps – people, physical evidence and process.

- People – the appearance and behavior of service personnel
- Physical evidence – everything from the appearance, design, layout of the service setting, to brochures, signage, equipment (the 'tangibilizing' of the intangible)
- Process – how the service is delivered, the actual procedures and flow of activities.

Each of the three extra Ps is of central importance in services as each represents cues that customers rely on in judging quality and overall image (Mudie and Pirrie, 2006).

2.2 Quality

2.2.1 Understanding Quality

The definition of quality varies between manufacturing and service industries and between academicians and practitioners. Even though it has different definitions in different contexts the following academicians try to give the following definitions.

- ⊕ Quality is the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs (Kotler et al., 2002)
- ⊕ Quality is defined as the summation of the affective evaluations by each customer of each attitude object that creates customer satisfaction (Wicks & Roethlein, 2009).

Although the above and other scholars define quality in different concept, no one definition (of quality) is best in every situation because each definition has both strengths and weaknesses in relation to criteria such as measurement and generalizability, managerial usefulness and customer relevance. Hence, Garvin, (1984), classified its definition in five approaches to understand the range of quality concepts.

I. The transcendent approach

According to this view, quality is synonymous with innate excellence, absolute and universally recognizable: 'You will know it when you see it'. It emphasizes quality as a mark of uncompromising standards (Garvin, 1984).

II. The product-based approach

The emphasis here is on quality as a precise and measurable variable. Any differences (in quality) that do occur reflect differences in the quantity of some ingredient or attribute possessed by a product. This approach leads to a vertical or hierarchical ordering of quality. Products are raised according to the amount of ingredients/attributes that each possesses (Garvin, 1984).

III. The user-based approach

This approach starts from the premise that quality 'lies in the eyes of the beholder'. Customers are said to have specific wants or needs and those products that best meet their preferences are those that they view as having the highest quality. Garvin's user-based approach focuses exclusively on the customer in the determination of quality. His other four approaches are rooted in manufacturing/operations and engineering and consequently have difficulty confronting the unique characteristics of services. It still needs a vast amount of interest within services but it is not without criticism. The undeniable strength of this approach is that it allows the customer the overriding say in defining quality. Unfortunately that strength may also be construed as a weakness. As with the issue of preference variety mentioned earlier, expectations can also be highly varied, and personal. Securing agreement over expectations is therefore problematic. Furthermore, customers may not be in a position to articulate their expectations due to a lack of knowledge and understanding. Where customers are encouraged to state their expectations, service organizations may find them to be impractical, unreasonable and unprofitable (Garvin, 1984).

IV. The manufacturing-based approach

The manufacturing-based approach, as the name suggests, focuses on internal matters. It has come to be known as conformance specifications. Products are designed and manufactured according to predetermined specifications. Quality control techniques are used for detecting deviations from the specification. For service organizations the back office operations (the technical core) are amenable to specifications. Specifications can be written for aspects of service that would appear, on the surface, to present difficulties (Garvin, 1984).

V. Quality is value

In contrast to quality as absolute (the excellence level of thought), the value approach regards quality as relative to price. Perception of value represents a mental trade-off between the quality and benefits perceived relative to the sacrifice perceived by paying the price. Thus, Buyers, in effect, use price as an index of quality as well as an index of the sacrifice that is made in purchasing it (Garvin, 1984).

2.3 Service quality

Determining quality of services vary in different contexts due to the intangible nature of its components. As the result, it makes very difficult to evaluate the level which cannot be assessed physically implies that other ways must be outlined in order to measure service quality (Daniel and Berinyuy, 2010). According to Talib, D. and Ali, (n.d), when mentioning service quality most researchers always referred to two schools of thought that dominate the extent thinking. One is Nordic school of thought based on Gronroos's (1984) two-dimensional model. And the other is the North American school of thought based on Parasuraman et al. (1988) five dimensional SERQUAL model. Besides this, there are other relevant significant conceptual and empirical works, which focused on service quality, and can be summarized as:

- (1) Customers' experiences with tangibles, reliability, responsiveness, assurance, and empathy aspects of service delivered by a firm (Parasuraman et al., 1988);
- (2) Technical and functional quality (Gronroos, 1984)
- (3) Service product, service environment, and service delivery (Rust and Oliver, 1994); and
- (4) Interaction quality, physical environment quality, and outcome quality (Brady and Cronin, 2001).

Services marketing literature defined service quality as the overall assessment of a service by the customer (Eshghi et al., 2008). Daniel and Berinyuy, (2010) points out that, by defining service quality, companies will be able to deliver services with higher quality level presumably resulting in increased customer satisfaction. Therefore, having a better understanding of customers attitudes will help to know how they perceive service quality in banking service.

Customer who has developed heightened perception of quality has become more demanding and less tolerant of assumed shortfalls in service or product. It is very vital to note here that, service

quality is not only assessed as the end results but also on how it is delivered during service process and its ultimate effect on customer's perceptions (Douglas & Connor, 2003). According to Amoah-Mensah, (2010) due to distinct characteristics of services, customers form their judgments about the quality of the service based on advertisements, recommendations, by individual who knows the service early. In general, the criteria customers used to measure the quality of services are complex and difficult to determine exactly due to services are intangible, heterogeneous, perishable, and inseparable Athanassopoulos et al (2001).

Zeithaml et al., (1993) articulate that, customers evaluate services and products through three processes, these are pre-purchase qualities, experience qualities and credence qualities. The pre-purchase qualities are features that customers look out for before and are those they can see, feel or touch. The experience qualities are post purchase features that customers assess. On the other hand credence qualities are those features which are not easy for customers to determine during post purchase period. Banking services are difficult to assess for customers because customers lack the required skills, expertise and knowledge to carry out evaluation. As the result customers place a high premium on the image and reputation of the bank before purchasing. According to Amoah-Mensah, (2010) service quality can be improved upon adopting two ways. The first is a good human resource management policy implementation to ensure employees satisfaction. It is believed that with the necessary support from management, employees strived hard to provide high quality service to customers. The other is the organization has to implement its organizational values, policies and procedures to leverage the delivery of high service quality to customers (Amoah-Mensah, 2010).

In this study, service quality can be defined as the difference between customer's expectation for service performance prior to the service encounter and their perception of the service received. Customer's expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectation and quality is low when performance does not meet their expectation (Asubonteng et al., 1996). The customer's total perception of a service is based on his/her perception of the outcome and the process; the outcome is either value added or quality and the process is the role undertaken by the customer (Edvardsson, 1998).

2.3.1 The 5 - Service quality dimensions

Previous researches have shown strong linkages between service quality dimensions and overall customer satisfaction (Anderson and Sullivan, 1993). Service quality is accepted as one of the basic factors of customer satisfaction (Parasuraman et al., 1988).

I. Tangibles

Those things which have a physical existence and can be seen and touched. In context of service quality, tangibles can be referred to as Information and Communications Technology (ICT) equipment, physical facilities and their appearance (ambience, lighting, air-conditioning, seating arrangement); and lastly but not least, the services providing personnel of the organization (Blery et al., 2009). These tangibles are deployed, in random integration, by any organization to render services to its customers who in turn assess the quality and usability of these tangibles.

II. Reliability

Reliability means the ability of a service provider to provide the committed services truthfully and consistently (Blery et al., 2009). Customers want trustable services on which they can rely (Kahn and Fasih, 2014). Reliability is an outcome measure because customers judge it after the service experience: Either the service was delivered as promised or it wasn't. The other four dimensions of quality—tangibles (physical evidence), responsiveness, assurance, and empathy are process dimensions because they can be evaluated by customers during service delivery. These dimensions provide companies with the opportunity to delight customers by exceeding their expectations during interactions with employees and the service environment (Lovelock and Wright, 1999).

III. Assurance

Assurance is developed by the level of knowledge and courtesy displayed by the employees in rendering the services and their ability to instill trust and confidence in customer (Blery et al., 2009).

IV. Empathy

Empathy means taking care of the customers by giving attention at individual level to them (Blery et al., 2009).

It involves giving ears to their problems and effectively addressing their concerns and demands (Kahn and Fasih, 2014).

V. Responsiveness

Responsiveness concerns the willingness and readiness of staff to deliver the service and respond to customers' requirements. It may involve mailing information or transaction details immediately, calling customers back promptly when promised, and giving prompt service (Gilmore, 2003).

2.4 Measuring Service Quality

Measuring service quality has been one of the most recurrent topics in management literature. This is because of the need to develop valid instruments for the systematic evaluation of firms' performance from the customer point of view; and the association between perceived service quality and other key organizational outcomes, (Cronin et al., 1992), which has led to the development of models for measuring service quality. Gilbert et al., (2004) reviewed the various ways service quality can be measured. They include;

- 1) The expectancy-disconfirmation approach which is associated with the identifying of customer expectation versus what they actually experienced. It focuses on the comparison of the service performance with the customer's expectations. The customers' expectations could be assessed after the service encounter by asking him/her to recall the service (Gilbert et al., 2004).
- 2) Performance-only approach merely assesses service quality by merely asking customers about their level of satisfaction with various service features following a service encounter (Gilbert et al., 2004).
- 3) Technical and functional dichotomy approaches identify two service components that lead to customer satisfaction namely, the technical quality of the product which is based on product characteristics such as durability, security, physical features while functional quality is concerned with the relationships between service provider and customer such as courtesy, speed of delivery, helpfulness (Gilbert et al., 2004).

Based on the above approaches Gilmore, (2003), addresses the most frequently used methods for measuring and assessing service quality.

That include:

- ⊕ SERVQUAL
- ⊕ SERVPERF
- ⊕ Scales for measuring customer satisfaction and loyalty
- ⊕ Critical incidents technique
- ⊕ Observation studies
- ⊕ Focus group discussion
- ⊕ In-depth interviews

Measuring service quality is difficult due to its unique characteristics: Intangibility, heterogeneity, inseparability and perishability (Bateson, 1995). Service quality is linked to the concepts of perceptions and expectations (Parasuraman et al., 1985, 1988; Lewis and Mitchell, 1990). Customers' perceptions of service quality result from a comparison of their before-service expectations with their actual service experience. The service will be considered excellent, if perceptions exceed expectations; it will be regarded as good or adequate, if it only equals the expectations; the service will be classed as bad, poor or deficient, if it does not meet expectations. Based on this perspective, Parasuraman et al. developed a scale for measuring service quality, which is mostly popular known as SERVQUAL. This scale operationalizes service quality by calculating the difference between expectations and perceptions, evaluating both in relation to the 22 items that represent five service quality dimensions known as 'tangibles', 'reliability', 'responsiveness', 'assurance' and 'empathy'(Naik, et al., 2010).

It is very important to measure service quality because it allows for comparisons before and after changes, identifies quality related problems, and helps in developing clear standards for service delivery (Daniel & Berinyuy, 2010).

The SERVPERF model developed by Cronin & Taylor, (1992), uses the performance approach method which measures service quality based on customer's overall feeling towards service. This model is good to measure service quality but does not provide information on how customers will prefer service to be in order for service providers to make improvements (Daniel & Berinyuy, 2010). They investigated the conceptualization and measurement of service quality

and the relationships between service quality, customer satisfaction and purchase intentions. Their work focused on trying to overcome the 'perceptions-minus expectations' measurement focus of SERVQUAL. The development of the SERVPERF model aimed to provide an alternative method of measuring perceived service quality and the significance of the relationships between service quality, customer satisfaction and purchase intentions. In investigating these concepts and the interrelationships between them they argued that:

- ⊕ A performance-based measure of service quality may be an improved means of measuring the service quality construct.
 - ⊕ Service quality is an antecedent of customer satisfaction.
 - ⊕ Customer satisfaction has a significant effect on purchase intentions and
 - ⊕ Service quality has less effect on purchase intentions than customer satisfaction.
- (Gilmore, 2003)

SERVPERF = performance

Weighted SERFPERF = importance x (performance) (Daniel & Berinyuy, 2010).

Teas, (1993), developed the Evaluated Performance model which measures the gap between perceived performance and the ideal amount of a dimension of service quality, rather than the customer's expectation. This was to solve some of the criticism of some previous models of Gronroos, (1984) and Parasuraman et al., (1985, 1988).

The SERVQUAL model represents service quality as the discrepancy between a customer's expectations of service offering and the customer's perceptions of the service received Parasuraman et al., (1985). This makes it an attitude measure. What this model strives to measure exactly is the customer perception of the service quality which depends on the size of the gap between expected service and perceived service which in turn, depends on the gaps under the control of the service provider such as delivery of service, marketing, (Parasuraman et al., 1985). This measurement of service quality is based on both on how costumers evaluate the service delivery process and the outcome of the service, (Parasuraman et al., 1985). According to study carried out by Ladhari, (2009), it is recommended that the SERVQUAL model is a good scale to use when measuring service quality in various specific industries but it is appropriate to choose the most important dimensions of this model that fit to that particular service being measured in order to assure reliable and valid results. Buttle, (1996) makes mentions of several researchers that have used the SERVQUAL model in various industries (retailing, restaurants,

banking, telecommunication industry, airline catering, local government, hotels, hospitals, and education).

2.4.1 SERVQUAL

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

According to Gilmore, (2003), SERVQUAL is based on measuring customer satisfaction in terms of the relationship between expectations (E) and outcomes (O). If the outcome (O) matches expectations (E), then the customer is satisfied. If expectations (E) exceed the outcome (O), then customer dissatisfaction is indicated. If the outcome (O) exceeds expectations (E), then customer 'delight' may be the result

$SERVQUAL = Performance - Expectations$

Weighted SERVQUAL = importance x (performance – expectations)

Tangibility: physical facilities, equipment, and appearance of personnel

Reliability: ability to perform the promised service dependably and accurately

Responsiveness: willingness to help customers and provide prompt service

Assurance: knowledge and courtesy of employees and their ability to inspire trust and confidence

Empathy: caring individualized attention the firm provides to its customers

Early SERVQUAL model was developed based on ten dimensions but it is diminished in to five later. Assurance and empathy involve some of the dimensions that have been left like communication, credibility, security, competence, courtesy, understanding/knowing customers and access. This is because these variables did not remain distinct after the two stages of scale purification, (Parasuraman et al., 1988). (13) The five dimensions are measured with an instrument using 22 items. Respondents are required to first give responses about their expectations of service and then their evaluation of the actual service. Satisfaction is calculated as the difference between perceptions and expectations, each item weighted according to its

importance. Parasuraman et al. (1988) established that a mismatch between expectations and perceptions of performance causes dissatisfaction or a 'performance gap'.

2.4.2 Theoretical criticisms of SERVQUAL

Despite its growing popularity and widespread application, according to, Buttle, (1996), SERVQUAL has been subjected to a number of theoretical and operational criticisms which are detailed below:

- ✦ **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 evaluate 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 priority expect; and there is a high degree of inter-correlation between the five dimensions (Buttle, 1996).

Operational criticisms

- ✦ **Expectations:** the term expectation is polysemy meaning it has different definitions; customers use standards other than expectations to evaluate service quality; and SERVQUAL fails to measure absolute service quality expectations.
- ✦ **Item compositions:** 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:** reversed polarity of items in the scale causes respondent error.
- ✦ **Scale points:** the seven-point Likert scale is flawed.

- ⊕ **Two administrations (expectation & perception):** 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 (Buttle, 1996).

2.4.3 Application of the SERVQUAL Model in Different Contexts

According to Munusamy et al., (2010), the following researchers assess the application of the model in different contexts. Kumar et al., (2009), used the SERVQUAL model in a research to determine the relative importance of critical factors in delivering service quality of banks in Malaysia. They end up with the recommendation that banks need to be more competent in delivering their services and fulfilling the assurance of customers and providing the banking services more conveniently.

Badri et al., (2003) made an assessment and application of the SERVQUAL model in measuring service quality in information technology centre. Based on their feedback, respondents felt that SERVQUAL is a useful indicator for IT center service quality in institutions of higher education.

Negi, (2009) used the model to determine customer satisfaction through perceived quality in the Telecommunication industry and found out that reliability, empathy and network quality proved to significantly effective in contributing to overall service quality and overall customer satisfaction with mobile services.

Curry et al., (2002) confirm the SERVQUAL model, potential applicability in measuring service quality in the public sector to determine customer priorities and measure performance.

According to Nyeck, et al., (2002), the SERVQUAL measuring tool remains as the most complete attempt to conceptualize and measure service quality.

The general idea from the past literature on this idea is that, there is a relationship between service quality and customer satisfaction. Also that service quality could be evaluated with the use of five service quality dimensions and the most useable is the SERVQUAL scale. In getting right to the main point, this study tried to apply this instrument in the context of bank service and found if its dimensions could measure service quality and customer satisfaction, hence it is

adequate to measure the assumptions. This enabled me to identify gaps in service quality and found out what dimensions customers are satisfied with.

2.5 The Gap model of service quality

According to, Mauri, et al., (2013), the Gaps Model was first published in 1985 and then further modified and developed by the same authors (Parasuraman, Zeithaml & Berry, 1988; 1991; 1994a; 1994b; Parasuraman, Berry & Zeithaml, 1990; 1991; 1993). The model, based on the expectation-confirmation theory (Oliver, 1980; 1993), illustrates how customers assess quality, taking into account the factors that contribute to determine quality in its various connotations: quality expected by customers, quality offered by firms, quality perceived by users after the service consumption. Based on the definition of quality as the capability to satisfy customer expectations, the Gaps Model aims to identify the possible causes for a gap between expected quality and perceived quality. The model conceptualizes key concepts, strategies and decisions which are essential for the quality offer according to a sequence which starts from the customer, identifies necessary actions for the firm to plan and offer a service, and go back to the customer in the hub of the model: the comparison between expectations and perceptions (Mauri, et al., 2013).

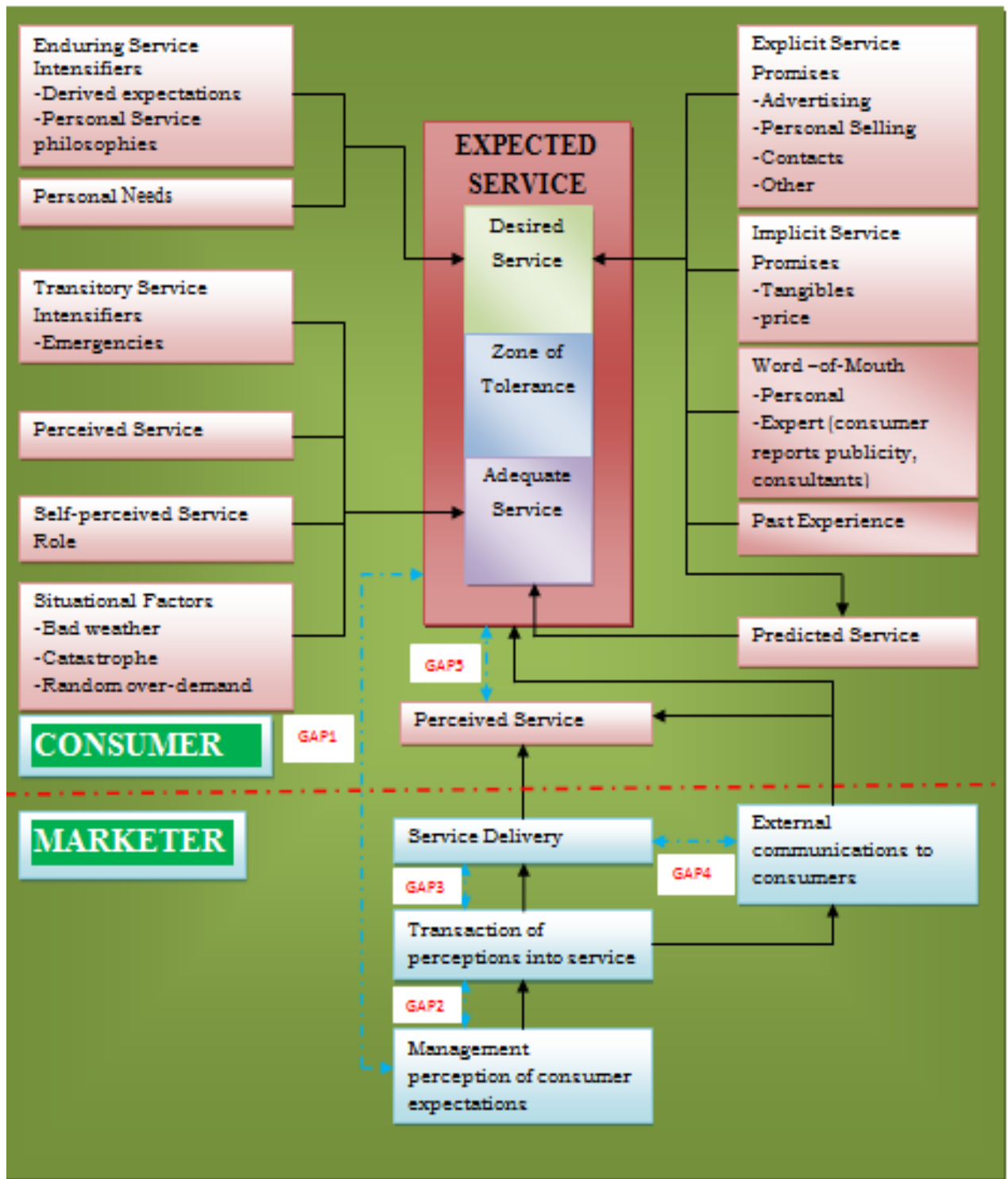
In Parasuraman et al., (1988) the authors outlined the scale *SERVQUAL* to measure possible gaps. Based on the service quality dimensions customers are asked 22 questions to express an evaluation for each item ranging from 1 (strongly disagree) to 7 (strongly agree).

The model identifies 5 gaps, (figure 1) of which the “Customer Gap” (Gap 5) is the main one as it identifies the discrepancy between expectations and actual perception of service quality by the customer.

Gap 1: Customer expectation - management perception gap

Occurs when the management wrongly assesses customers’ quality expectations as a consequence of the lack of market research or the lack of upward communications within the firm (Mauri, et al., 2013). Service firms may not always understand what features a service must have in order to meet customer needs and what levels of performance on those features are needed to bring deliver high quality service. This results to affecting the way customers evaluate service quality (Daniel and Berinyuy, 2010).

Figure 2.1: The Gaps Model with changes of the authors, adapted from Parasurman, Zethaml and Berry (1985) and Zethaml, Berry and Parasuraman (1993)



Source: Mauri et al., (2013)

Gap 2: Management perception - service quality specification gap

Deals with the discrepancy between management perception of customer expectation and the settlement of appropriate standard of service quality. This Gap may derive from the management inability/indifference to put into effect what learnt from the study of customer expectations about appropriate service standards (Mauri, et al., 2013). This gap arises when the company identifies what the customers want but the means to deliver to expectation does not exist. Some factors that affect this gap could be resource constraints, market conditions and management indifference. These could affect service quality perception of the customer (Daniel and Berinyuy, 2010).

Gap 3: Service quality specifications – service delivery gap

Occurs when there is a discrepancy between service quality standards and firm personnel performance in the service delivery as a consequence of a lack of appropriateness of both the technology and the operating systems, which derive from organizational problems or related to the downward communication (Mauri, et al., 2013). Companies could have guidelines for performing service well and treating customers correctly but these do not mean high service quality performance is assured. Employees play an important role in assuring good service quality perception and their performance cannot be standardized. This affects the delivery of service which has an impact on the way customers perceive service quality (Daniel and Berinyuy, 2010).

Gap 4: Service delivery – external communications gap

Occurs when quality characteristics conveyed to customers through external communications; advertisements, personal selling, etc. do not match those of the service delivered. Basically, the firm promises a service which will not correspond to what actually will be delivered. Generally, this Gap is the result of inappropriate horizontal communication among divisions and inconsistent external communication (Mauri, et al., 2013). External communications can affect not only customer expectations of service but also customer perceptions of the delivered service. Companies can neglect to inform customers of special efforts to assure quality that are not visible to them and this could influence service quality perceptions by customers (Daniel and Berinyuy, 2010).

Gap 5: Expected Service – perceived service gap

From their study, it showed that the key to ensuring good service quality is meeting or exceeding what customers expect from the service and that judgment of high and low service quality depend on how customers perceive the actual performance in the context of what they expected (Daniel and Berinyuy, 2010).

According to this model, the firms that aim to remove the “Customer Gap” (Gap 5) have to strive for a reduction of the “Marketer Gap” from 1 to 4 (Mauri, et al., 2013).

2.6 Customer Expectations

It is important to understand and measure customer’s expectations in order to identify any gaps in delivering services with quality that could ensure satisfaction. Expectation is desires or wants of customers exactly what service providers show, offer and this is based on past experience and information received (Daniel and Berinyuy, 2010). There are five key factors those influence a customer’s expectations: previous experience; personal recommendation; personal needs; marketing communications; and the level of involvement in the purchase. Research suggests that the most important of these factors in shaping expectations are the customer’s past experience of the service and what other people say about it. Customers tend to complain less about services than products even though they are more likely to be dissatisfied with services. One reason why they do not complain as much comes from the active part that they play in specifying the service (Mudie and Pirrie, 2006).

2.7 Customer perceptions

Perceptions of customers are based solely on what they receive from the service encounter (Douglas & Connor, 2003). The customer’s total perception of a service is based on his/her perception of the outcome and the process; the outcome is either value added or quality and the process is the role undertaken by the customer (Edvardsson, 1998). Douglas & Connor (2003), emphasis that the customer who has developed heightened perception of quality has become more demanding and less tolerant of assumed shortfalls in service or product quality and identify the intangible elements (inseparability, heterogeneity and perishability) of a service as the critical determinants of service quality perceived by a customer. It is very vital to note here that, service

quality is not only assessed as the end results but also on how it is delivered during service process and its ultimate effect on customer's perceptions (Douglas & Connor, 2003).

2.8 Customer satisfaction

The most important concept of customer satisfaction is accepted all around the world is the expectancy disconfirmation theory. This theory was presented by Oliver in 1980, he presented that satisfaction stage is the resultant of distinction between anticipated and supposed performance. Satisfaction will be encouraging when the actual level of services or products is better than the anticipated (positive disconfirmation), whereas (negative disconfirmation) when the product or services level is lower than expected (Saleem & Raja, 2014)

Agbor, (2011) defined customer satisfaction as, customer satisfaction is identified by a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time (i.e. post-purchase, post consumption) (Daniel and Berinyuy, 2010).

Customer satisfaction is conceptualized as being transaction-specific meaning it is based on the customer's experience on a particular service encounter (Cronin & Taylor, 1992).

Concepts of customer satisfaction once customers are satisfied and have positive image about a particular firm, it will take some time for competitors to snatch or convince them and switch to their organization. Benefits derived by companies from customer satisfaction include repurchasing to increase sales or profits speak well about the products or services to others, as a result end up with loyal customers. Banks have different customers including individuals, groups, organizations, communities or nations which may have different interest but all of them need to be satisfied. So as a service giving industry, the banking service has to intensify its efforts to satisfy customers through the provision of quality services (Amoah-Mensah, 2010). The importance of customer satisfaction cannot be dismissed because happy customers are like free advertising (Mohsan et al., 2011).

Customer satisfaction plays especial role in highly competitive industries, where there is a tremendous difference between the loyalty of merely satisfied and completely satisfied or delighted customers. To improve its customer satisfaction levels, a company must first find out how satisfied or dissatisfied its current customers actually are (Lovelock and Wright, 1999).

Customers' satisfaction calls for the retention of customers for the long term, which is more economical than attracting new customers Reichheld and Kenny (1990). According to Oliver (1997), customer satisfaction is an evaluation by the customer, after buying goods and services. The most time-honored view of customer satisfaction in the academic world is that customer satisfaction is the judgment assumed out of the comparison of pre-purchase expectations with post-purchase evaluation of the product or service. Achieving customer focus requires leveraging existing customer information to gain deeper insight into the relationship a customer has with the institution, and improving customer service-related processes so that the services are quick, error free and convenient for the customers (Shah, 2012).

In fact, customer satisfaction is widely recognized as a key pressure in the formation of customers' future purchase intentions Taylor and Baker (1994). In today's highly competitive, increasingly consolidated world, offering personalized and differentiating services can be critical to a bank's success. It is a well-researched fact that investments in customer satisfaction, customer relationships and service quality leads to profitability and market share. Put differently, customer satisfaction leads to customer loyalty and this also leads to profitability. If customers are satisfied with a particular high quality service offering after its use, then they can be expected to engage in repeat purchase and even try line extensions and thus market share can be improved (Shah, 2012).

The following criteria are laid down by Liu, et al., (2008), for measuring the satisfaction level of customers regarding purchase and subsequent consumption of goods or services:

Satisfaction: The perception developed by the customers that the goods or services are acceptable or tolerable.

Content: The features of goods or services and the underlying benefits gives customer a positive consumption experience.

Relived: The alleviation of the negative state of customers' mind of by the goods or services provided.

Novelty: The goods or services bring freshness and excitement in customers.

Surprise: The amazement and unexpected pleasure brought to people by goods or services consumed.

Transaction-specific satisfaction is the customer's very own evaluation of his or her experience and reaction towards a particular service encounter. This reaction is expressed by the customer who experiences a product or service for the first time. Meanwhile, cumulative satisfaction refers to the customer's overall evaluation of the consumption experience an own accumulation of contacts with services provided them from day-to-day. It is from this accumulation that customers establish a personal standard which is used to gauge service quality (Munusamy et al., 2010).

2.8.1 Factors that Affect Customer Satisfaction

According to Daniel and Berinyuy, (2010), to find out whether customers were satisfied with a service or a product, considering status of the customer in respect to attributes of specific service is important for instance food preferences may depend on socio-demographic backgrounds and characteristics of a customer; computer users prioritize quality of the product, flexibility, reliability, priorities determination, security etc. nature of the computer. It has been identified that human needs, quality of services and products, the user friendly nature of product and services, and comfort assurance are some of the important determinants of customer satisfaction. Even though different customers require different levels and combinations of these variables, generally there are important factors that affect customer satisfaction. Matzler et al., (2002), went a step forward to classify factors that affect customers' satisfaction into three factor structures;

1. **Basic factors:** these are the minimum requirements that are required in a service to prevent the customer from being dissatisfied. They do not necessarily cause satisfaction but lead to dissatisfaction if absent. These are those factors that lead to the fulfillment of the basic requirement for which the service is rendered. These constitute the basic attributes of the product or service (Matzler et al., 2002).

2. **Performance factors:** these are the factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled. These include reliability and friendliness (Matzler et al., 2002).

3. **Excitement factors:** these are factors that increase customers' satisfaction if fulfilled but does not cause dissatisfaction if not fulfilled (Matzler et al., 2002).

2.8.2 The Importance of Customer Satisfaction

According to Nawaz, (2010), customers' satisfaction is the corner stone for relationship between marketing and management. It is the source of competitive advantage for organizations and there is also a positive relationship between customers' satisfaction and financial performance. Satisfied customers will also recommend others to use the service provider. It also provides many benefits for a firm, and higher levels of customer satisfaction lead to greater customer loyalty. In the long run, it is more profitable to keep good customers than to constantly attract and develop new customers to replace the ones who leave. Lovelock and Wright, (1999), accentuate that, highly satisfied customers spread positive word of mouth and in effect become a walking, talking advertisement for a firm, which lowers the cost of attracting new customers. High levels of customer satisfaction are an insurance policy against something going wrong. Long-term customers tend to be more forgiving in these situations, because an occasional bad experience will be offset by previous positive ones, and satisfied customers are less susceptible to competitors' offerings.

2.9 Relationship between Service Quality and Customer Satisfaction

Service quality has been described as a form of attitude, related but not equivalent to satisfaction that results from the comparison of expectations with performance. Quality had a long term impact on the satisfaction of customers. Service quality is viewed as impression of the customer about the relative inferiority/superiority of a service provider and its services. Customers' satisfaction and service quality are interlinked and these create value for customer and help him to make decision whether the service justifies the cost of the service. All elements of customer satisfaction have direct bearing on customers' satisfaction and value of service. There are two schools of thoughts regarding relationships between service quality and customer satisfaction: the first one says service quality is the antecedent of customer satisfaction and 2nd school of thought is of the view that customer satisfaction helps to develop perception of high quality. It is evident that in order to retain customers, customers should be satisfied through service quality (Nawaz, 2010). Most experts agree that customer satisfaction is a short-term measurement tool where as service quality is a long-term tool (Howcroft et al., 2002). Service quality is determined by the comparison made by the customers between their expectations and experiences (Gurau, 2002; Parasuraman et al., 1988). Zeithaml et al. (1996) also concluded in their research that

when organizations improve the quality of their services, customers' unfavorable intentions are decreased while favorable behavioral intentions are increased.

Parasurman et al., (1988) tried to relate customer satisfaction to service quality since what SERVQUAL model struggles to measure is attitude. They see customer satisfaction as transaction specific meaning customers get satisfied with a specific aspect of service while perceived service quality is a global judgment or attitude to a service. Negi, (2009) clearly points out that overall service quality is significantly associated with and contributes to the overall satisfaction of mobile subscribers. Customer satisfaction is based on the level of service quality delivered by the service providers (Saravanan & Rao, 2007). This shows that there is some link between service quality and customer satisfaction which highlights that importance of customer satisfaction when defining of quality (Wicks & Roethlein, 2009). These studies all confirm a relationship between service quality and customer satisfaction but according to (Asubonteng et al., 1996) there is no agreement on the exact kind of relationship between the two constructs and points out that most researchers agree that service quality and customer satisfaction have attributes that are measurable. This is why this research will use the SERVQUAL with its dimensions to measure service quality and customer satisfaction that relay on the conceptual framework, service quality leads to customer satisfaction.

Fen & Lian, (2005) found that both service quality and customer satisfaction have a positive effect on customer's re-patronage intentions showing that both service quality and customer satisfaction have a crucial role to play in the success and survival of any business in the competitive market. Daniel and Berinyuy, (2010), 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. The concept of service quality is linked to the concepts of perceptions and expectations. Service quality perceived by the customers is the result of comparing the expectations about the service they are going to receive and their perceptions of the baking's services (Lapierre et al, 1996). According to Zeithaml et al. (1998), the existence of a

relationship between service quality and customer retention at a higher level indicates that service quality has an impact on individual customer behavior, where superior service quality leads to favorable behavioral intentions (i.e. customer loyalty), and while unfavorable behavioral intentions are a consequence of inferior service quality.

Premium service quality is a key to gain a competitive advantage in services industry. The satisfaction level of customers is dependent on their perception of service quality and the trust in service provider (Ismail et al., 2006). By providing better quality services to customers, a firm revives the perception of customers about quality of services. Particularly in banking industry, premium service quality plays a pivotal role for customers in evaluating the performance of a service provider and is the key to gain customer satisfaction and customer loyalty. A bank can gain competitive advantage and build long term relationship with its customers by providing premium quality services. Several evidences found in literature establish that there is a significant correlation between service quality and customer satisfaction (Sureshchandar et al., 2002; Boulding et al., 1993; and Bitner, 1990, Khan & Fasih, 2014).

2.10 Banking and the Nature of Service

According to Gilmore, (2003), banking service activities are usually aimed at a mass audience with little differentiation of products evident in relation to the activities described below. The retail services product activities revolve around the provision of mortgages, personal loans, payment services and specific products such as children's accounts and student packages. Traditionally retail bank distribution was based upon the branch network and automatic teller machines (ATMs). Today the service can be delivered through telesales and web-based banking. Pricing aspects of retail services include fees and service charges for processing transactions. In order to reach a mass audience retail banks use mass communication to reach customers, sending the same advertising message to everyone, emphasizing the current package of financial products with the same logo and promotional details. Sales promotions are usually price-based or product-based, featuring generic products and using branch promotional literature. Publicity and sponsorship activities revolve around local and national events and sporting associations. Personal communication and sales activities often use a similar message and a message for the mass audience. Also for retail bank services the physical evidence dimension of the branch network – space, management of queues and ATMs – is important in the overall marketing

activity. Some banks have attempted to separate this dimension of service delivery for relationship and transaction customers. The service process is inherently linked with the physical evidence and the whole management of the service delivery will require careful integration of all the dimensions of marketing which are often encapsulated in the interactions with front-line staff. Therefore the people dimension in terms of managing staff and giving customers an effective and efficient service is vital.

In banking sector, it is very important to understand the factors leading to satisfaction, which will evidently lead to loyalty. The competition is increasing day-to-day regarding services in banking sector. It has been observed that Information Technology is replacing the human labor at a rapid rate. The home-based Internet banking might lead to strong relationships with customers because customer expectations have a tendency to change over time. In the same manner, service quality is another important issue while gaining customer satisfaction (Zafar et al., 2012). Maintaining service quality is extremely necessary in current and highly competitive banking sector. For this, bankers need to identify the attributes affecting customer satisfaction). If perceptions exceed expectations, the service provided by the banks will be considered excellent (Rahaman, et al., 2011).

In relation to the banking sector, (Van Iwaarden et al., 2003), categorizes services based on the five service quality dimensions Tangibility represents physical facilities, equipment and appearance of personnel. Examples of the tangible factor related to banks include comfortable store designs, up-to-date equipment for customer use and sufficient staff to provide service. These aspects are important for retail banks, because there are extensive face-to-face contacts between a customer and an employee. Therefore, maintaining a professional and comfortable environment can increase customer satisfaction. The next dimension is responsiveness, which represents the willingness to help customers and provide prompt service. This personal service aims to enhance customer satisfaction. Reliability means the ability to perform the promised service dependably and accurately. The major reason for customers to choose banks for investment funds is because of the dependability and reputation of banks. Banks always promise customers a high level of security during transactions. Banking service can increase customers' confidence and trust if employees are able to provide appropriate service to each customer. Assurance is the knowledge and courtesy of employees and their ability to inspire trust and

confidence. Bank commitments are important, as customers may save a large sum of money in banks. For complicated products such as insurance, funds, and margins, employees must provide a clear explanation of each product to customers, so that customers can feel confident about the services provided by banks. The final dimension is empathy, which represents the individualized attention that firms provide to its customers. Employees who show understanding of customer needs and are knowledgeable to solve customer problems are success factors for the service industry. Friendly customer service pleases customers when they walk into a bank. The purpose of this dimension is to retain customers to keep using the bank service (Van Iwaarden et al., 2003).

2.11 Customer Satisfaction in the Banking Industry

The interaction or the relationship between customers and service organizations induce perceptions' of customers' quality. The attitude of service provider can also serve as a quality indicator for customers. According to Owusu-Frimpong (1998), the reception attitude of workers is a key ingredient for giving customers a good impression about a bank and its service. The physical environment in terms of the infrastructure, the design and the general atmosphere are also considered by customers in assessing the quality of services of banks. Likewise the duration of the service delivery give a positive or a negative impression to customers. A short waiting time may give a good impression about the bank that its services are of quality or vice versa (Amoah-Mensah, 2010).

According to, Zeithaml and Bitner, (2000) customer satisfaction is conditional. For example, customer satisfaction with retail banking will be a broader concept and will certainly be influenced by perceptions of service quality but will also include perceptions of product quality (such as variety of deposit options available to customers), price of the products(i.e., charges charged by the bank or rates offered by the banks on various deposits), personal factors such as the customer's emotional state, and even uncontrollable situational factors such as weather conditions and experiences in conveying to and from the bank (Shah, 2012).

An element that strongly drove the satisfaction of customers in the banking sector was the cordiality factor related to the features of a bank and the attributes of its personnel. Rust and Zahorik (1993), Krishnan et al (1999) conducted various studies and put forward that satisfaction

with perceived product quality was the prime driver of overall customer satisfaction. Furthermore, their studies also found and recommended that the impact of service delivery factors varies considerably on customer satisfaction.

To further exemplify, they became aware of the fact that for customers who traded heavily and had high investable assets, the effect of an automated telephone service was elevated than that of the other drivers of satisfaction.

Johnston, (1997) suggested that satisfaction or dissatisfaction with retail banking did not arise from the same factors. To be more precise, some elements of service quality, if improved, enhance the satisfaction levels of the customers, while on the other hand, other elements may not improve satisfaction but simply function to keep dissatisfaction at bay or at best, reduce dissatisfaction alone. This line of accepted wisdom stems from the hygiene factors of Herzberg's motivation theory.

Reichheld and Sasser (1990) have recognized the benefits that customer satisfaction provides by the retention of bank customers. They advocated that the longer a customer stays with a bank, the more utility the customer generates. This is based on a number of factors that relate to the amount of time a customer spends with a bank. These included a high preliminary cost of introducing and attracting a new customer, increase in both the value and amount of purchases, the customer's better understanding of the bank, and positive word-of-mouth promotion (Shah, 2012).

In the competitive business market, many firms are focusing on their efforts on maintaining a loyal customer base. Most of the retail banks set their strategies towards increasing satisfaction and loyalty of customers through the quality of service. Customers perceive very little difference in the services offered by retail banks and any new offering is quickly matched by competitors (Siddiqi, 2011).

As the competition increases banks begin to offer products and services that differ from one another. Besides that, the quality of service and customer satisfaction is an obligation. Due to the high level of competition in the banking market, many banks losing existing customers to their rivals as a result of successful attempts to attract customers away. However, the inability of

banks to retain customers highlights the factors that result in customer defection, affecting the bank's ability to increase future growth of business. At the same time, dissatisfaction drives customers away and is a key factor in switching behavior. In this situation, customer satisfaction has been regarded as a fundamental determinant in maintaining long-term customer relationship behaviors. (Mohsan et al., 2011). Therefore, enhancing customer satisfaction should be a key driver for banks in maintaining a long term relationship with their customers. In the banking industry, a key element of customer satisfaction is the nature of the relationship between the customer and the provider of the products and services i.e. banks. Thus, both product and service quality are commonly noted as a critical prerequisite for satisfying and retaining valued customers (Mohsan et al., 2011).

On the other hand customers place more emphasis on factors like a bank's reputation, friendliness of bank personnel, convenient location, 24/7 ATM, and availability of parking space in selecting their banks (Mohsan et al., 2011). Therefore, bank management has to identify and improve upon factors that can increase customer value. Although, it is apparent that for superior service, it is not sufficient to only focus on satisfying customers, as customers switched their financial institutions because of service quality problems and failures (Gerrard, & Cunningham, 1997; Mohsan et al., 2011). And stop the use of a financial service provider because of poor service performance (Allred, & Addams, 2000). This attitude is a significant factor, which influences customer intention to engage in positive or negative behavior decisions. Consequently, satisfaction is a necessary prerequisite for building long term customer relationships and likely to increase loyalty (Anthanassopoulos, et al., 2001; Mohsan et al., 2011).

Tangibles and Customer Satisfaction

Kahn and Fasih, (2014) found that banks with better ambience enhance customer satisfaction in a better way. Combining tangible and intangible attributes of premium quality in products and services provided by banks may create a strong and long-term relationship with their customers. This service quality dimension comprises of bank ambience, service equipment, human resources (staff) and the means of communication. In simple words tangibles are about creating foremost impressions. All organizations desire that their customers get an exceptional and positive foremost impression. Focusing on this particular dimension will help them to gain maximum benefit. Ladhari et al., (2011) concisely explain the idea of tangibles role in banking

sector. Service quality is key tool to achieve customer's attention. Varying behaviors and attitudes of customers demand high service quality to attain their perception of service. Service quality has linear relationship with success and profitability of business Banking industry mostly follows identical office ambience setups and installs similar service equipment all over the globe to maintain a standard. But adapting according to cultural needs of particular areas up to some extent will make customers feel more comfortable and loyal (Khan and Fasih, 2014).

Reliability and Customer Satisfaction

The association between dimensions of service quality and customer satisfaction was investigated by (Khan and Fasih, 2014). They found a significant relationship between reliability of services on the satisfaction level of customers. The literature reveals an increased degree of positive relationship between service quality, customer satisfaction and performance (both financial and non-financial) where face-to-face dealing between customer and employee is the only focus. Technology expansion has had a great impact on the choice of service delivery standard and services marketing strategies. This has yielded many prospective competitive advantages including augmenting of productivity and enhanced revenue creation from new services (Khan and Fasih, 2014; Mueyed, 2012).

Assurance and Customer Satisfaction

Assurance has been identified as a significant dimension of service quality by Parasuraman et al. (1988). They propose that all of these dimensions significantly enhance customer satisfaction. It is believed that if the employees of financial institutions display trustworthy behavior, the satisfaction level of customers can be enhanced significantly. It may also positively influence repurchase intension of customers (Ndubisi, 2006; and Ndubisi & Wah, 2005; Khan and Fasih, 2014).

Empathy and Customer Satisfaction

A positive and significant relationship is found between empathy and customer satisfaction by Iglesias and Guillen (2004). It was proposed, that customers may remain unsatisfied with service quality if a gap is left in empathy. It was also established by Khan and Fasih, (2014) that customer satisfaction is significantly impacted by empathy. It makes customers contended and in the long-run serves as an important predictor in improving the financial performance of the

organization. Wieseke et al. (2012) empirically investigated the role of empathy in service quality and its impact on customer satisfaction. It was established that customers treated emphatically are more often visitors and forgive mistakes that may occur. Empathy creates an emotional relationship with customer, providing customer a touch of importance for business. This leads to retention and creation of new customer's pool. Empathy can play role in improvement of service quality, customer loyalty and finally satisfaction. Empathy works as a moderator between quality and customer satisfaction. Empathy can change the behavior of customer ultimately (Khan and Fasih, 2014; Wieseke et al. 2012).

Many researchers have done their own study on the relationships between service quality and customer satisfaction using SERVQUAL model on banking and other service giving organizations in different countries from them the articles listed in the following table are some of the researches which are the most recent and related with this study.

2.12 Empirical Review

Researchers have shown the positive relationship between service quality dimensions with customer satisfaction in their own studies. According to this study the dimensions that will be considered are depicted with customer satisfaction as follows:

Table 2.1: Empirical Studies in the banking industry using SERVQUAL model

Author & Year	Title	Country	Findings
Khan & Fasih (2014)	Impact of Service Quality on Customer Satisfaction and Customer Loyalty: Evidence from Banking Sector	Pakistan	-Service quality is an excellent technique for enhancing customers' satisfaction level and loyalty. Findings indicate that service quality and all its dimensions have significant and positive association with satisfaction and loyalty of customers towards their respective financial service providing organizations.
Nimako et al. (2013)	Effect of Internet Banking Service Quality on Customer Satisfaction	Ghana	-Within Ghanaian banking industry, web design factors significantly influences Customer Satisfaction and that the rest of the Internet Banking Service Quality identified in the literature may not significantly linked to Customer Satisfaction in the research context.
Lau et al. (2013)	Measuring Service Quality in the Banking Industry: A Hong Kong Based Study	China	-SERVQUAL is a suitable instrument for measuring service quality in the retail banking sectors in Hong Kong. Hence, banking industry practitioners can consider this instrument as a tool to assess and help improve their service quality.
Zafar et al. (2012)	Service Quality, Customer Satisfaction and Loyalty: An Empirical Analysis of Banking Sector in Pakistan	Pakistan	-Service quality constructs and customer satisfaction are very important and there is positive and significant relationship between these variables it means the change of one point of each construct of service quality will have effect on the customer satisfaction.

Aghdaie & Faghani (2012)	Mobile Banking Service Quality and Customer Satisfaction	Iran	-Increase in service quality of the mobile banking can satisfy and develop customer satisfaction that ultimately retains valued customers.
Siddiqi (2011)	Interrelations between Service Quality Attributes, Customer Satisfaction and Customer Loyalty in the Retail Banking Sector in	Bangladesh	-SERVQUAL [service quality model] is a suitable instrument for measuring the bank service quality and also all the service quality attributes correlated positively with customer satisfaction.
Agbor (2011)	The Relationship between Customer Satisfaction and Service Quality: a study of three Service sectors in Umea	Sweden	-Service quality was significantly related to customer satisfaction but its dimensions are not the only factors that could lead to customer satisfaction in service sectors and service quality dimensions vary in the different service sectors.
Lau et al. (2013)	Measuring Service Quality in the Banking Industry: A Hong Kong Based Study	China	-SERVQUAL is a suitable instrument for measuring service quality in the retail banking sectors in Hong Kong. Hence, banking industry practitioners can consider this instrument as a tool to assess and help improve their service quality.
Ramseook-Munhurrun (2010)	Service Quality In The Public Service	Mauritius	-SERVQUAL instrument, in this study was able to help to identify important areas for improvement in public organization service delivery and also to exceed customer expectations, it is necessary for even a public sector organization to continually improve the quality of service provided to its customers.

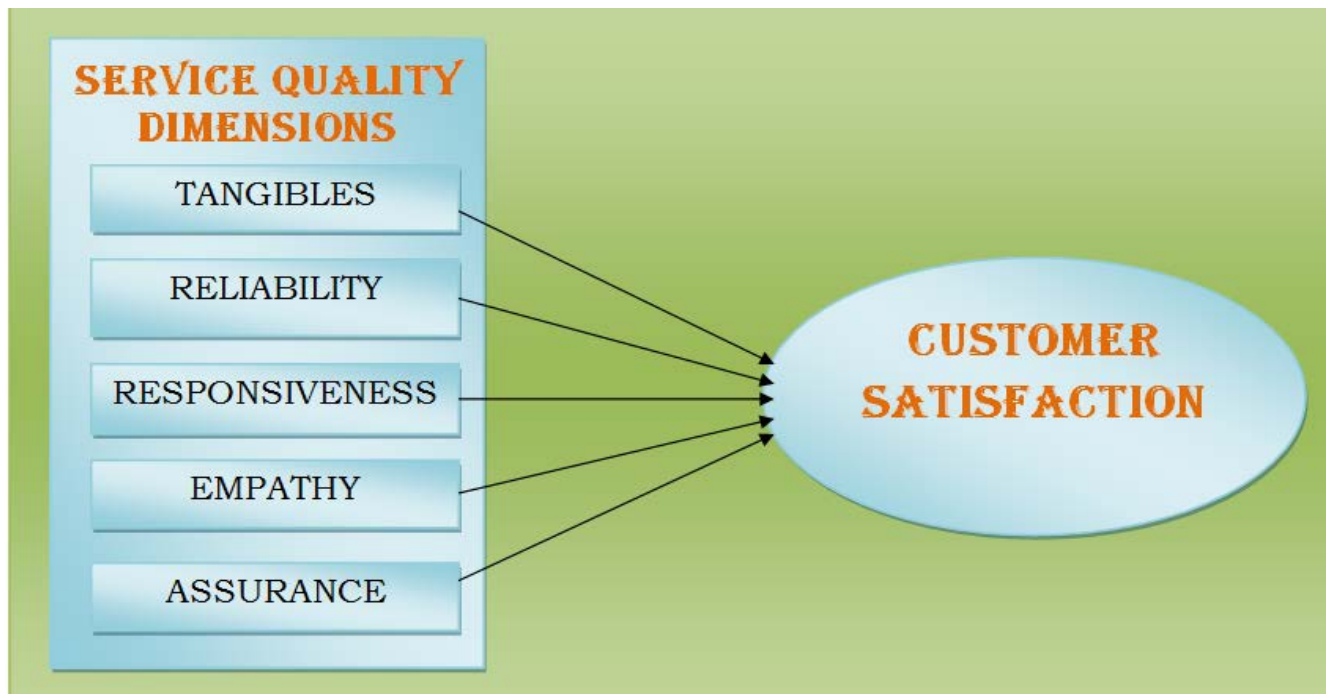
Munusamy et al. (2010)	Service Quality Delivery and Its Impact on Customer Satisfaction in the Banking Sector	Malaysia	The result of this study has proven that SERVQUAL model is still the effective model to measure customer satisfaction in the retail banking.
Daniel & Berinyuy (2010)	Using the SERVQUAL Model to assess Service Quality and Customer Satisfaction.	Sweden	-Grocery stores have to improve performance on all the dimensions of service quality in order to increase customer satisfaction since customers expect more than what is been offered by these stores.
Naik et al (2010)	Service Quality and its Effect on Customer Satisfaction in Retailing	India	-Services offered by retail units have positive impact and are significant in building customer satisfaction and also Service Quality dimensions are crucial for customer satisfaction
Naeem & Saif (2009)	Service Quality And Its Impact On Customer Satisfaction: An Empirical Evidence	Pakistan	-Service quality, if managed effectively, can contribute significantly towards customer satisfaction.
Shahin (n.d) but (>2004)	SERVQUAL and Model of Service	India	-Organizations can at least assess five dimensions of service quality to ascertain the level of services provided, and to determine which dimensions need improvement.
Zhou et al. (2002)	A Critical Assessment of Servqual'S Applicability in the Banking Context of China	China	-The findings support SERVQUAL in terms of its role in exploring specific customer perceptions and expectations of service quality, and the gap between the two.

* Model used SERVQUAL model.

2.13 Conceptual framework

The conceptual framework explains (Figure 1) the underlying process, which is applied to guide the study. As it is tried to explain, the SERVQUAL model is appropriate for measuring service quality and customer satisfaction in banking services using the service quality dimensions.

Figure 2.2: Conceptual Framework showing the relationship between Service quality dimensions and customer satisfaction.



Source: Parasuraman, (2004)

The study used service quality dimensions that are (TANGIBLES, RELIABILITY, RESPONSIVENESS, ASSURANCE, and EMPATHY) to measure the effect of service quality on customer satisfaction. Therefore, based on the revision made by Parasuraman, (2004) on the SERVQUAL model, the research adopted the 22-items, in order to answer the research questions. Also, the five dimension of SERVQUAL model has been proven to be the main yardstick used by most of the researchers in the evaluation of service quality (Agbor, 2011). Moreover, the SERVQUAL model has been proven to be the best model to measure service quality in service sectors especially with the customer perspective. Also, it has been stated that service quality is the overall assessment of a service by the customers (Eshghi et al., 2008).

CHAPTER THREE

RESEARCH DESIGN AND METHODS

3.1 Research Design

A research design provides a framework for the collection and analysis of data. There are five different types of research designs: experimental design; cross-sectional or social survey design; longitudinal design; case study design; and comparative design. Cross-sectional design which was used for this study entails the collection of data on more than one case and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables which are then examined to detect patterns of association. This design considered more than one case because it was interested in the association between cases, at a single point in time meaning data were collected on variables simultaneously (Bryman & Bell, 2007). This research is a descriptive study. A descriptive study is aimed to establish associations between variables and to create an accurate profile of persons, events, or situations (Agbor, 2011).

This design is selected because a lot of research works have been done on subjects that relate to this topic, service quality and customer satisfaction. It enables to identify and categorize the variables which eases the design of questionnaires such that they can capture all the data that are important from the respondents. The respondents were enquired to find out their expectation and perceptions of service quality in banking service experiences based on the dimensions of the SERVQUAL model. This allowed to assess how the respondents perceived service quality in banks in a quantitative way and thereby made conclusions by evaluating their gap score means. To know how customers perceived service quality, it was appropriate to use self completed questionnaire which gave the respondents a chance to independently and anonymously give answers that reflect their expectations and perceptions. This questionnaire was developed from the SERVQUAL model.

3.2 Data Source

Data can be obtained from existing sources or from surveys and experimental studies designed to collect new data (Anderson et al., 2011). The data sources used in this study were primary and secondary data sources. Primary data was used to collect responses of customers by

administering five point likert scale questioner and secondary data source was used to collect data from different sources that includes mainly past studies, books, journals, articles, published literatures that could support the study from empirical & conceptual backgrounds.

3.3 Population & Sample Size

This study was conducted in Addis Ababa so the population of the study could be customers of CBE found in Addis Ababa city but due to online connection of many of the branches found in the country, customers of the bank throughout the country can get services in any branch of the bank in the city because of this underlined reason it was difficult to determine the size of the population for this study. According Buglear (2003), when it is difficult to determine sample size, maximizing $P(1-P)$, where p is population proportion can yield the safest sample size using the following expression. By taking this into consideration making sample proportion $p=0.5$ to can maximize $P(1-P)$, then;

$$\text{Error} = z_{\alpha/2} \times \sqrt{\frac{p(1-p)}{n}}$$

Based on this assumption the expression for the sample size n is;

$$n = \left(\frac{z_{\alpha/2}}{2 \times \text{error}} \right)^2$$

Therefore, for the purpose of this study the 5 percent of the population proportion with a 95 percent degree of confidence the sample size was calculated as follows:

At 95% degree of confidence, $Z_{\alpha/2}=1.96$

Error=0.05

For the error to be 5 per cent:

$$n = \left(\frac{1.96}{2 \times 0.05} \right)^2 = 19.6^2 = 384.16$$

This has to be rounded up to 385 to be on the safe side so a sample size of 385 has been used. And also, according to Molina, A. et al., (2007), when the population is large in number, a sample size greater than 200 is required to assure appropriate use of maximum likelihood estimation, to generate valid measures and to avoid the deviation of inaccurate inferences. So to include all area of the city, three branches from each district, was included in the sample and a total of 385 customers of the bank was the sample size of the study.

3.4 Sampling Technique

Sampling techniques provide a range of methods that enable one to reduce the amount of data needed for a study by considering only data from a sub-group rather than all possible elements (Saunders et al., 2009). Probability sampling technique, i.e. systematic random sampling and to make sure that each district was represented in the sample quota sampling were used by virtue of its appropriateness to involve customers of CBE in the four districts of Addis Ababa city branches. Including these four districts was helpful to have representative sample for the study in the city.

Commercial Bank of Ethiopia categorizes its branches from grade 1 to 4 from smaller to larger respectively; based on the number of customers they serve. Because of this, the study included samples from grade 4, 3 & 2 branches. The reason why grade 1 branch was not included was that, there is only 1 grade one branch in Addis Ababa that gives unique service to its respective customers. So to have representative samples not only from each district but also from each grade i.e. from grade 4(Andinet Branch, Arat Killo Branch, Nefas Silk Branch and Addis Ketema); from grade 3(Airport Branch, Mehal Ketema, Branch, Kolfe Branch, and Yosef Branch) and from grade 2(Haile G/Silassie Branch, Sidist Killo Branch, Alem Bank Branch and Gotera Branch) from East, North, West and South Addis Ababa Districts respectively. As the result by using this sampling technique each district and each grade branches were included in the study that is why systematic random sampling and quota sampling techniques were used. The following table shows the sample size distributed in each branch.

Table 3.1: Sample size allocation and distribution in each branch

Branch	Sample Size	District	Branch Grade
Andinet	40	East	4
Arat Killo	40	North	
Addis Ketema	40	West	
Nefas Silk	40	South	
Airport	30	East	3
Mehal Ketema	30	North	
Kolfe	30	West	
Yosef	30	South	
Haile G/Silassie	30	East	2
Sidist Killo	25	North	
Alem Bank	25	West	
Gotera	25	South	

3.5 Data Collection Tools

Data capture instrument is the item used to collect data for a research project (Agbor, 2011). This could be a questionnaire or a personal interview. In this case, data were collected from primary sources using questionnaire that was distributed to customers of the bank during the data collection time. The questionnaire developed was 5 point likert scale rating from 1 (strongly disagree) to 5 (strongly agree), by using the statements developed by Parasuraman et al., (1988). The original 22 SERVQUAL data collection statements based on the five dimensions was not changed but it was rephrased and localized using Amharic language and to measure the level of customer satisfaction additional three questions were used. SERVQUAL model was used as the basis for the structured questionnaire because it provides information for research questions in which the study tried to know how customers perceived service quality in banking service by assessing the difference between the expectation and perception of services experienced by customers.

3.6 Validity & Reliability

The exactness with which things are measured in a study is expressed in terms of validity and reliability (Hopkins, 2001). These two are related because if a measure is valid then it is reliable. (Bryman & Bell, 2003) According to Agresti & Finlay (2009) a measure should have both validity and reliability. That is describing what is intended to measure and accurately reflecting the concept; being consistent in the sense that a subject will give the same response when asked again. Reliability differs from validity in that it relates not to what should be measured, but instead to how it is measured.

3.6.1 Reliability

Reliability refers to the extent to which the data collection techniques or analysis procedure will yield consistent findings (Saunders et al., 2009, Bryman & Bell 2003). According to Agbor, (2011) many latest researches' literature review on the relationship between customer satisfaction and service quality illustrate that there is a relationship between customer satisfaction and service quality and also this relationship could be evaluated with the use of SERVQUAL model. To check the internal reliability of results, the credibility of multiple-item measure, the SERVQUAL model dimensions are assessed using Cronbach's alpha that ranges between 0 (no internal reliability) and 1 (perfect internal reliability), whether it measures service quality in a context. Hence, the reliability value for any study should be substantial enough, for the fact that the highest the reliability the stronger the acceptability of the model. In other words reliability checks whether or not respondents' scores on any one indicator tend to be related to their scores on the other indicators (Bryman & Bell, 2007). Based on this premises, this scale was tested for reliability with the use of five independent samples in five different service industries. The variables proved to be very reliable and displayed very low levels of correlation between each other in the five independent samples. This qualifies them as independent or linear factors that can be used to assess service quality (Parasuraman et al., 1988). However, to determine the reliability of the model in this specific study, the 25 questions were tested generally and in each category and the results are depicted and explained as follows:

The internal consistency of the SERVQUAL items was assessed by computing the total reliability scale. The total reliability scale for the study is 0.95, indicating an overall reliability

factor somewhat greater than from Parasuraman et al., (1988) study which was 0.92. This reliability value for this study is substantial considering the fact that the highest reliability that can be obtained is 1.0 and this is an indication that the items of the dimensions of SERVQUAL model were accepted for analysis.

Table below shows the reliability scale for all dimensions and also, the reliability scale for each dimension calculated when each item is deleted from the dimension in order to see if the deleted item is genuine or not. In case cronbach's alpha for a dimension increases when an item is deleted it shows that item is not genuine in that dimension. From table above, it can be realized almost all the items showed a lower value of reliability when deleted except TA1 and RL8 which are higher by 0.001 and 0.002 values respectively. However, the values are insignificant to say it is not a genuine measure under that dimension.

Looking at the reliability coefficients of all dimensions on table, all dimensions have coefficients greater than 0.7, meaning these dimensions comprising of various items show a true measure of service quality.

Table 3.2: Reliability Coefficient (Cronbach's alphas)

Dimensions	Number of items	Cronbach's Alpha for Dimensions	Cronbach's Alpha if Item Deleted for Dimensions	Total Cronbach's Alpha if Item Deleted	Items
Tangibles	4	0.768	0.769	0.952	TA1
			0.650	0.949	TA2
			0.721	0.949	TA3
			0.694	0.950	TA4
Reliability	5	0.806	0.783	0.949	RL5
			0.736	0.949	RL6
			0.740	0.948	RL7
			0.808	0.950	RL8
			0.767	0.948	RL9
Responsiveness	4	0.875	0.860	0.948	RS10
			0.836	0.948	RS11
			0.832	0.947	RS12
			0.828	0.948	RS13
Assurance	4	0.841	0.765	0.947	AS14
			0.761	0.948	AS15
			0.816	0.948	AS16
			0.841	0.949	AS17
Empathy	5	0.840	0.826	0.949	EM18
			0.817	0.949	EM19
			0.801	0.948	EM20
			0.815	0.948	EM21
			0.777	0.947	EM22
Reliability Coefficient (Cronbach's alphas) for Satisfaction					
Satisfaction	3	0.704	0.610	0.949	SAT1
			0.564	0.949	SAT2
			0.662	0.950	SAT3

3.6.2 Validity

Validity represents how well a variable measures what it is supposed to measure (Agbor, 2011). It is concerned how well the concept is defined by the measure(s) and whether the findings are really about what they appear to be (Saunders et al., 2009). To maintain the validity of this study the data collection questioner was developed based on literatures and pre-tested before it was actually applied for the study and the result was helpful to rephrase few items.

3.7 Methods of Data Analysis

Research data can be seen as the fruit of researchers' effort. If a study has been conducted in a scientifically rigorous manner, the data will hold the clues necessary to answer the researchers' questions. To unlock these clues, researchers typically rely on a variety of statistical procedures. These statistical procedures allow researchers to describe groups of individuals and events, examine the relationships between different variables, measure differences between groups and conditions, and examine and generalize results obtained from a sample back to the population from which the sample was drawn. Data analysis can help a researcher to interpret data for the purpose of providing meaningful insights about the problem being examined. Descriptive statistics allow the researcher to describe the data and examine relationships between variables (Marczyk, et al., 2005). Using the SERVQUAL model, gaps in customers' expectation & perception of the banking service was analyzed using descriptive analysis. After the collection of appropriate data, it was analyzed quantitatively by using quantitative statistical tools and methods, which are broader in scope and user friendly. From those tools SPSS21 was used in this study. Descriptive statistical analysis methods mainly involving the mean, was used in the data analysis. Also to measure the relationship and effect between service quality dimensions and customer satisfaction i.e. to test hypotheses coefficient of correlation and regression were employed in the method of data analysis.

Coding

In order to ease the analysis of data collected different characteristics or variables are coded as follows.

Demographic information was collected from respondents and these variables have to be coded for analysis.

Demographics (DM)

DM1 Gender (1= female, 2= male)

DM2 Age (1=below 20 years, 2=from 21-30 years, 3=from 31- 40 years, 4=above 41 years)

DM3 Educational Level (1=Below High school, 2=High school, 3= Diploma, 4=First Degree, 5=Above First Degree)

DM4 Years with Commercial Bank of Ethiopia (1=below 2 years, 2= from 2-5 years, 3=from 6-10 years, 4=above 10 years)

The SERVQUAL dimensions are main variables used in this study and dimensions were coded in order to ease the analysis of data collected.

SERVQUAL Dimensions/Items

Tangibles (TA)

TA1 Commercial Bank of Ethiopia has up-to-date equipments.

TA2 Physical facilities (tables, counters, chairs, computers, lights) of Commercial Bank of Ethiopia are visually appealing.

TA3 Employees of Commercial Bank of Ethiopia are well dressed and appear neat.

TA4 Physical environment of Commercial Bank of Ethiopia is clean.

Reliability (RL)

RL5 When Commercial Bank of Ethiopia promises to do something by a certain time, it does.

RL6 When a customer has a problem, employees of Commercial Bank of Ethiopia show a sincere interest in solving it.

RL7 Commercial Bank of Ethiopia performs the service right the first time.

RL8 Commercial Bank of Ethiopia provides the service at the time they promised to do so.

RL9 Commercial Bank of Ethiopia keeps customers records accurately

Responsiveness (RS)

RS10 Employees make information easily obtainable by customers.

RS11 Employees give prompt services to customers.

RS12 Employees are always willing to help customers.

RS13 Employees are never too busy to respond to customers requests.

Assurance (AS)

AS14 The behavior of employees instill confidence in customers

AS15 Customers feel safe in their transactions with the employees

AS16 Employees are polite to customers.

AS17 Employees have knowledge to answer customers' questions.

Empathy (EM)

EM18 Employees of Commercial Bank of Ethiopia gives individual attention for their customers.

EM19 Commercial Bank of Ethiopia's operating hours is convenient to all customers.

EM20 Employees of the bank give customers personal service.

EM21 Commercial Bank of Ethiopia has their customers' best interest at heart.

EM22 The employees of Commercial Bank of Ethiopia understand the specific need of their customers.

SAT1 You are satisfied with staffs response and prompt services provided

SAT2 You are satisfied with the skill and competency of the employees

SAT3 You are satisfied with overall banking service of Commercial Bank of Ethiopia.

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

RL- Average gap score for reliability items = $(RL5+RL6+RL7+RL8+RL9)/5$

RS- Average gap score for responsiveness items = $(RS10+RS11+RS12+RS13)/4$

AS- Average gap score for assurance items = $(AS14+AS15+AS16+AS17)/4$

EM- Average gap score for empathy items = $(EM18+EM19+EM20+EM21+EM22)/5$

OSQ- Overall service quality = $(TA+RL+RS+AS+EM)/5$

3.8 Ethical Consideration

First and foremost, the researcher has an obligation to respect the rights, needs, values, and desires of the informant(s). Ethical behavior is something we should strive for in all that we do. Ethical issues arise in statistics because of the important role statistics plays in the collection, analysis, presentation, and interpretation of data. In a statistical study, unethical behavior can take a variety of forms including improper sampling, inappropriate analysis of the data, development of misleading graphs, use of inappropriate summary statistics, and/or a biased interpretation of the statistical results (Anderson et al., 2011).

Any information gathered from any individual was treated confidentially without disclosing the respondents' identity. The study was done in an open minded manner and attitudes were expressed as they were. Nothing was modified and changed. Hence information going to be collected was presented as they were and literatures gathered for the purpose of this study are appreciated in the reference list.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

In this chapter the data collected from respondents has been analyzed and interpreted. The objective of the analysis of primary data collected from survey was to answer the research questions which include finding out whether there is positive effect relationship between service quality dimensions and customer satisfaction and also whether there is gap between customer expectation and perception in Commercial Bank of Ethiopia. The data analysis for this study was done in two steps, the preliminary analysis and the main analysis. In preliminary analysis which involved mainly descriptive statistics to summarize the demographic characteristics of the respondents in order to simplify the understanding of the data and in the main or the second analysis involved the gap score analysis between customers' perception and expectation whereby descriptive statistics were applied to summarize means of perceptions and expectations of customers in services rendered by Commercial Bank of Ethiopia and test the hypotheses based on the variables, service quality dimensions and customer satisfaction by using correlation and regression statistical instruments.

The primary data was collected from customers of CBE in different branches and to get representative data 385 questioners were prepared and distributed for customers in different branches of the bank out of which 290 responses which is 75.3% response rate were obtained then the data was entered and analyzed using SPSS 21.

4.2 Demographic characteristics of the respondents

The demographic profile of the respondents including gender, age, education level and years of service relationship with CBE are described as follows:

Table 4.1: Respondents demographic character

		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Female	139	47.9	47.9	47.9
	Male	151	52.1	52.1	100.0
	Total	290	100.0	100.0	
Age	Below 20 years	47	16.2	16.2	16.2
	From 21-30 years	212	73.1	73.1	89.3
	From 31-40 years	24	8.3	8.3	97.6
	Above 41 years	7	2.4	2.4	100.0
	Total	290	100.0	100.0	
Educational Level	Below High school	31	10.7	10.7	10.7
	High school	77	26.6	26.6	37.2
	Diploma	63	21.7	21.7	59.0
	First Degree	98	33.8	33.8	92.8
	Above First Degree	21	7.2	7.2	100.0
	Total	290	100.0	100.0	
For how many years are you customer of Commercial Bank of Ethiopia?	Below 2 years	86	29.7	29.7	29.7
	From 2-5 years	158	54.5	54.5	84.1
	From 6-10 years	27	9.3	9.3	93.4
	Above 10 years	19	6.6	6.6	100.0
	Total	290	100.0	100.0	

Source: Own survey, April 2015

As it is shown in the above table; females were 47.9% while males were 52.1% slightly higher than females.

The age of respondents between 21 and 30 years were 73.1%; followed by below 20 years contributing 16.2% and the others were 8.3% and 2.4% which were between 31 and 40 years and above 41 years respectively.

The education level of respondents were first degree holders forming 33.8%; followed by customers who have completed high school 26.7%; respondents who have college diploma

contribute 21.7%; those who were below formed 10.7% and the other 7.2% were above first degree.

When respondents' service time relationship with CBE is considered 54.5% were between 2 and 5 years; 29.7% were below 2 years; 9.3% were from 6-10 years and 6.6% were above 10 years.

4.3 Service Quality Dimensions Analysis

According to Parasuraman et. al., (1998), SERVQUAL score is calculated by subtracting expectation from perception. Expectations and perceptions were both measured using the 5-point likert scale whereby the higher numbers indicate higher level of expectation or perception. In general, customers' expectation exceeded the perceived level of service shown by the perception scores. This resulted in a negative gap score (Perception – Expectation). According to Parasuraman et al., (1988) it is however common for customers' expectation to exceed the actual service perceived and this signifies that there is always need for improvement. Specifically the gaps between each service quality dimensions and item is discussed as follows using descriptive statistics.

Table 4.2: Gaps between expectation and perception of Tangibles (TA) Attributes

Service Quality Attributes	Code	N	Perception Mean	Expectation Mean	Gap Score (P-E)
Commercial Bank of Ethiopia branches has up-to-date equipments	TA1	290	3.46	4.67	-1.21
Physical facilities (tables, counters, chairs, computers, lights) of Commercial Bank of Ethiopia are visually appealing	TA2	290	3.23	4.25	-1.02
Employees of Commercial Bank of Ethiopia are well dressed and appear neat.	TA3	290	3.90	4.39	-0.49
The physical environment of the Commercial Bank of Ethiopia is clean	TA4	290	3.35	4.43	-1.08
Average Mean		290	3.49	4.43	-0.93

Source: Own survey, April 2015

The tangibility dimension is concerned about the nature and appearance of materials, environment and employees of a servicecape. As table 4.2 depicts, tangibles have an average score of (-0.93) that shows the clear higher expectation of customers in Commercial Bank of Ethiopia. This implies that, the up-to-date nature of equipments, visually appealing atmosphere look of branches, the dressing and neat appearance of employees and the cleanness of branches do not meet customers' expectation which indicates the expectation of customers exceeds perception in average by this score. Specifically, the up to date nature of CBE equipments need to be take into consideration because it has a gap of (-1.21) which is greater than other attributes of tangibility. However, the dressing appearance of employees gap shows (-0.49) relatively lower than other tangible attributes even though it has to be improved.

Table 4.3: Gaps between expectation and perception of Reliability (RL) Attributes

Service Quality Attributes	Code	N	Perception Mean	Expectation Mean	Gap Score (P-E)
When Commercial Bank of Ethiopia promises to do something by a certain time, it does.	RL5	290	3.62	4.58	-0.96
When a customer has a problem, employees of Commercial Bank of Ethiopia show a sincere interest in solving it.	RL6	290	3.14	4.56	-1.42
Commercial Bank of Ethiopia performs the service right the first time.	RL7	290	3.27	4.53	-1.27
Commercial Bank of Ethiopia provides the service at the time they promised to do so.	RL8	290	3.60	4.65	-1.05
Commercial Bank of Ethiopia keeps customers records accurately	RL9	290	3.66	4.69	-1.03
Average Mean			3.46	4.60	-1.09

Source: Own survey, April 2015

Promises to do something accordingly, sincere interest in solving customers' problem, doing the service right the first time as soon as a customer comes, doing the service at the time promised to do so and keeping customers records accurately are reliability attributes. The average mean gap score for this dimension is (-1.09) which implies that customers are not satisfied with the quality of services as depicted by table 4.3. Here, all attributes gap score value is wider than (-1) except the gap result of sincere interest of employees to solve customers' problem which is (-0.96). So based on these findings customers dissatisfaction is higher in all attributes of reliability dimension. Particularly, employees' sincere interest in solving customers' problem is the highest gap score that becomes the higher source of dissatisfaction.

Table 4.4: Gaps between expectation and perception of Responsiveness (RS) Attributes

Service Quality Attributes	Code	N	Perception Mean	Expectation Mean	Gap Score (P-E)
Employees of Commercial Bank of Ethiopia make information easily obtainable by customers	RS10	290	3.66	4.59	-0.93
Employees of Commercial Bank of Ethiopia give prompt service to customers.	RS11	290	3.54	4.65	-1.11
In Commercial Bank of Ethiopia employees are always willing to help customers.	RS12	290	3.79	4.59	-0.81
Employees of Commercial Bank of Ethiopia are never too busy to respond to customers requests.	RS13	290	3.54	4.53	-0.99
Average Mean		290	3.49	4.43	-0.95

Source: Own survey, April 2015

Averagely customers are unsatisfied with; making information easily obtainable by customers, giving prompt service to customers, willing to help customers and never too busy to respond to customers requests of services offered by Commercial Bank of Ethiopia as they have a gap of (-0.95) for this dimension. This implies that the bank service provision based on responsiveness dimensions attributes do not comply with customers' expectation as the result customers dissatisfaction occurred. Especially, giving prompt service to customers' gap score is (-1.11) which is wider than other attributes of responsiveness and customers are more dissatisfied by this attribute than the other and also the smallest gap score is willing to help customers (-0.81) but it also contributes its share to customers to be dissatisfied.

Table 4.5: Gaps between expectation and perception of Assurance (AS) Attributes

Service Quality Attributes	Code	N	Perception Mean	Expectation Mean	Gap Score (P-E)
The behavior of employees of Commercial Bank of Ethiopia instill confidence in customers	AS14	290.00	3.79	4.59	-0.80
Customers feel safe in their transactions with employees of the Commercial Bank of Ethiopia.	AS15	290.00	3.69	4.47	-0.79
Employees of the bank are polite in communications with customers.	AS16	290.00	3.80	4.66	-0.86
Employees of Commercial Bank of Ethiopia have the knowledge to answer customers' requests.	AS17	290.00	3.61	4.69	-1.08
Average Mean		290.00	3.72	4.60	-0.88

Source: Own survey, April 2015

In table 4.5, the assurance dimension refers to instill confidence in customers, safe feelings of customers in transactions with employees, polite in communications and in knowledge of employees; the average gap score is -0.88 depicting dissatisfaction of customers. The highest (having the knowledge to answer customers' requests) and smallest (customers feeling safe in their transactions) gap scores in this dimension are (-1.08) and (-0.79) respectively.

Table 4.6: Gaps between expectation and perception of Empathy (EM) Attributes

Service Quality Attributes	Code	N	Perception Mean	Expectation Mean	Gap Score (P-E)
Employees of Commercial Bank of Ethiopia gives individual attention for their customers.	EM18	290	3.04	3.91	-0.86
Commercial Bank of Ethiopia's operating hours are convenient to all customers.	EM18	290	3.61	4.30	-0.69
Employees of the bank give customers personal service.	EM18	290	3.44	4.21	-0.77
Commercial Bank of Ethiopia has their customers' best interest at heart.	EM18	290	3.72	4.53	-0.81
The employees of Commercial Bank of Ethiopia understand the specific need of their customers.	EM18	290	3.62	4.42	-0.80
Average Mean		290	3.49	4.27	-0.79

Source: Own survey, April 2015

In table 4.6, the average mean gap scores for, giving individual attention for customers, convenience of operating hours for all customers, giving customers personal service, having customers' best interest at heart and understanding the specific needs of customers is (-0.79). Here the largest gap score is gives individual attention for their customers (-0.86) and the smallest is convenience of operating hours to all customers (-0.69). Relatively, the average mean gap score (-0.79) for empathy is smaller than the other four service quality dimensions but as far as it is negative, it contributes for customers dissatisfaction.

4.4 Expectations and perceptions discussed

Expectations and perceptions were both measured using the 5-point likert scale whereby the higher numbers indicate higher level of expectation or perception. In general, customers' expectation exceeded the perceived level of service shown by the perception scores. This resulted in a negative gap score (Perception – Expectation). According to Parasuraman et al.,

(1988) it is however common for customers' expectation to exceed the actual service perceived and this signifies that there is always need for improvement.

The attributes with the highest expectation scores were making information easily accessible by customers and having enough knowledge to answer customers request with mean value of (4.69), having up to date equipments (4.67), polite communication with customers (4.66), keep customers record accurately and giving prompt service for customers (4.65). However, except giving individual attention for customers (3.91), these scores are not very different from scores of other items and this implies generally, customers expect very high from Commercial Bank of Ethiopia banking service.

The attributes rated relatively highest for actual service perceived were, employees well dressed and neat appearance (3.90), polite in communications with customers (3.80), willingness of employees to help customers and instilling confidence in customers (3.79) and having customers' best interest at heart (3.72). On the other end, giving individual attention for customers (3.04) and performing the service right the first time were the smallest actual perception scores. Thus, there is no so much difference between the scores of perceptions but are generally lower than expectations.

The gap scores are the difference between the perception and expectation scores with a range of values from -4 to +4 in this study and these gap scores measure service quality and hence customer satisfaction. The more perceptions are close to expectations, the higher the perceived level of quality. The largest gaps scores were, performs the service right the first time (-1.42), provides the service at the time they promised to do so (-1.27), has up-to-date equipments (-1.21) and give prompt service to customers (-1.11).

4.5 Gap scores analysis

The gap score analysis is to enable to find out how customers perceive service quality in Commercial Bank of Ethiopia and try to identify what dimensions of service quality they are satisfied with.

According to Parasuraman et al., (1985), the higher (more positive) the perception (P) minus expectation (E) score, the higher the perceived service quality and thereby leading to a higher

level of customer satisfaction. In this regard, the gap scores were calculated based on the difference between the customers' perceptions and expectations of services offered by Commercial Bank of Ethiopia. In general, it was found that, customers' perceptions of service quality offered by Commercial Bank of Ethiopia did not meet their expectations (all gaps scores the dimensions are negative). Dimensions that were found larger mean gaps were reliability (-1.09), responsiveness (-0.95) and tangibles (-0.93) while smaller mean gaps were, empathy (-0.79) and assurance (-0.88). These values show that the perception of performance in Commercial Bank of Ethiopia is less than the expected level of service quality.

According to Parasuraman et al., (1988), overall service quality is measured by obtaining an average gap score of the SERVQUAL dimensions.

4.6 The Most Important Service Quality Attribute in Banking Service

One of the objectives of this study was to identify the most important service quality attribute from the view point of customers. In the following table the 22 attributes of SERVQUAL are summarized based on their importance from customers' perspective in hierarchical order.

Table 4.7: The Most Important Service Quality Attribute in Banking Service

The Importance of Service Quality Attributes in Banking Service	N	Mean
Employees should have the knowledge to answer customers' questions.	290	4.69
Promises to do something by a certain time should be done within that specific time.	290	4.69
CBE should have modern equipments.	290	4.67
Employees of CBE should be polite.	290	4.66
Employees of CBE should keep their records accurately.	290	4.65
Employees should give prompt service to customers.	290	4.65
Employees should be always willing to help customers.	290	4.59
Employees should make information easily obtainable by the customers.	290	4.59
Employees in CBE should instill confidence in customers.	290	4.59
CBE's employees should show a sincere interest in solving it.	290	4.58
CBE should perform the service right the first time.	290	4.56
CBE should provide the services at the time they promise to do so.	290	4.53
Employees should have their customers' best interest at heart.	290	4.53
Employees in the bank should never be too busy to respond to customers' requests.	290	4.53
Customers should be able to feel safe in their transactions with employees in the bank.	290	4.47
The physical environment of CBE should be clean.	290	4.43
Employees should understand the specific needs of their customers.	290	4.42
The employees of CBE should be well dressed and appear neat.	290	4.39
Operating hours should be convenient to all their customers.	290	4.30
Physical facilities (tables, chairs, computers, lights) should be visually appealing.	290	4.25
Employees should give customers personal service.	290	4.21
Employees should give customers individual attention.	290	3.91
Valid N (listwise)	290	

Source: Own survey, April 2015

The above table shows the customers most important service quality were having the knowledge to answer customers' questions and promises to do something by a certain time should be done within that specific time and their mean score were (4.69) close to the highest value of 5 on the 5 point likert scale point which implies that customers expect employees to have adequate knowledge to answer their questions than the other service SERVQUAL attributes. On the other hand least desire important attribute were give customers individual attention and its mean value was (3.91) which implies that customers desire to be fulfilled the other attributes than this. Both the most and the least important values are higher than the mid value of the scale on a 5 point

likert scale and therefore the desire levels are always high. The table indicates that having modern equipments is the second most important attribute having average mean value of (4.67).

Table 4.8: Statistics of Overall Service Quality (OSQ)

	Tangibles	Reliability	Responsiveness	Assurance	Empathy	Overall Service Quality
Mean	-.9328	-1.0946	-.9603	-.8819	-.7855	-.9314
Median	-1.0000	-1.0000	-1.0000	-1.0000	-.6000	-.8200
Mode	-.50	-1.40 ^a	.00	-1.00	.00	-.29
Std. Deviation	.87584	.82440	.95177	.85272	.98483	.77765
Expectation Mean	4.4345	4.6014	4.5905	4.6034	4.2745	

Source: Own survey, April 2015

As it is depicted in the above table the whole five service quality dimensions average mean gap score is (-0.9314) that shows expectation exceeds perception of the overall service quality of the bank which is the totality of the service quality level rendered by the bank is lower than the expectation of customers. And also assessing the strongest service quality dimension is one of the objectives the study as the result, as the above table 4.7 depicts the strongest service quality dimension is the ability of the bank to assure its services from customers perspective.

Table 4.9: Correlation between service quality dimensions, and customer satisfaction

		Satisfaction	Tangibles	Reliability	Responsiveness	Assurance	Empathy
Satisfaction	Pearson Correlation	1	.464**	.662**	.671**	.708**	.700**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	290	290	290	290	290	290
Tangibles	Pearson Correlation	.464**	1	.629**	.526**	.561**	.584**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	290	290	290	290	290	290
Reliability	Pearson Correlation	.662**	.629**	1	.798**	.718**	.716**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	290	290	290	290	290	290
Responsiveness	Pearson Correlation	.671**	.526**	.798**	1	.791**	.769**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	290	290	290	290	290	290
Assurance	Pearson Correlation	.708**	.561**	.718**	.791**	1	.767**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	290	290	290	290	290	290
Empathy	Pearson Correlation	.700**	.584**	.716**	.769**	.767**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	290	290	290	290	290	290

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

Table provides the Pearson's correlation coefficient between various service quality dimensions and customer satisfaction which is found using the SPSS 21. The output of correlation analysis shows that all service quality dimensions have positive association with customer satisfaction in CBE banking service.

The correlation scores are presented within the above table. Pearson correlation coefficient is applied to test the relationship between service quality dimensions and customer satisfaction.

The results indicate that service quality dimension, tangibles show positive relationship with customer satisfaction at ($r=0.464$, $p<0.01$). The dimension reliability also shows positive relationship with customer satisfaction ($r=0.662$, $p<0.01$). In the case responsiveness it shown positive relationship with customer satisfaction ($r=0.708$, $p<0.01$). The dimension assurance also shown positive relationship with customer satisfaction ($r=0.708$, $p<0.01$). The dimension empathy also shows positive relationship with customer satisfaction ($r=0.700$, $p<0.01$).

The linear regression was run to find out that whether the service quality is a predictor of the customers' satisfaction. The results are shown in the following table.

Table 4.10: Model R Square Adjusted R Square Std. Error of the Estimate

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.763 ^a	.583	.575	.45587

Source: Own survey, April 2015

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

b. Dependent variable: Customer satisfaction

Table 4.10 above provides the model summary of the model which specifies customer satisfaction as a function of service quality, tangibles, reliability, assurance and empathy. R square of the model is .583 which entails that 58.3% of the variation in the dependent variable i.e. customer satisfaction is accounted for by this model which is quite good.

Table 4.11: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.820	.046		82.243	.000
1 Tangibles	-.036	.041	-.045	-.881	.379
Reliability	.183	.060	.216	3.049	.003
Responsiveness	.034	.057	.047	.598	.551
Assurance	.261	.057	.318	4.551	.000
Empathy	.208	.048	.292	4.289	.000

a. Dependent Variable: Satisfaction

Source: Own survey, April 2015

Table above provides the results of the model predicting customer satisfaction through the variables of service quality, tangibles, reliability, responsiveness, assurance and empathy. The dimension tangibles have strangely shown a negative but insignificant effect on customer satisfaction, and also responsiveness has positive effect on customer satisfaction but it is insignificant. The multivariate regression analysis result leads us to accept hypotheses of H3, H4 and H5 postulating a positive effect of reliability, assurance, and empathy on customer satisfaction. The hypotheses H1 and H2 regarding effect of tangibles and responsiveness on

customer satisfaction are however fail to accept. The result of testing the hypothesis is discussed bellow.

H1: The more physical design and appearance of a service, the greater the effect on customer satisfaction is not supported by the data collected as P Value is > 0.05 and beta is -0.045 which shows a negative but insignificant relationship.

H2: The greater the responsiveness of a service, the higher the effect on customer satisfaction is not supported by the data collected as P Value is >0.05

- ⊕ Though various researchers ascertain that the physical attributes and responsiveness of a service have a positive effect on customer satisfaction, the findings of this data didn't support this idea.
- ⊕ This might be due to customers concern of their money rather than up-to-date equipments, visually appealing and neat nature of facilities and employees, easily accessibility of information, obtaining prompt service and willingness of employees to help customers that need further study.

H3:-Assurance has positive effect on customer satisfaction is supported as P-Value = 0.000 and $\beta=0.318$.

- ⊕ The result indicates, the behavior of employees of the bank instilling confidence in customers, the practice for safe feeling of customers in their transactions with employees, politeness of employees in communications with customers and having the knowledge to answer customers' requests has a positive effect on customer satisfaction that also confirmed by various researchers.

H4: Reliability of a service has positive effect on customer satisfaction is also supported at P-Value < 0.003 and $\beta=0.292$.

- ⊕ According to the data, Keeping promises to do something by a certain time, sincere interest of employees to solve customers' problem, doing the service right the first time, providing the service at the time they promised to do and keeping customers' records

accurately could result positive effect on customer satisfaction and hence this finding of the analysis shows consistency with other researchers finding.

H5: Empathic service has positive effect on customer satisfaction is also supported as P-Value = 0.000 and $\beta=0.212$

- ⊕ Also like that of the findings of many early studies on the subject, the data of this research confirmed that giving individual attention for customers, convenience of operating hours to all customers, giving customers personal service, having customers' best interest at heart and understanding the specific needs of customers has a positive effect on customer satisfaction.
- ⊕ In general, according to this data, customer satisfaction is positively predicted by the variables of service quality, such as reliability, assurance and empathy, but tangibles and responsiveness on the contrary do not have significant effect on customer satisfaction.

Finally the regression line equation is:

$$\text{SAT}=3.820-0.045\text{TA}+0.216\text{RL}+0.047\text{RS}+0.318\text{AS}+0.292\text{EM}+e$$

Where; SAT = Satisfaction

TA=Tangibility

RS= Responsiveness

RL= Reliability

AS= Assurance

EM= Empathy

e= error

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Major Findings

The major findings based on the collected data and statistical instruments used are described as follows. The findings regard to the analysis of the gaps between expectation and perception of customers indicate that all SERVQUAL dimensions and their attributes have lower perception than their expectation scores which imply that customers of CBE are dissatisfied based on the five dimensions. From these, reliability dimension has the highest gap score (-1.09) which indicates customers are more dissatisfied by being attributes of reliability dimension. On the other hand overall empathy gap evaluation score of customers is (-0.79) which is the smallest but still shows dissatisfaction of customers. In the case of the importance of attributes, from the 22 attributes of SERVQUAL model, the most important service quality attribute in banking service is the adequate knowledge of employees to answer customers' questions which has (4.69) score. When we come to the assessment of the strongest service quality dimension it was the ability of the bank to assure its services from customers perspective therefore assurance is the strongest service quality dimension that need to be fulfilled. In the case of the relationship between service quality and customer satisfaction all service quality dimensions have positive and significant relationship with customer satisfaction based on correlation coefficient analysis. In testing of the hypotheses reliability, assurance and empathy have positive and significant effect on customer satisfaction. However, tangibility and responsiveness didn't have significant effect on customer satisfaction based on the regression analysis finding. As a result hypotheses H2, H4 and H5 are accepted but hypotheses H1 and H3 are failed to accept. Based on the output of model R square adjusted R square and std. error of the estimate the overall service quality is predictor of customer satisfaction by 58.3% based on the five service quality dimensions.

5.2 CONCLUSION

Currently, increment customers' demands together with ever growing competition are compelling the banks to adapt new competitive and innovative ways which will help them to take the lead in the market place. Evidences entail that service quality is an excellent technique for enhancing customers' satisfaction level to the organization in today's competitive

environment. The main objective of this study was to determine the effect of various service quality dimensions on customer satisfaction in banking sector. The gap scores indicate that customers were dissatisfied from the service quality of CBE where all service quality dimensions have negative scores. At the same time the correlation shows that all dimensions tangibles, reliability, responsiveness, assurance and empathy are positively related with customers' satisfaction. The regression was run which indicated that the service quality predicts 58.3% variation in customer satisfaction. Findings indicate that service quality and its dimensions reliability, assurance and empathy have significant and positive effect association with satisfaction of customers towards their respective banking service providing organizations. These findings are in conformity with the existing literature. Therefore, it is justifiable up to great extent. The other finding which is not in conformity with the previous literatures were the insignificant effect association of tangibility and responsiveness with customer satisfaction and this may be due to couple of reasons i.e. many of the previous researches on this construct have been done in developed countries while in conducted this research study in a developing country where the concept of customer service and service quality is entirely different from developed countries on environmental grounds. Service quality has been admired by the organizational researchers all around the globe as a competitive weapon which differentiates the organization from its rivals in a much positive way by enabling the service organizations to delight the customers through the provision of premium quality services on consistent basis and subsequently enhance their satisfaction to the organization. Today's customers what they all need is quality of products and services which satisfy their requirements effectively. Hence the major need of today's banking service is to find the ways to create satisfied and happy client-base. Therefore, banks must consider above discussed antecedents of customer satisfaction in order to have happy customer base, which subsequently enhances their financial performance and profitability. Hence, these positive outcomes may lead to a sustained and well supported peacekeeping management strategy and goals. Thus, current research and practice within service quality literature have to consider all service quality features as critical dimensions for quality management domain. While this research provides some perspectives to the field of service quality, it is believed that there are a number of things that should be done to confirm the demonstrated methodologies as well as to expand the use of SERVQUAL in design and improvement of quality services. Just as the SERVQUAL instrument is extensively used to

assess external service quality, the instrument can also be modified to assess the quality of the internal service provided by departments and divisions within a company to employees in other departments and divisions. The results of the this study illustrate that organizations can at least assess five dimensions of service quality to ascertain the level of services provided, and to determine which dimensions need improvement. In order to improve service quality, it is necessary to contact employees regularly and assess their service experiences. Like the external customer, an internal customer too considers categories of service attributes, such as reliability and responsiveness, in judging the quality of the internal service. With the knowledge of the internal service quality dimensions, the service organizations can then judge how well the organization or employees performed on each dimension and managers could identify the weakness in order to make improvements. As far as, service quality holds the relationship between internal service quality and external customer satisfaction, there has to be continuous assessment and improvement on the service quality dimensions to enhance customer satisfaction. In conclusion, knowing how customers perceive the service quality and being able to measure service quality can benefit industry professionals in quantitative and qualitative ways. The measurement of service quality can provide specific data that can be used in quality management; hence, service organizations would be able to monitor and maintain quality service. Assessing service quality and better understanding how various dimensions affect overall service quality would enable organizations to efficiently design the service delivery process. By identifying strengths and weaknesses pertaining to the dimensions of service quality organizations can better allocate resources to provide better service and ultimately better service to external customers.

Generally speaking, according to this study it can be conclude that:

1. Customers of CBE perceived low level of service quality from the bank personnel.
2. It is further concluded that service quality is a strong predictor of customer satisfaction in case of CBE.
3. The empirical evidence proves that there is a significant relationship between service quality and customer satisfaction.

5.3 Recommendations

Based on the findings and results of the study, the tasks recommended for implementation by the bank includes:

CBE should exert efforts to improve its branches to have up-to-date equipments like Physical facilities (tables, counters, chairs, computers, lights), making employees to be well dressed and appear neat and making the environment of branches to have clean physical attributes and employees appearance to own visually appealing atmosphere branches.

To be reliable, CBE should give attention for all attributes of reliability especially, giving the service right the first time on the arrival of customers at branches because this dimension has the highest gap score that needs high attention.

The organization has to increase the trust relationship with its customers by doing what is expected or has been promised and also employees should show their more commitment to be helpful, do the service right the first time to provide satisfactory services. The bank should be able to increase its endeavor to give customers what response they expect from branches by helping employees to make information easily obtainable, to give prompt service to customers, to be always willing to help customers and no to be too busy to respond to customers requests.

The bank has to shape behavior of its employees to instill confidence in customers, employees has to show their commitment for safe feeling of customers in transactions with themselves, they have to be polite in communications with customers, and have to have the knowledge to answer customers' requests to assure satisfaction of customers in significant level.

The bank has to be able to give individual attention for its customers, has to has convenient operating to customers, employees of the bank should give customers personal service, they have to internalize their customers' best interest at heart and understand the specific needs of their customers to give empathic service by increasing the ability to identify with needs and difficulties of customers.

In general CBE must strive to fill the gaps or narrow at least between customers' expectation and perception regarding the five service quality attributes of SERVQUAL model. This research

provides a direction to the decision makers regarding the dimensions of service quality those require high level of attention.

5.4 Limitations of the study

Some of the limitations of the study were that; although service quality also involves employees, the study did not consider the employees. Since this is an academic research with limited budget, the target of the study was only a few branches of CBE. To generalize the findings it is preferred to target as many branches as possible throughout the country that would help to draw a better conclusion and generalization. This study also does not separate the population sample into separate geographical locations. For instance, a population who lives in a remote place may have a different expectation and perception towards customer services offered by banks, owing to the different culture, level of education and some other demographic factors. In such cases, they have more time to spend in the waiting queue and their tolerance level could be quite high. As such, the local bank manager may extend banking hours to accommodate personal requests simply because they are friends or perhaps a relative to the customers. Sometimes, people living in remote places may not familiarize themselves with modern banking systems.

5.5 Further Research

The study suggests that the future research in this area should attempt to extend the study on relationship between cities and remote places in term of culture issues, banking environment, education level and demographic factors which are missing in this study. Further research should be conducted to determine the factors that actually contribute to the differences in customer satisfaction between cities and remote places. Coverage on a wider geographical area or city could also be considered for future study in order to enhance the generalization of the findings and to further investigate potential differences in customer satisfaction between these areas. Because the study did not consider employees who provide the services to customers; further research could be to study relationship among customer satisfaction, service quality and job satisfaction with the use of all the five SERVQUAL dimensions at once, to see if satisfaction level of employees is related to their services and/or customer satisfaction. Also future study could be to test these same variables in a manufacturing sector. Also the study did not capture the

developmental issues such as intra-individual change and restrictions of making inference to participants and/or causal connections between variables of interest. Moreover, this study was based on self-reported data, taking only the perspectives of customers. In addition, this study included only one outcome variable that could correlate effect of one with the other. The sample size of 290 respondents for infinite population might not be enough to measure service quality and customer satisfaction. Another study may be designed with a larger sample size. As this study is conducted on only in CBE branches found in Addis Ababa, its scope can be broaden and other services should also be included in the studies and also on banks other than CBE. During literature survey, it was found that different other methods and models have been used to evaluate the service quality of banks. A study may be designed while using such models.

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Appendix A

Questionnaire

Appendix B

SPSS21 Outputs

7	በጣም ጥሩ ለሆነ የባንክ አገልግሎት ደንበኛው እንደመጣ አገልግሎቱን ማግኘት አለበት	1	2	3	4	5
8	በጣም ጥሩ ለሆነ የባንክ አገልግሎት ባንኩ አንድን ነገር አደርጋለሁ ካለ ቃሉን ጠብቆ ሊያደርግ ይገባል	1	2	3	4	5
9	በጣም ጥሩ ለሆነ የባንክ አገልግሎት ሰራተኞቹ ጥንቃቄ በተሞላበት አሰራር በትክክል ሊሰሩ ይገባል	1	2	3	4	5
10	በጣም ጥሩ ለሆነ የባንክ አገልግሎት ባንኩ ደንበኞቹ መረጃዎችን በቀላሉ እንዲያገኙ ማስቻል አለበት	1	2	3	4	5
11	በጣም ጥሩ ለሆነ የባንክ አገልግሎት ሰራተኞች ለደንበኛው ፈጣን አገልግሎት ሊሰጡ ይገባል	1	2	3	4	5
12	በጣም ጥሩ ለሆነ የባንክ አገልግሎት ሰራተኞች ደንበኛውን ለመርዳት ዝግጁ ሊሆኑ ይገባል	1	2	3	4	5
13	በጣም ጥሩ ለሆነ የባንክ አገልግሎት የደንበኛው ጥያቄ በፍጥነት መልስ ሊሰጠው ይገባል	1	2	3	4	5
14	በጣም ጥሩ ለሆነ የባንክ አገልግሎት የሰራተኛው ጥሩ ሥነ-ምግባር ማሳየት ደንበኛው በአገልግሎቱ ላይ እምነት እንዲኖረው ያደርጋል	1	2	3	4	5
15	በጣም ጥሩ የሆነ የባንክ አገልግሎት ማግኘት ደንበኛው በሚያገኘው አገልግሎት ደህንነት እንዲሰማው ያደርጋል	1	2	3	4	5
16	በጣም ጥሩ ለሆነ የባንክ አገልግሎት ደንበኛው በአክብሮት መስተናገድ አለበት	1	2	3	4	5
17	በጣም ጥሩ ለሆነ የባንክ አገልግሎት ሰራተኛው የደንበኛውን ጥያቄ ለመመለስ በቂ እውቀት ሊኖረው ይገባል	1	2	3	4	5
18	በጣም ጥሩ ለሆነ የባንክ አገልግሎት ሰራተኞቹ ለደንበኞቹ የግል ትኩረት ሊኖራቸው ይገባል	1	2	3	4	5
19	በጣም ጥሩ ለሆነ የባንክ አገልግሎት ሰራተኛው ለደንበኞቹ አመቺ የሆነ የሰራ ሰአት ሊኖረው ይገባል	1	2	3	4	5
20	በጣም ጥሩ ለሆነ የባንክ አገልግሎት እያንዳንዱ ደንበኛ እንደፍላጎቱ አገልግሎቱን ሊያገኝ ይገባል	1	2	3	4	5
21	በጣም ጥሩ ለሆነ የባንክ አገልግሎት ሰራተኛው ለደንበኞቹ እርካታ የሚጥር መሆን አለበት	1	2	3	4	5
22	በጣም ጥሩ ለሆነ የባንክ አገልግሎት ሰራተኛው የደንበኞቹ ትክክለኛ ፍላጎት መረዳት አለበት	1	2	3	4	5

ክፍል 3 ከዚህ በመቀጠል ደግሞ እርስዎ የኢትዮጵያ ንግድ ባንክ ተገልጋይ እንደመሆንዎ እስካሁን በባንኩ ሲገለገሉ ስለ ባንኩ አገልግሎት አሰጣጥ ሁኔታ ያለዎትን አመለካከት ከዚህ በታች በሰፊ ላይ ማረጋገጥ ማለት ማለት በሀሳብ በጣም የማይሰማሙ፤ 2 ማለት በሀሳብ የማይሰማሙ፤ 3 ማለት ሀሳብ በጥቂቱ ሊሆን ይችላል ብለው ሲያስቡ፤ 4 ማለት በሀሳብ መስማማትዎን እና 5 ማለት ደግሞ በሀሳብ በጣም መስማማትዎን የሚገልጹ ናቸው። ስለሆነም በእነዚህ ዓላፍተ ነገሮች መሰረት እርስዎ ነው ብለው የሚያስቡትን ቁጥር በማክበብ ምላሽ እንዲሰጡ በአክብሮት እጠይቃለሁ።

ተ.ቁ	ዓረፍተ ነገሮች	በጣም አልሰማማም	አልሰማማም	በጥቂቱ እስማማለሁ	እስማማለሁ	በጣም እስማማለሁ
1	የኢትዮጵያ ንግድ ባንክ ቁሳቁሶች ዘመናዊ ናቸው	1	2	3	4	5
2	የኢትዮጵያ ንግድ ባንክ ውስጡ ለዕይታ የሚሰብ ነው	1	2	3	4	5
3	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ንፅህናቸውን የጠበቁ ናቸው	1	2	3	4	5
4	በኢትዮጵያ ንግድ ባንክ ውስጥ ከአገልግሎቱ ጋር በተያያዘ ግንኙነት ያላቸው ነገሮች ሁሉ ንፁህ ናቸው	1	2	3	4	5
5	የኢትዮጵያ ንግድ ባንክ ሰራተኞች በሰአት ይገኛሉ	1	2	3	4	5
6	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ደንበኛው ችግር በሚገጥምበት ወቅት ችግሩን ለመፍታት ይተባበራሉ	1	2	3	4	5
7	በኢትዮጵያ ንግድ ባንክ ደንበኛው እንደመጣ አገልግሎቱን ያገኛል	1	2	3	4	5
8	የኢትዮጵያ ንግድ ባንክ አንድን ነገር አደርጋለሁ ካለ ቃሉን ጠብቆ ያደርጋል	1	2	3	4	5
9	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ጥንቃቄ በተሞላበት አሰራር በትክክል ይሰራሉ	1	2	3	4	5

10	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ደንበኞቹ መረጃዎችን በቀላሉ እንዲያገኙ ያደርጋሉ	1	2	3	4	5
11	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ለደንበኛው ፈጣን አገልግሎት ይሰጣሉ	1	2	3	4	5
12	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ደንበኛውን ለመርዳት ዝግጁ ናቸው	1	2	3	4	5
13	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ለደንበኛው ጥያቄ በፍጥነት መልስ ይሰጣሉ	1	2	3	4	5
14	የኢትዮጵያ ንግድ ባንክ ሰራተኞች በሰራቸው እምነት እንዲኖርዎት ያደርጋሉ	1	2	3	4	5
15	በኢትዮጵያ ንግድ ባንክ ደንበኛው ከሰራተኞቹ ጋር በሚያደርገው የሰራ ግንኙነት ደህንነት ይሰማዋል	1	2	3	4	5
16	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ደንበኛው በአክብሮት ያስተናግዳሉ	1	2	3	4	5
17	የኢትዮጵያ ንግድ ባንክ ሰራተኞች የደንበኛውን ጥያቄ ለመመለስ በቂ እውቀት አላቸው	1	2	3	4	5
18	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ለደንበኞቻቸው የግል ትኩረት ይሰጣሉ	1	2	3	4	5
19	የኢትዮጵያ ንግድ ባንክ ለደንበኞቹ አመቺ የሆነ የሥራ ስአት አለው	1	2	3	4	5
20	የኢትዮጵያ ንግድ ባንክ ሰራተኞች እያንዳንዱ ደንበኛ እንደፍላጎቱ አገልግሎቱን እንዲያገኝ ያደርጋሉ	1	2	3	4	5
21	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ለደንበኞቹ እርካታ የሚጥር ነው	1	2	3	4	5
22	የኢትዮጵያ ንግድ ባንክ ሰራተኞች የደንበኞቹን ትክክለኛ ፍላጎት ይረዳሉ	1	2	3	4	5

ክፍል 4 አጠቃላይ የደንበኛ እርካታ መጠይቅ

ተ.ቁ	ዓረፍተ ነገሮች	በጣም አልሰማምም	አልሰማምም	በጥቂቱ እሰማለሁ	እሰማለሁ	በጣም እሰማለሁ
1	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ለደንበኞቹ እርካታ የሚጥሩ በመሆናቸው እረክቻለሁ	1	2	3	4	5
2	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ደንበኛውን ለማገልገል ባላቸው በቂ እውቀት እረክቻለሁ	1	2	3	4	5
3	በአጠቃላይ በኢትዮጵያ ንግድ ባንክ ባገኘሁት አገልግሎት እረክቻለሁ	1	2	3	4	5

ጊዜዎን መስዋት አድርገው ምላሽ ስለሰጡኝ ከልብ አመሰግናለሁ!

4	To get very good banking service the physical environment of Commercial bank of Ethiopia should be clean.	1	2	3	4	5
5	To get very good banking service promises to do something by a certain time, should be done within that specific time.	1	2	3	4	5
6	To get very good banking service, when a customer has a problem, Commercial bank of Ethiopia's employees should show a sincere interest in solving it.	1	2	3	4	5
7	To get very good banking service Commercial bank of Ethiopia should perform the service right the first time.	1	2	3	4	5
8	To get very good banking service Commercial bank of Ethiopia should provide the services at the time they promise to do so.	1	2	3	4	5
9	To get very good banking service employees of Commercial bank of Ethiopia should keep their records accurately.	1	2	3	4	5
10	To get very good banking service employees should make information easily obtainable by the customers.	1	2	3	4	5
11	To get very good banking service employees should give prompt service to customers.	1	2	3	4	5
12	To get very good banking service employees should be always willing to help customers.	1	2	3	4	5
13	To get very good banking service employees in the bank should never be too busy to respond to customers' requests.	1	2	3	4	5
14	To get very good banking service the behavior of employees in Commercial bank of Ethiopia should instill confidence in customers	1	2	3	4	5
15	To get very good banking service customers should be able to feel safe in their transactions with employees in the bank.	1	2	3	4	5
16	To get very good banking service employees of Commercial bank of Ethiopia should be polite.	1	2	3	4	5
17	To get very good banking service employees of Commercial bank of Ethiopia should have the knowledge to answer customers' questions.	1	2	3	4	5
18	To get very good banking service employees of Commercial bank of Ethiopia should give customers individual attention.	1	2	3	4	5

19	To get very good banking service Commercial bank of Ethiopia's operating hours should be convenient to all their customers.	1	2	3	4	5
20	To get very good banking service employees should give customers personal service.	1	2	3	4	5
22	To get very good banking service employees should have their customers' best interest at heart.	1	2	3	4	5
22	To get very good banking service the employees should understand the specific needs of their customers.	1	2	3	4	5

2. Perceptions: The following statements deal with the perceptions of service you have experienced in Commercial bank of Ethiopia. Once again, circling 1, means you strongly disagree the banking service you have received has this feature and circling 5, means that you strongly agree you may circle any of the numbers in the middle that show how strong your feelings are. There is no right or wrong answers all I am interested is a number that really best shows your perceptions about the banking service which you have in Commercial Bank of Ethiopia. Please, show the extent to which these statements reflect your perception of service in Commercial bank of Ethiopia.

S. No.	Statements	Strongly Disagree	Disagree	Somehow Agree	Agree	Strongly Agree
1	Commercial bank of Ethiopia branches has up-to-date equipments.	1	2	3	4	5
2	Physical facilities (tables, counters, chairs, computers, lights) of Commercial bank of Ethiopia are visually appealing.	1	2	3	4	5
3	Employees of Commercial bank of Ethiopia are well dressed and appear neat.	1	2	3	4	5
4	The physical environment of the Commercial bank of Ethiopia is clean	1	2	3	4	5
5	When Commercial bank of Ethiopia promises to do something by a certain time, it does.	1	2	3	4	5
6	When a customer has a problem, employees of Commercial bank of Ethiopia show a sincere interest in solving it.	1	2	3	4	5
7	Commercial bank of Ethiopia performs the service right the first time.	1	2	3	4	5
8	Commercial bank of Ethiopia provides the service at the time they promised to do so.	1	2	3	4	5
9	Commercial bank of Ethiopia keeps customers records accurately	1	2	3	4	5
10	Employees of Commercial bank of Ethiopia make information easily obtainable by customers	1	2	3	4	5

11	Employees of Commercial bank of Ethiopia give prompt service to customers.	1	2	3	4	5
12	In Commercial bank of Ethiopia employees are always willing to help customers.	1	2	3	4	5
13	Employees of Commercial bank of Ethiopia are never too busy to respond to customers requests.	1	2	3	4	5
14	The behavior of employees of Commercial bank of Ethiopia instill confidence in customers	1	2	3	4	5
15	Customers feel safe in their transactions with employees of the Commercial bank of Ethiopia.	1	2	3	4	5
16	Employees of the bank are polite in communications with customers.	1	2	3	4	5
17	Employees of Commercial bank of Ethiopia have the knowledge to answer customers' requests.	1	2	3	4	5
18	Employees of Commercial bank of Ethiopia gives individual attention for their customers.	1	2	3	4	5
19	Commercial bank of Ethiopia's operating hours are convenient to all customers.	1	2	3	4	5
20	Employees of the bank give customers personal service.	1	2	3	4	5
21	Commercial bank of Ethiopia has their customers' best interest at heart.	1	2	3	4	5
22	The employees of Commercial bank of Ethiopia understand the specific need of their customers.	1	2	3	4	5

Part 2 General Customer Satisfactions Questionnaire

S. No.	Statements	Strongly Disagree	Disagree	Somehow Agree	Agree	Strongly Agree
1	You are satisfied with staffs response and prompt services provided	1	2	3	4	5
2	You are satisfied with the skill and competency of the employees	1	2	3	4	5
3	You are satisfied with overall banking service of Commercial bank of Ethiopia.	1	2	3	4	5

Thank you for the time you have spent in completing this questionnaire. The results will help me to identify the current service level in the bank and recommend potential solutions.

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
TA1	-2.52	8.652	.451	.769
TA2	-2.71	6.413	.677	.650
TA3	-3.27	7.514	.553	.721
TA4	-2.69	7.170	.604	.694

Reliability Statistics

Cronbach's Alpha	N of Items
.768	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
RL5	-4.69	12.220	.543	.783
RL6	-4.52	10.479	.688	.736
RL7	-4.07	10.514	.677	.740
RL8	-4.21	12.222	.459	.808
RL9	-4.44	11.576	.595	.767

Reliability Statistics

Cronbach's Alpha	N of Items
.806	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
RS10	-3.71	14.822	.682	.886
RS11	-3.53	14.513	.757	.870
RS12	-3.83	14.771	.781	.866
RS13	-3.65	13.058	.778	.866
AS14	-3.84	14.494	.732	.875

Reliability Statistics

Cronbach's Alpha	N of Items
.895	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
AS14	-2.73	6.303	.748	.765
AS15	-2.74	6.201	.756	.761
AS16	-2.67	7.303	.635	.816
AS17	-2.45	7.757	.570	.841

Reliability Statistics

Cronbach's Alpha	N of Items
.841	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
EM18	-3.08	15.506	.591	.826
EM19	-3.23	16.275	.610	.817
EM20	-3.16	15.887	.664	.801
EM21	-3.11	17.167	.616	.815
EM22	-3.12	15.867	.763	.777

Reliability Statistics

Cronbach's Alpha	N of Items
.840	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Cronbach's Alpha if Item Deleted
TA1	-9.61	339.823	.329	.952
TA2	-9.81	324.715	.589	.949
TA3	-10.37	327.673	.578	.949
TA4	-9.79	327.200	.578	.950
RL5	-10.04	330.722	.584	.949
RL6	-9.87	324.463	.647	.949
RL7	-9.41	322.368	.696	.948
RL8	-9.56	330.435	.527	.950
RL9	-9.78	324.344	.717	.948
RS10	-9.90	322.488	.736	.948
RS11	-9.72	324.217	.713	.948
RS12	-10.02	323.892	.771	.947
RS13	-9.84	317.562	.743	.948
AS14	-10.03	321.328	.770	.947
AS15	-10.04	321.947	.742	.948
AS16	-9.97	327.874	.675	.948
AS17	-9.75	331.163	.606	.949
EM18	-9.98	318.297	.634	.949
EM19	-10.13	323.374	.602	.949
EM20	-10.06	320.128	.683	.948
EM21	-10.01	323.841	.679	.948
EM22	-10.02	319.740	.766	.947
SAT1	-14.12	330.574	.636	.949
SAT2	-14.03	333.549	.588	.949
SAT3	-14.01	334.311	.568	.950

Reliability Statistics

Cronbach's Alpha	N of Items
.951	25

	N	Mean
Employees should have the knowledge to answer customers' questions.	290	4.69
Promises to do something by a certain time should be done within that specific time.	290	4.69
CBE should have modern equipments.	290	4.67
Employees of CBE should be polite.	290	4.66
Employees of CBE should keep their records accurately.	290	4.65
Employees should give prompt service to customers.	290	4.65
Employees should be always willing to help customers.	290	4.59
Employees should make information easily obtainable by the customers.	290	4.59
Employees in CBE should instill confidence in customers.	290	4.59
CBE's employees should show a sincere interest in solving it.	290	4.58
CBE should perform the service right the first time.	290	4.56
CBE should provide the services at the time they promise to do so.	290	4.53
Employees should have their customers' best interest at heart.	290	4.53
Employees in the bank should never be too busy to respond to customers' requests.	290	4.53
Customers should be able to feel safe in their transactions with employees in the bank.	290	4.47
The physical environment of CBE should be clean.	290	4.43
Employees should understand the specific needs of their customers.	290	4.42
The employees of CBE should be well dressed and appear neat.	290	4.39
Operating hours should be convenient to all their customers.	290	4.30
Physical facilities (tables, chairs, computers, lights) should be visually appealing.	290	4.25
Employees should give customers personal service.	290	4.21
Employees should give customers individual attention.	290	3.91
Valid N (listwise)	290	

Statistics of Overall Service Quality (OSQ)

	Tangibles	Reliability	Responsiveness	Assurance	Empathy	Overall Service Quality
Mean	-.9328	-1.0946	-.9603	-.8819	-.7855	-.9314
Median	-1.0000	-1.0000	-1.0000	-1.0000	-.6000	-.8200
Mode	-.50	-1.40 ^a	.00	-1.00	.00	-.29
Std. Deviation	.87584	.82440	.95177	.85272	.98483	.77765

Model R Square Adjusted R Square Std. Error of the Estimate

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.763 ^a	.583	.575	.45587

Correlations

		Satisfaction	Tangibles	Reliability	Responsiveness	Assurance	Empathy
Satisfaction	Pearson Correlation	1	.464**	.662**	.671**	.708**	.700**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	290	290	290	290	290	290
Tangibles	Pearson Correlation	.464**	1	.629**	.526**	.561**	.584**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	290	290	290	290	290	290
Reliability	Pearson Correlation	.662**	.629**	1	.798**	.718**	.716**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	290	290	290	290	290	290
Responsiveness	Pearson Correlation	.671**	.526**	.798**	1	.791**	.769**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	290	290	290	290	290	290
Assurance	Pearson Correlation	.708**	.561**	.718**	.791**	1	.767**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	290	290	290	290	290	290
Empathy	Pearson Correlation	.700**	.584**	.716**	.769**	.767**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	290	290	290	290	290	290

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

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	3.820	.046		82.243	.000
	Tangibles	-.036	.041	-.045	-.881	.379
	Reliability	.183	.060	.216	3.049	.003
	Responsiveness	.034	.057	.047	.598	.551
	Assurance	.261	.057	.318	4.551	.000
	Empathy	.208	.048	.292	4.289	.000

a. Dependent Variable: Satisfaction