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

FACTORS AFFECTING CUSTOMER SATISFACTION: THECASE OF COMMERCIAL BANK OF ETHIOPIA CUSTOMERS IN ADDIS ABABA, ETHIOPIA

A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES ADDIS ABABA UNIVERSITY IN THE PARTIAL FULFILLMENT OF THE REQUIRMENT FOR DEGREE OF MASTERS IN BUSSINESS ADMINSTRATION IN MANAGMENT

BY: FIKIRTE MERSHA
ADVISOR: GEMECHU WAKTOLA (PhD)

NOVEMBER, 2016
ADDIS ABABA, ETHIOPIA

APPROVAL

This research paper titled "**factors affecting customer satisfaction: The Case of Commercial Bank of Ethiopia**" has been submitted to Addis Ababa University College of Business and Economics, Department of Management, with my guidance and approval as a university advisor.

Signed by the Examining Committee:

Advisor______________________________ Signature__________ Date ______________

Internal Examiner______________________ Signature__________ Date ______________

External Examiner_____________________ Signature__________ Date ______________

____

Department Head or Graduate Program Coordinator

Declaration

I, the under signed, declare that this thesis is my original work and has not been presented for a degree in any other University, and that all sources of materials used for the thesis have been duly acknowledged.

Declared by:

Name ___________________________

Signature ________________________

Date: ____________________________

Acknowledgment

First of all I would like to thank almighty God with whom none of this would be possible. I would like to express my deepest gratitude to my thesis advisor Dr, Gemechu for his unreserved and genuine comments throughout the progress of this paper. I am very grateful for the support and encouragement from families and friends. I wish to thank the customer service officer and managers of CBE for their warm cooperation throughout this study. I also don’t want to pass on expressing my heart gratitude for customers of CBE who took the time to cooperate and participate in this research.

Table of Contents

List of tables

List of figures

List of Acronyms

ATM	Automatic teller machine
CBB	Construction and Business Bank
CBE	Commercial bank of Ethiopia
SERVQUAL	Service Quality

ABSTRACT

In the highly competitive banking industry, the success and failure of any business organization merely depends on how well it satisfies the needs and wants of customers. If a bank needs to stay competitive in the industry, it has to continuously meet the needs and wants of its customers. This research has adopted items from previously done literatures so as to assess the interaction among demographic variable, service quality, corporate image, and price and customer satisfaction from customers' perspective.0. The main objective of this study is assessing the level of customer satisfaction and factors affecting customer satisfaction the case of commercial banks of Ethiopia on the selected branches in Addis Ababa, Ethiopia. Survey method was employed and primary data were gathered through the use of questionnaires. Self-administered questionnaires have been distributed for 385 randomly selected samples and out of this, analysis was made based on the data collected from 345 respondents. The questionnaires were analyzed using descriptive statistics, T-test, one way ANOVA and regression with the support of SPSS for analysis and summarization purposes. The findings based on four different independent variables (demographic variable, service quality, corporate image and price) revealed that age and education are demographic factors that have significant influence on customer satisfaction. Empathy, reliability and assurance from dimension of service quality have a significant influence on customers' satisfaction. The study has identified corporate image and price hold significant influence on customer's satisfaction. The study also found out that majority of the customers are satisfied with the services of commercial bank of Ethiopia.

Key words: Service Quality, Price, Corporate Image, Customer Satisfaction

CHAPTER ONE

INTRODUCTION

1.1. Background

Banks play an important role in the economy of any country. They are the main intermediaries between those with excess money (depositors) and those individuals and businesses with viable projects but requiring money for their investment (creditors). Banks have at least the following functions: lending money, depositing others' money, transferring money locally or abroad and working as paying agent (Tefere, 2013).

Banking institutions across the globe have recognized the importance of customer satisfaction and of developing and maintaining enduring relationship with their customers as two crucial parameters leading to increased business profits. At the same time, several banking institutions are experiencing increasing level of retail customer dissatisfaction (Mistry, 2013). Research suggests that customer dissatisfaction is still the major reason of bank customers' switch to other banks (Manrai and Manrai, 2007).

In this 21^{st} century, customer satisfaction has become main concern and focus in all the industries especially service industry. Caruana (2000) proposed a model that basically links service quality to service loyalty among the retail banking customer through the mediator customer satisfaction. Gaining high level of customer satisfaction is very important to all kind of businesses in the world reason being satisfied customers are most likely to be loyal, retain, and to make repeat orders. An organization cannot survive in long run if customers are not satisfied. Moreover, other elements like service quality, corporate image, price of services and customer satisfaction are very important elements for maintaining customer loyalty in banking industry nowadays.

Customer satisfaction is crucial in banking sector because of the special nature of the service which is characterized by intensive contact with customers who have different needs and require customized solutions and it is known to be one of the most important and serious issues towards success in today's competitive business environment, as it affects company market shares and customer loyalty (Clemes, 2008).

Customer satisfaction is considered important in defining organizational performance. Enhancing customer satisfaction is critical because it is a key to business success of any banking institution. In the competitive economy, customer's satisfaction has come under limelight due to stiff competition where organizations are trying to take competitive advantage through the human factor and customers (Singh, 2006). Hence, in order to win this intense competition and maintain their market share of the bank industry; they must give attention to the existing and potential customers need, want and preferences to maximize their satisfaction and loyalty plus to that they must make continues customer service quality improvement program. Since the importance of making continuous customer service quality improvement program is to make profit, build good images, lead the market, and retain customers which lead customer loyalty.

1.2. Statement of the Problem

It is imperative that service companies' measure and monitor service quality and satisfaction with a view of influencing the behavioural intentions of their customers (Saha and Theingi, 2009).Satisfying customers is the first major mission and purpose of any business organization. Customers have expectations and criteria when they judge whether the provided banking services is satisfactory or not. At the same time, due to the high competition in a banking sector, the perception of customers and potential customers are also divided according to the services that they want to achieve. The proper identification of customer satisfaction helps to retain customers and to increase brand awareness, profitability and effectiveness of bank's services. It is when customers are satisfied that organizations achieve higher sales, profit and market share (Endalkachew, 2013).

Banking institutions across the globe have recognized the importance of customers' satisfaction and developing and maintaining enduring relationship with their customers as two crucial parameters leading to increased business profits. Customer satisfaction is also crucial in the banking sector because of the special nature of the service which is characterized by intensive contact with customers who have different needs and require customized solutions and it is known to be one of the most important and serious issues towards success in today's competitive business environment, as it affects company market shares and customer loyalty (Clemes, 2008).

However, there are a number of problems hindering the smooth delivery of the banking services. There is customer's dissatisfaction over the service offered and the available services don't match the expectation of the customer (Mesay, 2012). Research suggests that customer dissatisfaction is still the major reason of bank customers' switch to other banks (Manrai, 2007). This dissatisfaction could be because of a variety of reasons. The causes of dissatisfaction are not well known empirically however from rational point of view; the probable factors may include network problem and temporary failures in the electronic banking services. Ha and Jang (2009) argued that service failure occurs when customer perceptions do not meet customer expectations. The problem with service failure is that it may lead to a destroyed relationship between the customer and the organization. Thus, the importance of customer satisfaction in today's dynamic corporate environment is obvious as it greatly influences customer's repurchase intensions whereas dissatisfaction has been seen as a primary reason for customer's intentions to switch.

Several studies have been conducted on satisfaction of bank customers. In a study intended to assess the perceived service quality and its dimensions in private banks in India, Dewan and his colleague showed an apparent variation in perception of service quality across different socio-demographic and economic groups (Dewan *et al, 2014)*. Another study in banking industry of Bangladesh revealed that the quality of banking service, service charge and perceived value were the important factors that influence customers' satisfaction(Uddin *et al*, 2012).Moreover, study on commercial banks in Tanzania found that customer satisfaction is affect by factors like timeliness and reliability (Mbuya, 2015).

In Hawassa, Southern Ethiopia, a study on private banks by Shanka (2012) which described a relationship between service quality, customer satisfaction and loyalty showed that high quality service increases customer satisfaction. Another study in Shashemene district, Ethiopia revealed the direct influence of service quality on customers' satisfaction and loyalty (melaku, 2013).In Mekelle, northern Ethiopia, study on Wegagen bank by (Kibrom, 2010) study on customer satisfaction and service loyalty this study revealed that the dimensions of service quality vary in the degree to which they drive customer satisfaction and service loyalty. The results also show that there was significant positive relationship in between service quality and customer satisfaction.

Study in Addis Ababa, Ethiopia that aimed to assess the effect of service quality on customer based brand equity found out that service quality is considered as a significant instrument for a firm's great effort in order to differentiate itself from its competitors (Hirut, 2015). Another study on the role of export service on improving the level of customer satisfaction of exporters in commercial bank reported that service quality has a great impact on exporter's satisfaction *(*Sahlemariam, 2015).However, little is known about factors affecting customer satisfaction in case of CBE in Addis Ababa, Ethiopia. In this regard, a research should be carried out to assess the factors affecting customer satisfaction. Therefore, the aim of this study attempts to assess factors affecting customer satisfaction in case of commercial bank of Ethiopia in Addis Ababa.

1.3. OBJECTIVES

1.3.1. General objective

The general objective of this study is to assess the level of customer satisfaction and factors affecting customer satisfaction the case of commercial banks of Ethiopia in Addis Ababa, Ethiopia.

1.3.2. Specific objectives

- ✓ To assess the status of satisfaction of customers receiving service at commercial banks of Ethiopia in Addis Ababa.
- ✓ To identify factors affecting the satisfaction of individual customers receiving service at commercial banks of Ethiopia in Addis Ababa.
- ✓ To assess demographic characteristics of respondents have any significant influence on satisfaction of customers.

1.4. Research question

- ➢ What is the status of customer satisfaction in the study area?
- ➢ What are the factors affecting customer’s satisfaction?
- ➢ Do demographic characteristics of respondents have any significant influence on satisfaction of customers of CBE?

1.5. Significance of the study

The result of this study might serve as input for community, bank customer service officers, future researchers and policy makers and other relevant stakeholders about factors affecting satisfaction of bank customers. Firstly, the findings of this study may benefit the society in that identification of the factors affecting bank customer satisfaction enables the community to easily set the best possible solutions to deal with the issue related with satisfaction with banking services.

Secondly, this study may provide a clue for customer service officers about factors affecting customer satisfaction. So, having an idea about factors affecting customer satisfaction, customer service officers which are the center of service quality make a necessary adjustment in the delivery of banking service which is eventually leads to improvement in service quality.

Thirdly, this study may use as an input for further study for similar future researchers. Lastly, it provides solution for bank industry service quality problems and it may give them an idea of where they are presently in terms of their service quality and what they should do in the future.

1.6. Limitation and Scope of the Study

This study focuses on assessing factors affecting customer satisfaction in case of commercial banks of Ethiopia particularly on the selected branches in Addis Ababa and therefore it cannot be considered as a representative of the whole branches of CBE; that is the generalizability of the finding and the conclusion drawn is limited to the selected branches which includes Addis Ababa, Finfine, Selassie, Arat kilo and Megenagna. Moreover, the reason behind studying on the selected branches is due to time and resource constraint. Since the data collection instrument is self-administered questionnaire, there may be a response bias.

1.7. Organization of the Paper

This paper is organized into five chapters. The first chapter is an introduction which includes background of the study, problem statement, objective of the study, research questions, significance of the study and scope and limitation of the study. The second chapter is review of related literatures which consists theoretical background and important findings from different literatures. The third chapter involves methodologies applied in the study. Chapter four presents the result and discussion of the study. Finally, the last chapter gives conclusion and recommendations of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Customer Satisfaction

Customer satisfaction is defined as customers' response to the perceived gap between prior expectations or experiences and actual performance of products or services consumed (Che-Ha & Hashim, 2007). Customer satisfaction is an affective state or feeling towards the products or services. Competition in banking industry becomes more and more intense and financial institutions place great importance on customers. Customer satisfaction could lead to stronger customer base which is a competitive advantage to the institutions (Salifu, Decaro, Evans, Hobbs & Iyer, 2010).

Due to the importance of customer satisfaction, it has become academics' and practitioners' interests in service industry. There is a continuous growth in research of customer satisfaction in retail banking sector (Salifu, Decaro, Evans, Hobbs & Iyer, 2010). However, Anderson, Fornell and Lehman (1994) provided a better explanation by describing the customer satisfaction as a kind of purchase behaviour and the experience of using a product. It is much dependent on buyers' expectation which determines the consistency of the product performance. Should there be consistency, the customer will be satisfied; otherwise they will show dissatisfied results (Ho, 2009).

Generally, customer satisfaction is conceptualized as an attitude-like judgment or a pleasurable level of consumption-related fulfilment resulting from purchases or consumers' interactions. Consumers make the judgment based on the experiences attached to suppliers' products or services, the sales processes, and the after-sale services (Ho, 2009). On the other hand, customer satisfaction is viewed as personal experience and mentality linked to personal expectation and service delivered. It is described as the customers' experiences associated with the purchase and usage of a product or service (Salifu, Decaro, Evans, Hobbs & Iyer, 2010).

When transacting with banks, customers always judge the level of services and the priority given by bank and finally decide about repurchase behaviour. Customer satisfaction level is high when they obtain maximum usage and profit with minimum price (Afsar, Rehman, Qureshi &Shahjehan, 2010). On the contrary, dissatisfaction arises when pricing does not accommodate customers' needs. For instance, the interest rates on loans, charges on the usage of online services and the processing fees are among the factors which determine customer satisfaction (Afsar, Rehman, Qureshi & Shahjehan, 2010).

Customer satisfaction is the customer's feeling that a product/service has met or exceeded his/her expectations. It is a customer's feelings, of pleasure or disappointment resulting from comparing Products or services perceived performance or outcome in relation to his or her expectations. To Makes clear, satisfaction is a function of perceived performance and expectations**.** P. Kotler suggested that many companies are aiming for high satisfaction because customers who are just satisfied still find it easy to switch when better offer comes along. Those who are highly satisfied are much less ready to switch.

2.1.1. Measuring Customer Satisfaction

Customer satisfaction is measured at the individual level, but it is almost always reported at an aggregate level. Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. The state of satisfaction depends on a number of both psychological and physical variables which correlate with satisfaction behaviours such as return and recommend rate. The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organization's products (David, 2010).

2.1.2. Customer Behaviour and Customer Satisfaction

According to Singh (2006), customer satisfaction does have a positive effect on an organization's profitability. The consequences of not satisfying customers can be severe. Dissatisfied consumers can decide to discontinue purchasing the good or service and complain to the company or to a third party and perhaps return the item, or engage in negative word-of-mouth communication. On the other hand, Potluri and Hawariat (2010) stated as customer satisfaction is a direct determining factor in customer loyalty, which, in turn results; in increased purchases of the existing product, cross-purchase of your other products, price premium due to appreciation of your added-value services, reduced operating cost because of familiarity with your service system and positive word-of-mouth in terms of referring other customers to your company.

2.2. Factors that cause Customer Satisfaction

A customer satisfaction is an ambiguous and abstract concept. Actual manifestation of the state of satisfaction will vary from person to person, product to product and service to service. The state of satisfaction depends on a number of factors which consolidate as psychological, economic and physical factors.

The quality of service is one of the major determinants of the customer satisfaction, which can be enhanced by using ICT available to survive (Vijay, 2012).The service delivery process also plays a key role in customer satisfaction. When the process of service delivery is too long, it lengthens customer waiting time.

According to (Sasraku, 2007), the physical evidence also plays a role in customer satisfaction. The physical evidence includes the buildings and its decorations, an imposing banking hall with comfortable seats, places of conveniences, etc. The office or building and its external and internal decorations can satisfy a customer. The customer can pride him or herself as customer of that bank.

Also, easy access to the bank premise would make a customer feel happy in transacting business with a bank, for example, if the bank premise is located on a high street. However, the nice edifice of a banking hall will not be noticeable if customer service is poor and there are unnecessary delays and lack of personal support from staff (Sasraku, 2007).The technology being used by the bank in service delivery could be a source of satisfaction to customers. When electronic devices like computers are used, they tend to speed up the processing time of transactions. System and processes solely do no create satisfaction.

Furthermore, the security of customers and their deposits is an area of concern to customers. When customers are assured of protection from external threats they feel secured and happy. For example, if a bank is situated at a place noted for criminal activities, customers are scared and dissatisfied (Sasraku, 2007). The internal security is equally important to customer who will want to deal with personnel with integrity and good moral values especially, the financial institutions.

2.3. Service Quality

Services can be defined as actions, procedures and performance. Services are products that are rendered but it is not correspondent to something which is physical. The main difference between the product and services are that customers get value with no undying ownership of any tangible components. Moreover, service quality which is not like product quality which is determined by its unique characteristics which are intangible, perishable, inseparable, and heterogeneous (Zeithaml et al., 2006).

Today one of the most dominant topics of research in services is service quality. It is necessary for service providers to understand how customers evaluate the quality of service. When customers consume a product, they compare the quality of experience with their prior expectations, which leads to their satisfaction or dissatisfaction (Thakur,2011).Therefore services marketing researchers based their work on developing a service quality concept focused on consumer behaviour instead of using manufacturing quality concepts (Dhandabani,2010).Thus it had been recognized that customers evaluate service quality by comparing the actual performance with service expectations that they held (Thakur, 2011).

The customer view of quality is what he/she perceives the product or service to be. (Nigle S., Stuart C., Robert J., 2010) to create unified view quality can be defining as the degree of fit between customer's expectation and customer's perception of the product and services. Using this idea allow us to see the customer's view of quality of the products and services as a result of the customers comparing their expectations of the products or services with their perception of how it performs. A customer's view of quality is shaped by the gap between perception and expectation. If the product or service experience is better than expected then the customer is satisfied and quality is perceived to be high. If the product or service was less than their expectation then quality is low and then the customer may be dissatisfied. If the product or service matches expectation then the perceived quality the product or service is seem to be acceptable. (Nigle S., Stuart C., Robert J., 2010)

Moreover, service quality has been increasingly addressed and determined as the vital factor in distinguishing services and creating competitive environment and maintaining a satisfying relationship with customers (Zeithaml et al., 2006). Service quality can mostly be compared to the customer and how he or she expects about the service they acquire. It should be indicated however, that it is not exactly the same as customer satisfaction, but shows similarity. If customer perception is higher than the actual performance level of the service provider, then perceived service quality is below the satisfactory level and that leads to customer dissatisfaction and finally customer might switch other provider. Therefore, Service quality is multidimensional structure that is very difficult to appraise due to the exceptional features of each of the service providers (Zeithaml et al., 2006).

2.3.1. Measuring Service Quality

According to Fabnoun and Chaker (2003), measuring service quality is an important task since it allows the service provider to appraise and compare what things were like prior to changes set in and what they are after changes were made. The SERVQUAL tool has brought extensive recognition as an best tool to investigate, review and measure the quality of services of several industries like banking, healthcare, hotels, etc. (Akter et al., 2008). As a result, it is an extremely supportive instrument but it cannot be implemented in the same way in all of the various industries. Therefore, it needs modification depends on the situations. For Such a different situation such as in the banking industry, the SERVQUAL instrument tools had to be modified in order to fit the particular requirements of the bank

According to Haifa (2009), there are five dimensions of service quality that are appropriate to service providers. These dimensions have experienced several modifications and many authors came up with various dimensions related to service quality which has been recognized and implemented in various industries. According to Akter et al., 2008, those service quality dimensions include reliability, responsiveness, tangibility, assurance and empathy.

2.3.2. Service Quality in Banking Industry

Managers in the service sector are under increasing pressure to demonstrate that their services are Customer-focused and those continuous performance improvements are being delivered. Given the financial and resource constraints under which service organizations must manage it is essential that customer expectations are properly understood and measured and that, from the customers' Perspective, any gaps in service quality is identified. (Dr.Rakesh.R, 2012)

According to Sulieman (2013), the service quality of banking services provided to customers have been enhanced and it can be used as a foundation for realizing service excellence to meet competition, where distinguished service has become the basis for differentiation between the banks. The concept quality of service is to match and adapt to the requirements which means that Service institutions such as banks must have certain requirements and specifications of the Services it provides to customers.

2.3.3. Underlying Principles of Service Quality

According to Clow and Kurtz (2003), receiving a high level of service is important to consumers but understanding how to evaluate the service quality received is more difficult. Two consumers receiving what appears to be the exact same service form a company may evaluate the quality of the service differently. One consumer may feel the service was good while the other may feel the Service was performed poorly. When discussing service quality the three underlying principles that should be kept in mind. Firstly, service quality is more difficult for the consumer to evaluate that quality of a good. Secondly, service quality is based on consumers' perception of the outcome of the service and their evaluation of the process by which the service was performed. And thirdly, service quality perceptions result from a comparison of what the consumer expected prior to the service and the perceive level of service received.

The process used by consumers in evaluating service differs from the process used for goods. Services tend to be high in experience and credence qualities while goods tend to be high in search qualities. Search qualities are attributes that contributes that consumers can evaluate only during or after the consumption process. Credence qualities are attributes that consumers have difficulty evaluating even after consumption is complete. Experience qualities are qualities of a good or service that will be evaluated only after the service has been consumed or during the process of consumption. (Clow and Kurtz, 2003)

2.3.4. The Benefits of Service Quality

The benefits of service quality comprise four areas as follows (Kotler, 2002) Customers' retention: high Quality builds loyal customers and creates positive word of mouth, which is an important factor in purchase decision. This can determine customer satisfaction, which affects repeat business. If a customer is happy with an existing firm it is difficult to convince him/her to move to another.

Avoidance of price competition: a firm with a reputation for high quality has a much stronger Competitive position than one with a reputation for poor quality. Price cutting by a competitor will not be enough to encourage a client to switch. Good quality is more power full to remain Competitive.

Retention of go employees: employees appreciate working in operations that are well run and Produce products. They do not enjoy receiving customer complaint. Also turn over and losses of employee morale are listed as costs of poor quality work force. When an operation has good quality, it can retain food employees. Moreover, at the time business expansion is needed recruiting is easier and training cost is reduces.

Reduction of costs: the quality cost includes internal costs, external costs and quality system costs. Internal costs are those associate with correcting problems discovered by the firm before products reached to customers. External costs are related to errors that the customers experience. They can be very expensive when the customers decide not to return because to a service problem. Then the promotional and advertising costs or external costs are necessary to be spent to create the company in the end. However, the company needs to check the service quality through customers' Feedback periodically to avoid problems. Although quality service system does not come without cost, it is usually less than those internal and external costs resulting from poor quality service. Some examples of the costs of a quality System include customer service audits, training management meetings with employees and Customers an introduction of a new technology (kotler, K.L, 2009).

2.4. Service Quality and Customer Satisfaction

As service quality improves, the probability of customer satisfaction increases. Quality was only one of many dimensions on which satisfaction was based; satisfaction was also one potential influence on future quality perceptions (Clemes, 2008).

Kotler and Armstrong (2012) preach that satisfaction is the pos-purchase evaluation of products or services taking into consideration the expectations. Researchers are divided over the antecedents of service quality and satisfaction. Whilst some believe service quality leads to satisfaction, others think otherwise. The studies of many researchers suggest service quality leads to customer satisfaction. To achieve a high level of customer satisfaction, they suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction (Mesay, 2012).

2.4.1. Tangibles and Customer Satisfaction

Association between service quality and customer satisfaction in banking sector of Sweden is examined by Zineldin (2005). He found that by combining tangible and intangible attributes of premium quality in products and services provided by banks, they 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 consumers get an exceptional and positive foremost impression. Focusing on this particular dimension will help them to gain maximum benefit (Swar & Sahoo, 2012).

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 behaviours 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.

2.4.2. Reliability and Customer Satisfaction

The association between dimensions of service quality and customer satisfaction was investigated by Ibanez et al. (2006). 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 (Muyeed, 2012).

2.4.3. Assurance and Customer Satisfaction

In addition to tangibles, reliability and responsiveness; assurance has been identified as 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 behaviour, the satisfaction level of customers can be enhanced significantly. It may also positively influence repurchase intension of customers (Ndubisi, 2006; and Ndubisi & Wah, 2005).

2.4.4. Empathy and Customer Satisfaction

A positive and significant relationship is found between empathy and customer satisfaction by Iglesias and Guillén (2004). It was proposed in another research study, that customers may remain unsatisfied with service quality if a gap is left in empathy.

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 prone forgive any 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. Karatepe (2011) explored the service environment impact with empathy and reliability on loyalty. Empathy works as a moderator between quality and customer satisfaction. Empathy can change the behaviour of customer ultimately.

2.4.5. Responsiveness and customer satisfaction

Fitzsimmons and Fitzsimmons (2001) argue that when the customer is kept waiting for no apparent reason creates unnecessary negative perceptions of quality. Conversely, the ability for the bank to recover quickly when service fails and exhibit professionalism will also create very positive perceptions of quality. The readiness to provide timely service by the service provider includes paying attention to the customer, and dealing with the customer's complaints and problems in a timely manner. Responsiveness is being flexible with the customer and trying to accommodate the customer's demands and performing the service without delay. This leads to customer satisfaction.

2.5. Demographics effect on customer satisfaction

Demographic information such as age, gender and education level need to be examined when measuring service quality in retailing; in order to discover the relationship between demographic information and dimensions (Siu& Cheung, 2001).

According to Ogden & Ogden (2005) the most important demographic information is marital status because it shows if customers are buying for themselves, for a spouse, or a family with children. Education level is important demographic information because as customers become more educated they demand different products and different levels of service .Kotler& Armstrong (2010) suggest there has been an increase in educated people in the United States and this leads to an increase in the demand for quality products.

Age, gender, level of income, education, and experience with bank services are the moderators of customer satisfaction in a wide range of service industries (Narteh and Kuada, 2014). It is further stated that age, gender, education and income levels are key moderators that are associated with services of banks and satisfaction in the banking sector. For instance, Omar (2008) did a research on determinants of retail bank choice in Nigeria with respect to gender. The results showed that there are some differences in choice factors used by male and female customers in selecting a retail banks for patronage. For example, men are risk loving than women.

Tesfom and Birch (2011) state that young and older bank customers differ significantly in their satisfaction levels. For instance, younger customers are more likely to easily change their banks, but for banks to retain them, they need to offer more meaningful incentives to younger customers than older customers. On educational level, a research by Meyer et al., (2006) for Deutsche Bank on online banking found that individuals with higher formal education are more satisfied with the use of internet and are therefore, likely to do financial transactions online. According to Narteh and Kuada (2014), wealthier customers have higher expectations and better service options than lower-income customers. They further give example of Ghana banking industry, where by income is used as a market segmentation variable.

Scott and Shieff suggested that consumers with different income levels have been found to have different perceptions of service quality. Consumers with higher income levels may perceive service quality differently from their lower-income counterparts (Lim, Bennett &Dagger, 2008). In addition, Yuanji Zheng (2011) said that income will affect a person values and preferences. Income is important indicators for consumer's perception of service quality that will lead to satisfaction. Others, Kassim (2006) found that income is considered one of the most powerful factors in customer perception and satisfaction.

2.6. Corporate Image

A favourable image is considered as a critical aspect of an organization's ability to maintain its market position as image has been related to core aspects of organizational success such as customer patronage. The corporate image is based on what people associate with the company or all the information (perceptions, inferences, and beliefs) about it that people hold (Rita, 2007). Some researchers use image and reputation as substitutes,(Rita ,2007) proposed that image and reputation could be used as substitutes, since it is likely that the early studies on corporate image would have used the concept "reputation" had they been done today.

There are two principal components of corporate image according to Kennedy (1997): functional and emotional. The functional component is related to those tangible characteristics that can easily be measured, such as the physical environment offered by the hotel; the emotional component is associated with those psychological dimensions that are manifested by feelings and attitudes towards an organization (Jay & Hui, 2007). These feelings are derived from the numerous experiences with an organization and from the processing of information on the attributes that constitute functional indicators of image (Kennedy, 1977). Although the quality of service is "defined" by the customer, but "created" by the employees, it is the "human factor" that holds the ultimate balance of quality in service industries (Jay & Hui, 2007).

Researchers have found image to be a very complicated concept because it is more than just the summing up of all the factual attributes of an organization. Image is influenced by the interactions among all factual and emotional elements of an organization in generating consumer's impression and suggesting a "gestalt" view of the firm's image (Jay & Hui, 2007). Moreover, many studies have reported that the organization's ability to consistently offer superior service and the resulting customer satisfaction has a strong positive influence on the firm's image.

Researchers who did a number of studies in bank industry identified specific dimensions. The basic idea is the components that customers always associated with commercial banks consist of services provided, the accessibility to those services, employees and reputation (Rafael, Teresa & Jose, 2009).

One of the general objectives of organizations is to build a strong and sustainable corporate image supported by positive corporate association. Organizations which portray a sound corporate image in the industry would be able to attract more stakeholders, reduce the rivals' threats and boost higher profits. In this context, customers' preference towards the organizations is higher and the organizations are successful to gain high creditability (Rafael, Teresa & Jose, 2009). Other than increase the ranking of the corporate brand and products, corporate image also plays a role in affecting the new product or service purchase by prospecting customers (Rafael, Teresa & Jose, 2009).

2.6.1. Corporate Image and Customer Satisfaction

Perceived brand reputation or corporate image has significant effects on customer satisfaction and beliefs about brand originating from personal use, experience, word of mouth endorsements or criticisms, and marketing efforts of organizations (Kumbhar, 2011). A brand perception is also one of the most crucial aspects in banking sector. Perceived brand reputation in banking sector means the banks reputation, image and expiating place of bank in the banking industry (Reynolds, 2007). Corporate image is an important element to service providers since customers who satisfied with the brand name are going to recommend that service to other people.

According to Nguyen & LeBlanc, satisfaction has no significant direct effect on corporate image. Walsh & Widemann (2004) report that corporate reputation is rightly regarded as a multidimensional construct, with a diverse range of stakeholders, the current study focuses strictly on customer based corporate reputation (i.e. corporate reputation as perceived by customers). Focusing on customers (as opposed to other stakeholder groups) is in agreement with more recent work on customer reputation and customer satisfaction that focuses on the stakeholder group of customers (Walsh and Wiedmann, 2004). It is assumed that corporate reputation has a positive effect on various commercially relevant economic and pre-economic dimensions.

2.7. Prices

Banking service charge or price of services is termed as the amount of payment that requested by the seller of services such as financial institutions or banks. Term of service charge as well as price is determined by few factors such as willingness of the buyer to pay, willingness of the seller to accept, intensity of competition price substitute products and etc. (Uddin & Akhter 2012).

It is common knowledge that price influences a customer’s buying decision. Although companies offering superior service levels are able to charge a slightly higher price than their competitors are, the marginal difference is often modest and requires a better than average performance on service quality (Gale, 1992), which then jeopardizes the cost effectiveness.

Price satisfaction consists of a most complex construct consisting of few dimensions, for example price fairness, price transparency, price reliability and more. These essential dimensions constitute the determinants of price satisfaction and consequently customer satisfaction (Matzler, Wurtele & Renzl, 2006).

2.7.1. Price Sensitivity

Price sensitivity on the individual adopter level appears to be equivalent to the concept of price consciousness for a potential buyer of a product or service. Price consciousness has been defined as “the degree to which he or she is unwilling to pay a high price for a product and willing refrain from buying a product whose price is unacceptably high” (Monroe, 1990).

2.7.2. Price Acceptance

Measurements of consumer price acceptance represent a direct attempt to establish the potential buyers' willingness to purchase as a function of various prices (Monroe, 1990). The level of acceptance can thus be defined as the maximum price, which a buyer is prepared to pay for the product (Monroe, 1990). Several different methods are suitable for determining the price that the consumer subjectively presumes to be appropriate observations of the market, experimentation with prices and surveys (either direct or indirect) of experts' or customers' opinions (Monroe, 1990).

Marshall (1980) indicates that the excess of price that a customer would be willing to pay, rather than go without having a thing, over what he/she actually pays is the economic measure of his her /satisfaction surplus. It means that customers could have a greater price acceptance for products or services providing greater satisfaction.

2.7.3. Price Perception

Price perception has made important contributions to understanding of consumer behaviour (Kalyanaram and Winer, 1995). When a consumer plans to make a purchase, the price perception process can be described as follows: if the selling price of the brand is greater than the internal reference price, the selling price is perceived negatively by the consumer. Although Nagle and Holden (2002) believe that price merely represents the monetary value a buyer must give to a seller as part of a purchase agreement, customers' price perception is closely related on their perception of quality, value and other beliefs.

2.7.4. Price Fairness

Garbarino and Slonim (2003) propose that fair price will always be lower than expected price because consumers, without knowledge of the firm's actual profit margins, assume the firm is making a reasonable profit even at the lowest observed price

2.7.5. Price and Customer Satisfaction

Customers or consumers are relatively price concerned, thus customer value is a function of service charge and service quality that provides a competitive advantage when a company takes an action of cost-cutting imitative to ensure the customer value (Spiteri & Dion, 2004). Real price competitiveness is an essential determinant of customer value, thus price satisfaction increases the value of customer perception and there is a direct relationship between price and value (Ralston, 2003). Price has significant effect on customers' buying behaviour, value perception and customer satisfaction.

Table 2.1. Measurement items for the variables and the literature-based

Measurement Item	Literature-based
Service quality ***Tangible*** 1. The bank uses state of the art technology and equipment in their service delivery 2. My bank's physical facilities and amenities are satisfactory 3. The employees are well dressed and neat in appearance 4. The materials in the bank like the deposit slip, cheque, and other documents are visually appealing ***Reliability*** 5. The bank provides its services at the time it promises to do so. 6. When customers have a problem, the bank shows sincere interest in solving it 7. The bank delivers its services promptly at the time it promises to do so 8. The bank has operating hours convenient to all its customers. 9. The bank insists on error-free records ***Responsiveness*** 10. The bank's employees give me prompt service. 11. The bank employees are always willing to help me 12.The bank employees are never too busy to respond to my requests ***Assurance*** 13. The behaviour of employees instil confidence in me 14. I feel safe in all my transactions at the bank 15. In the bank, employees are consistently courteous with me 16. Employees in the bank have the knowledge to answer my questions	(Wong, 2011) (Parasuraman et al., 1985)

Empathy 17. The bank employees give customers individual attention 18. The employees of the bank give customers personal attention 19. The employees understand customers specific needs 20. The bank provider has convenient operating hours to its customers	
Corporate Image 21. The bank's product and services has a good reputation. 22.The bank is innovative and pioneering in its service delivery 23. The bank in its service delivery is Persuasive. 24. I believe that the bank has a better image than its competitors. 25. The bank aims much effort to the benefits of the community. 26.The performance of this bank is superior to that of competitor'	(Wong, 2011) (Keller, 1993) (Chen, Chang & Chang, 2005) (Rafael, Teresa & Jose, 2009)
Competitive Pricing (Price satisfaction) 27. I am properly informed about the price of services. 28.I feel the service charge that I have paid for local transfer is fair 29.Interest rate on loans is relatively lower compared to other banks 30. Price information is clear, complete and understandable. 31.Interest earned on saving and fixed term deposits are higher compared to other banks	(Kurt, Andreas & Birgit, 2006)
Customer Satisfaction 32. The bank completely meets my expectations. 33.I feel absolutely delighted with the banks' services 34.The information that presented by this Bank is accurate 35. This Bank is exactly what I need 36.There are guarantees of this Bank 37. Overall, the bank is able to satisfy my wants and needs	(Wong, 2011) (Ho, 2009)

2.8. Empirical Studies on factors affecting customer Satisfaction

Mukhtar *et al*, (2014) documented on customer satisfaction towards financial services of banks in Bahawalpur, Pakistan. The study used correlation analysis to check the intensity of relation of customer satisfaction with dimensions of service quality. These dimensions included reliability, assurance, responsiveness, empathy and tangibility. The study found that service quality is positively correlated with customers' satisfaction. The most important variable that affects customer satisfaction is tangibility, which is followed by assurance. Regression equation derived from regression analysis shows that only assurance and tangibility has significant correlation with customer satisfaction, but reliability, empathy and responsiveness has no importance relationship with customer satisfaction.

Oduro (2013) investigated factors that determine customer satisfaction level in banking institutions from Ghanaian Banking Industry. His study used factor analysis and found that three factors influence consumers' satisfaction level of the banks. These factors were found to be customer relation and service, staff competency and responsive and convenient banking.

Shanka (2012) studied the relationship between service quality, customer satisfaction and loyalty using five dimensions of SERVPERF model which are reliability, assurance, tangibility, empathy and responsiveness in private banks in Ethiopia. The study used correlation and multiple regressions to analyze data from a convenient sample of 260 respondents. The study shows that all service quality dimensions are positively correlated with customer satisfaction indicating quality banking service as a prerequisite for establishing and having satisfied customers. Regarding on demographic characteristics of the respondents, the frequency of use, majority of the respondent are not frequent users (51 and 46%); they use the service at most once in a month.

Sulieman (2011) found that reliability, tangibility, responsiveness and assurance have significant and positive relationship with customer satisfaction. Meanwhile empathy was found to have a significant and negative effect on customer satisfaction. Moreover, the result of Ravichandran *et al* (2010) indicates responsiveness is the only significant dimension of service quality that affects the satisfaction of customers positively.

A study conducted by (Mesay, 2012) to measure the quality of service offered by private banks operating in Ethiopia and to investigate the relationship between service quality, customer satisfaction and loyalty, the study concluded that all service quality dimensions are positively correlated with customer satisfaction indicating 90.7% of the variance in customer satisfaction can be predicted by the service quality offered by the private banks. In addition, results of this research show that there is a positive significant relationship between customer satisfaction and loyalty, and explain 62% of the variance.

A study conducted by (Habte, et al, 2015) reveals that the overall level of customer's satisfaction in the study area is low (38.85%) as compared those who were not satisfied (61.15%). The result of study showed that all most all factors included in the study were significantly associated with customer's satisfaction.

The result of the study also revealed the predictor variables availability of connection service, attractiveness of bank facility, number of front desk(channels), managing waiting line, complain handling process, speed of service, waiting time, customers caring manner, giving improved and consistent service for their customers, employees handling customers with best interest and at heart, employees give promoting service for their customers, employees inspire confidence and trust, availability of modern equipment, engagement in occupation and distance were significantly associated with customers satisfaction. Despite of this sex, marital status, age, educational level, family size, monthly income, monthly expenditure and religion were not significantly associated with customer's satisfaction.

According to zarour (2003), cited in Sulieman (2013), Study aimed at measuring the impact of the quality and price of services provided by banks to build brand image of the industrial sector in Jordan, the study found a relationship between industrial company's brand equity, and of some dimensions of quality banking service and the prices of these services. The study recommended banking departments to improve the quality of services and prices.

Suresh et al, (2003) Study entitled "Customer Perceptions of Service Quality in the Banking Sector of Developing Economy," the study found that banks varied significantly in providing quality service through customer perception of the quality of service provided. The study found an association between customers and knowing customers, to lead the competition in this area. The study found a link between quality of service and customer satisfaction, and that it has a significant impact in improving the level of customer satisfaction. This study also recommended to make a focus on reliability and customer knowledge in order to improve the competitive position of the sector, in order to ensure customer loyalty, and continued success in the future.

Awan*et al,* (2011) investigated the service quality and its relationship to customer satisfaction among the customers of conventional banks and Islamic banks. They carried a survey using a modified SERVQUAL scale to 200 walk-in customers conveniently drawn. The study used regression analysis and identified five service quality dimensions namely; empathy, service architecture, convenience service encounter, employee service criteria, customer focus and five customer satisfaction dimensions: responsiveness, competency, safe transaction, competitive services and knowledge for the overall banking.

Kibrom (2010) studied on the relationship among service quality, corporate image, price, customer satisfaction, and service loyalty. The study found that Service quality, corporate image, and price were found to be determining customer satisfaction and service loyalty at the bank. The independent variables explained the dependent variable in 45.7%. Service quality has positive and significant effect on customers' satisfaction judgments (65.5%).As to the overall level of satisfaction of customers, majority of the customers (84%) are satisfied with the service delivery.

(Melaku, 2013) tried to test the relationship that exists between service quality dimensions and customer satisfaction; customer satisfaction and loyalty. The mean score values for service quality dimensions was between 2.89 and 3.55. The multiple regression results showed that all service quality dimensions have positive and significant effect on customer satisfaction. The R square value of 0.727, demonstrates that 72.7% of variation in customer satisfaction can be accounted by the service quality dimensions.

2.9. Conceptual framework

The conceptual framework of factors affecting customer satisfaction is established based on the literature review. The conceptual framework was developed by principal investigator after a thoroughly reviewing the literature related to the subject under study. The arrows indicate the proximity of the independent variables to the dependent variable. The dependent variable is customer satisfaction and the independent variables are socio-demographic factors, service quality, and corporate image and price factors.

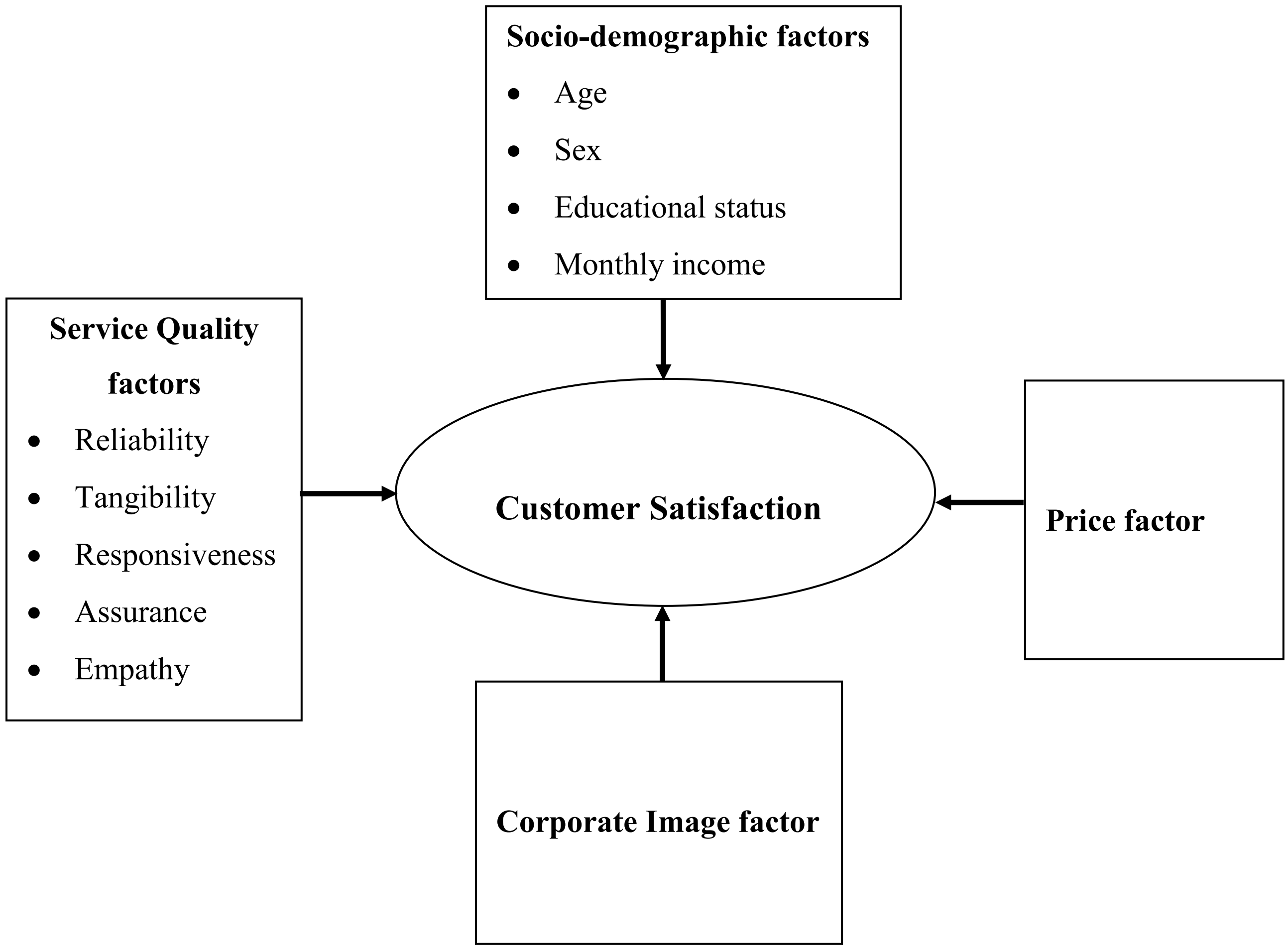

Figure 2.1. Conceptual framework of the factors affecting customer satisfaction

Source: Literature review

CHAPTER THREE

METHODOLOGY

This section highlights the overall methodological considerations used in gathering, analyzing and interpreting the data. It includes type of research and design, description of the study area, Population and sample size determination, Sampling method and procedure, Data Type and Source, Data Collection Instrument and Procedure, Data processing and analysis. At the end of the chapter Operational Definition of Variables is presented.

3.1. Type of research and design

This study utilized a financial institution (bank) based on cross-section survey method to know the factors that affect customer satisfaction. A cross sectional survey approach is used in gathering the data for the purpose to meet the research objective and finally providing findings for this research**.** Along with the cross sectional nature of this study, descriptive research design is employed for detail description of the findings displayed in tables and figures as well as to develop inferences on the factors that affect customer satisfaction.

Qualitative and quantitative research approaches are employed in this study. The two basic methodological approaches to which different studies might naturally lend themselves are the qualitative and the quantitative methods. Whilst qualitative research is more descriptive, quantitative research more often draws inferences based on statistical procedures and often makes use of graphs and figures in its analysis (Ghauri and Grönhaug, 2005).

3.2. Description of Study Area

The Commercial Bank of Ethiopia (CBE) is the largest bank in the country. It is the first bank in Ethiopia to introduce ATM service for local user. Currently CBE has more than 11 million account holders and the number of Mobile and Internet Banking users also reached more than 460,000 as of September 30, 2015. Active ATM card holders reached close to a million.CBE combines a wide capital base with more than 22,000 talented and committed employees. CBE has reliable and long-standing relationships with many internationally acclaimed banks throughout the world. The bank provides Secure and a reliable service tailored to meet customers' needs. It has more than 1000 branches stretched across the country. Among this 188 of them are under Addis Ababa. The Branches execute their functions under the supervision of 15 district offices (CBE annual report, 2016).

In the capital; Addis Ababa there are about 188 branches and the number of active customer's accounts holders are 3,641,437. Of all the 188 branches found in the city, this study has dealt only with five of them.

3.3. Population and sample size determination

The target population of this study is individual customers of CBE who are receiving the service in Addis Ababa. First, purposive sampling is used to select the branches which are based on the number of active account holders as on CBE annual report, 2016 from the bank MIS department. The study population was customers of CBE before it gets merged with CBB. In the purposively selected branches of CBE in Addis Ababa, informants are taken randomly from each of the five branches in a proportional way.

The proportional is calculated by adding total number of active account holders in the selected five branches and dividing by each branch by the total. The detail is shown as table 3.1

Sample size in this study was determined using a single population proportion formula under varying assumptions as follows.

$n = \frac{Z^2 p(1-p)}{e^2}$, for single population

Where, n is the sample size, z is the standard normal deviate set at 1.96 (for 95% confidence level), e is the desired degree of accuracy (taken as 0.05) and p is the estimate of the proportion of our target population satisfied with banking service (50% is taken, since no study with similar study design on similar study population was not identified during literature search).

$$n = \frac{Z^2 x 0.5(1-0.5)}{0.05^2} = 385$$

Table 3.1. population and sample size determination

No	Selected branches	No of active account holders	Sample size proportion
1	Addis Ababa	138,350	138,350/483,557 x100=29% of 385=112
2	Arat kilo	128,435	128,435/483,557 x100=26% of 385=100
3	Finfine	60,980	60,980/483,557 x100=13% of 385=50
4	Selassie	90,367	90,367/483,557 x100=19% of 385=73
5	Megenagna	65,980	65,980/483,557 x100=13 of 385%=50
	Total	483,557	385

Source: CBE annual report, 2016

3.4. Sampling Method and Procedure

Five branches of CBE under Addis Ababa are included in the study. The five branches are selected purposively based on the total number of active account holders. From each branch the proportionate number of subjects was select based on number of active account holder from the selected branches. Finally, a random sampling technique is used to select the study subjects until the allocated sample size is fulfilled.

3.5. Research Instrument

The research instrument used in this research is self-administered questionnaires. Self-administered questionnaires are surveys in which the respondent takes the responsibility for reading and answering the questions without the presence of researcher (Zikmund, Babin, Carr & Griffin, 2010). For physical survey forms, respondents could return the questionnaires to researcher in personal once they complete the questionnaires. The questionnaires in the study were attached with brief explanation about the purpose of the study to enhance the respondents' understanding. This was believed to call for their interests to complete the survey with high commitment. The respondents was assure that participation in the study was voluntary and anonymous (Zikmund, Babin, Carr & Griffin, 2010).

3.6. Data Type and Source

The main source of this study was primary data source. Primary data is sourced through customer survey. As the research is intended to assess the factors that affect customer satisfaction include: socio-demographic, service quality, corporate image and price, from the customers' perspective, the primary data are collected from primary sources via questionnaires.

The data that are collected from sample survey through questionnaire that describes numerical figures was the quantitative data types that used in this study, the main sources of primary data are respondents who are the customers of commercial bank of Ethiopia through questionnaire distribution and collection.

3.7. Data Collection Instrument and Procedure

Data collected using a pretested self-administered structured questionnaire to address all variables of interest. The questionnaire is initially prepared in English and translated to Amharic. The Amharic version questionnaire is back translated to English to check the consistency of items. The questionnaire contains items on background socio-demographic characteristics, corporate image, Price and service quality.

3.8. Description of Variables

3.8.1 Dependent variables

The dependent variable in this study is "Customer satisfaction".

3.8.2. Independent Variables

The independent variables are categorized in to four groups. Socio-demographic characteristics include age, sex, educational status, and monthly income. Service quality includes reliability, tangibility, responsiveness, assurance, empathy. Corporate image includes innovative and pioneering, persuasive and superior performance. Price include fair price, interest on saving and interest paid on loan.

3.9. Data processing and analysis

Data are inserted in to SPSS version 22.0. The inserted data are cleaned for errors and inconsistences and finally analyzed. Data obtained from the study are presented in text, tables and figures.

Linear regression analysis is used to determine the association between dependent and each of the independent variables. Moreover T-test and one way Analysis of variance (ANOVA) are employed to identify the difference between demographic variables and customer satisfaction.

3.9.1. Validity Analysis

Validity tests are conducted to select and assess the final items of the construct that are finally used for statistical testing. The content validity of the instrument for the present study ensured as items are identified from extensive review of related literature and reviewed by professionals and academicians. Pilot tests then conduct for the instrument similar to the population for the study. The purpose of the pre-testing was to refine the questionnaire and to assess the validity of measures.

Before estimating any model, it is a must to check the validity of the model properly. Hence, as necessary, tests for multicollinearity were made. Tests for multicollinearity is done using variance inflation factor (VIF). As a rule of thumb, if the VIF of a variable exceeds 10, there is a serious multicollinearity problem. The VIF indicates whether a predictor has a strong linear relationship with the other predictor(s). Myers (1990) suggests that a value of 10 is a good value at which to worry. Related to the VIF is the tolerance statistic, which is its reciprocal (1/VIF). As such, values below 0.1 indicate serious problems although Menard (1995) suggests that values below 0.2 are worthy of concern. Whichever measure the data set again shows no sign of significant Collinearity. Results of VIF and 1/VIF are shown in Appendix 2.

3.9.2. Reliability Test

In statistics, reliability is the consistency of a set of measurements or measuring instrument, often used to describe a test. Reliability is inversely related to a random error (Coakes & Steed, 2007). There are several different reliability coefficients. One of the most commonly used is called

Cronbach's Alpha. Cronbach's Alpha is based on the average correlation of items within a test if the items are standardized. It has an important use as a measure of the reliability of a psychometric instrument. It was first named as alpha by Cronbach (1951), as he had intended to continue with further instruments. All the variables, service quality, corporate image, price and Customer satisfaction were tested for their reliability. Detail result are present in Appendix 3.

3.10. Ethical Consideration

Ethical clearance and permission obtained from the institutional review board Faculty of Business and Economics of Addis Ababa University, Ethiopia. Permission is also granted from all the selected branches of CBE through formal letter. Participation in the study was on the voluntary basis and participants are asked for willingness before they are provided the questionnaire. The subjects are also assured that their responses used only for the purpose of the study. An attempt is made first to explain the objectives and significance of the study to the respondents. Name and other identifying information are not used in the study. The researcher safeguarded all information related to the participants. Their privacy, identity and confidentiality are maintained by assigning them code numbers instead of names (anonymity).

3.11. Operational Definition of Variables

- **Customer Satisfaction –** Customer satisfaction is defined as the consumer's sense that consumption provides outcomes against a standard of pleasure versus displeasure
- **Service quality**- service quality is described as a result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed.

Reliability: the ability to carry out the promised service dependably and accurately.

Responsiveness: the willingness to support and/help the customer and provide prompt Service. It emphasizes special treatment and promptness in dealing with customer query, Complaints and problems. It is communicated to customers according to the length of time they have to stay in order to get support, answer their questions, or special attention to their problems.

Tangibility: referring to the appearance of physical facilities, equipment and appearance of personnel or staffs. It represents the physical image of the service that the customer will use to evaluate service quality.

Assurance: referring to the knowledge and courteousness of the staff and their ability to trust and confidence. Assurance is significant for services that customers perceive as high risk or where they feel doubtful about their ability to measure outcomes. This is especially significant to banking services and healthcare.

Empathy: providing individualized attention provided to customers. The essence of empathy is conveying, through personalized or customized or individualized services that customers are unique and special and their needs are specified.

- **Corporate Image-** Corporate image is the consumer’s response to the total offering and is defined as the sum of beliefs, ideas, and impressions that a public has of an organization.
- **Price-** Banking service charge or price of services is termed as the amount of payment that requested by the seller of services such as financial institutions or banks.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

The first section of this chapter presents a demographic description of the sample in terms of age, sex, level of education and monthly income. The second section summarizes the response of participants of the research when it comes to various attributes of factors affecting customer satisfaction.

4.1. Response Rate

A total of 385 questionnaires were distributed with the help of 5 enumerators and the response rate was indicated in the table below.

Table 4.1. Response rate

Item	Response rate	
	NO	Percent
Sample size	385	100
Collected	345	89.6
Remain uncollected	40	10.4

From the above table, out of 385 distributed questionnaire 345(89.6%) were collected while 40(10.4%) of the questionnaire remained uncollected .Therefore, analysis were made based on the responses obtained from 345 questionnaire.

4.2. Demographic characteristics of respondents

This research was enclosed the main demographic characteristics such as sex, age groups, educational levels, experience of customers with CBE, and monthly income.

Table 4.2. Demographic Characteristics of Respondents

NO	Variables		Frequency n=345	Percentage
1	Sex	Male	186	53.9
		Female	159	46.1
2	Age in (year)	<20	7	2.0
		21-30	181	52.2
		31-40	138	40.3
		>40	18	5.2
3	Education	Secondary and below	11	3.2
		Diploma	129	37.4
		Degree	145	42.0
		Master or above	60	17.4
4	Year of experience	<1	21	6.1
		1-4	110	31.9
		4-7	140	40.6
		>7	74	21.4
5	Monthly income in (birr)	<2000	61	17.7
		2000-4000	115	33.3
		4001-7000	112	32.5
		>7000	57	16.5
Total			345	100

The questionnaire included a segment on customer's profile, as an assortment of demographic and other factors were likely to influence the degree of customer satisfaction with respect to the factors affecting customer satisfaction in the selected banks.

From the data presented in table above, the majority (53.9%) of the respondents was male and the remaining 46.1% of the respondents were female. This indicates that out of 345 customers around186 customers were male and the remaining 159 customers were female. From the data presented in table 2 above, the majority (52.5%) of the respondents were under age group of 21-30 years old; 40.3% of the respondents were under age group of 31-40 years and the remaining 2% and 5.2% were less than 20 years and greater than 40 years old respectively.

Regarding educational level of the respondents, the above table portray that, the majority (42%) of the respondents were degree holders, 37.4% were diploma and the remaining 3.2% &17.4% of the respondents were secondary school &below and masters & above respectively. This may indicate that most of the respondents have a good educational background.

From the table above, most (40.6%) of the respondents have an experience of 4-7 years as a customer of CBE; 31.9% had an experience of 1-4 years; 6.1% had less than one year and the remaining 21.4% of the respondents had experience of greater than 7 years with CBE.

Regarding the monthly income from the above table most of the respondents 33.3% were between 2000-4000 birr, 32.5% 4000-7000, 16.5% and 17.7% greater than 7000 and less than 2000 respectively.

4.3. Reliability Test

A reliability analysis was conducted to each variable of the instrument. The reliability of the measures was examined through the calculation of Cronbach's alpha coefficients. For scale acceptability, Hair et al. (1998) suggested that Cronbach's alpha coefficient of construct is 0.6. If each domain obtains the value 0.6, it means that, the items in each domain are understood by most of the respondents. On the other hand, if the findings are far from the expected value of 0.6, this might be caused by respondents' different perception toward each item of the domain.

The Cronbach's alpha values are reported as follow. Service quality yield Cronbach's alpha = .886, corporate image yield Cronbach's alpha = .875, the Cronbach's alpha for price was at .666,and Cronbach's alpha for customer satisfaction was at .866.The Cronbach's alpha values for all the variables considered are greater than 0.6 and this indicates the items in each of the domains are well understood by the respondents. The items have measured what they were designed to measure.

4.4 .Assessing the Level of Customer Satisfaction

There were six items that inquired about customer satisfaction directly. An average scoring method was employed to arrive at the level of customer satisfaction which is given out of 100%. The following histogram summarizes the average customer satisfaction score for the data set.

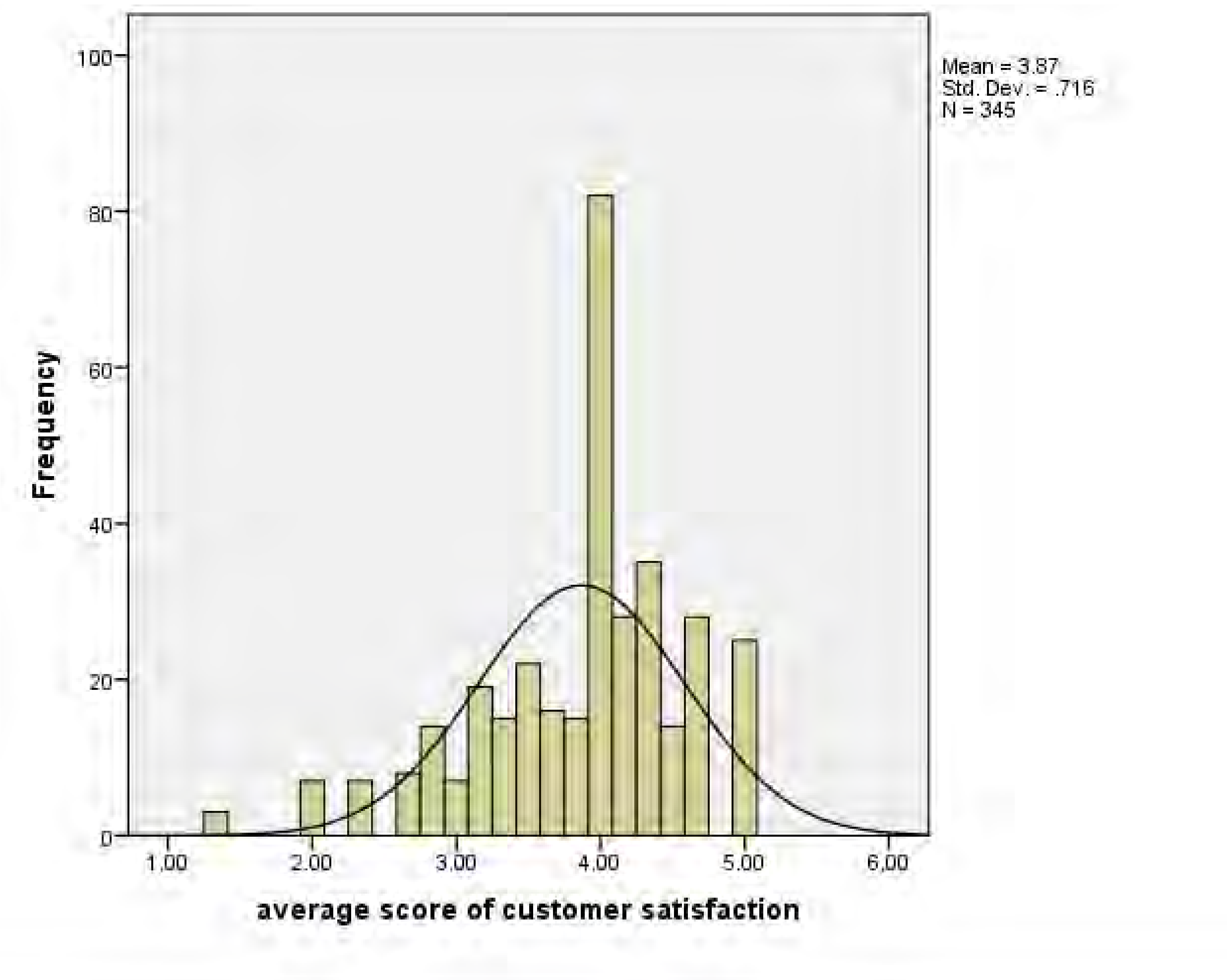

Figure 4.1 level of satisfaction on sampled customer

The figure show above portraits the mean satisfaction is 3.87 with standard deviation of 0.716. The mean satisfaction score is high which indicate majority of sample respondents are satisfied by the service provided by the bank.

4.5. Assessing the relationship between demographic Variables and Customer Satisfaction

A. Gender and Customer Satisfaction

An independent sample t-test was conducted to compare and uncover any significant difference between female and male counterpart when it comes to customer satisfaction.

Table 4.3 T-test Comparison of mean for male and female

Gender	Mean	Standard deviation	t-test	Df	Sig (2 tailed)
Male	3.72	0.634	.580	343	0.087
Female	3.68	0.704			

On average the customer satisfaction for male (M=3.72, SD=0.634) and female (M=3.68, SD= 0. 704), *t* (343) = .580, p>0 .05. Therefore there is no statistically significant difference observed between the means of male and female counterparts when it comes to customer satisfaction.

B. Age and Customer Satisfaction

A one was ANOVA test was conducted to compare any significant difference between age and customer satisfaction.

Table 4.4. One Way ANOVA test for age and customer satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	27.814	17	1.636	4.937	.000
Within Groups	108.377	327	.331		
Total	136.191	344			

The result show that there is statistically significant difference observed between the different age groups of the respondents when it comes to customer satisfaction.

C. Education and Customer Satisfaction

A one was ANOVA test was conducted to see if there were any significant differences among the different categories of educational level and customer satisfaction. As it can be seen from the table below the significance level is 0.000(p = .000), which is below 0.05 and, therefore, there is statistically significant difference among respondents with various levels of educational background when it comes to customer satisfaction.

Table 4.5. One way ANOVA Comparison for educational background

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	66.343	17	3.903	8.946	.000
Within Groups	142.654	327	.436		
Total	208.997	344			

D. Income and Customer Satisfaction

As it can be seen from the table below the significance level is 0.231 (p = .231), which is above 0.05 and therefore the one way ANOVA test reveals that there is no a statistically significant difference among respondents with various level of income when it comes to customer satisfaction.

Table 4.6. One way ANOVA Comparison of mean for Income

Income in birr	Mean	Standard Deviation	Mean Square Between Groups	Df (Between Groups)	Mean Square Within Groups	DF (Within Groups)	F	Sig
Below 2000	3.61	.590	.638	3	0.443	341	1.44	0.231
2000-4000	3.75	.764						
4000-7000	3.76	.687						
>7000	3.59	.445						

4.6. Respondents' satisfaction level on the five service quality dimensions

Table 4.7.Mean score for service quality dimensions.

Service quality dimensions	Mean	Std. Deviation
Tangibility	3.6333	.85715
Reliability	3.6452	.82422
Responsiveness	2.8232	.66713
Assurance	3.6623	.82196
Empathy	3.7174	.81670

Table 4.7 shows the mean score for the five dimensions of service quality. Sampled respondents indicated their level of satisfaction on each of the five service quality dimensions: tangibility, reliability, responsiveness, assurance and empathy. The highest mean is scored by empathy followed by assurance and reliability. The least mean score is for responsiveness followed by tangibility.

According to table 4.7 the empathy dimension of service quality is carried out superior to the other four dimensions with a mean score of 3.72. This indicates the commercial banks are performing at satisfactory level in empathic service.

The second dimension as per the rating of the customers is assurance with a mean score of 3.66. The customer perceived that the banks are performing better in having knowledgeable and courteous employees.

The third dimension is reliability with 3.64 mean score. The fourth dimension is tangibility with mean score 3.63. This indicate that the bank performing at satisfactory in possessing good looking equipment, visually appealing materials and neat appearing employees.

The least performed dimensions are responsiveness with a mean score of 2.82. As per the response of the customers, commercial banks are not good in delivering responsive service. This indicates that there are weaknesses in helping customers, responding to customer inquiries and delivering prompt service.

Table 4.8.Regression results of service quality and customer satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.453	.227		10.790	.000
	Tangibility	-.092	.053	-.110	-1.739	.083
	Reliability	.138	.068	.159	2.038	.042
	Responsiveness	-.072	.056	-.067	-1.297	.195
	Assurance	.235	.060	.270	3.889	.000
	Empathy	.158	.058	.180	2.707	.007

Table 4.8 indicates empathy, reliability and assurance dimension of service quality have a significant influence on customers' satisfaction at 95% confidence level. Conversely, responsiveness and tangibles dimension have no significant influence on customers' satisfaction. This study show that empathy, reliability and assurance dimension of service quality have a significant influence on customers' satisfaction.

Table 4.9.Regression results of corporate image and customer satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.849	.180		10.251	.000
	corporate image	.508	.045	.524	11.382	.000

a. Dependent Variable: customer satisfaction

As shown in the regression table 4.9 the coefficients of the regression for corporate image (0.000, $p < 0.05$). This means that corporate images is positively and significantly influence the level of customer satisfaction.

The positive and significant coefficient for corporate image and customer satisfaction suggests the higher corporate image and the higher customer satisfaction on banking service.

Table 4.10.Regression results of price and customer satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.675	.182		9.181	.000
	Price	.620	.051	.551	12.222	.000

a. Dependent Variable: customer satisfaction

As shown in the regression table 4.10 prices is significantly influence the level of customer satisfaction which is $p < 0.05$.

According to the findings from the collected data show that majority of customers are satisfied with the services of commercial bank of Ethiopia. This result is consistent with previous study conducted by (Habte, et al, 2015) reveals that the overall level of customer's satisfaction in the study area is low (38.85%) as compared those who were not satisfied (61.15%). The result of study showed that all most all factors included in the study were significantly associated with customer's satisfaction.

The study findings show that empathy, reliability and assurance dimension of service quality have a significant influence on customers' satisfaction. This is in line with Sulieman (2011) found that reliability, tangibility, responsiveness and assurance have significant and positive relationship with customer satisfaction. Meanwhile empathy was found to have a significant and negative effect on customer satisfaction. Moreover, the result of Ravichandran et al (2010) indicates responsiveness is the only significant dimension of service quality that affects the satisfaction of customers positively.

The association between dimensions of service quality and customer satisfaction was investigated by Ibanez et al, (2006). They found a significant relationship between reliability of services on the satisfaction level of customers. A positive and significant relationship is found between empathy and customer satisfaction by Iglesias and Guillén (2004).

(Melaku, 2013) tried to test the relationship that exists between service quality dimensions and customer satisfaction; customer satisfaction and loyalty. The mean score values for service quality dimensions was between 2.89 and 3.55. The multiple regression results showed that all service quality dimensions have positive and significant effect on customer satisfaction. The R square value of 0.727, demonstrates that 72.7% of variation in customer satisfaction can be accounted by the service quality dimensions.

From the regression analysis, one of the influential factors for customer satisfaction is reliability. The findings from the regression analysis with regards to this dimension are in line with the work of Ibanez et al, (2006) investigated the association between dimensions of service quality and customer satisfaction. They found a significant relationship between reliability of services on the satisfaction level of customers. Mukhtar *et al*, (2014) also put on their regression analysis only assurance and tangibility has significant correlation with customer satisfaction, but reliability, empathy and responsiveness has no importance relationship with customer satisfaction.

Another authors Awan*et al,* (2011) investigated the service quality and its relationship to customer satisfaction among the customers of conventional banks and Islamic banks. They carried a survey using a modified SERVQUAL scale to 200 walk-in customers conveniently drawn. The study used regression analysis and identified five service quality dimensions namely; empathy, service architecture, convenience service encounter, employee service criteria, customer focus and five customer satisfaction dimensions: responsiveness, competency, safe transaction, competitive services and knowledge for the overall banking.

The result additionally exhibited that the other factor affecting customer satisfaction is assurance. Previous studies by Parasuraman et al. (1988) suggest that in addition to tangibles, reliability, responsiveness and assurance have been identified as significant dimension of service quality that affect customer satisfaction.

The third service quality dimension that influences customer satisfaction is empathy. Consistent with the previous studies although a positive and significant relationship is found between empathy and customer satisfaction by Iglesias and Guillén (2004).

The last noteworthy finding from this study found corporate image and price has a significant influence on customer satisfaction. Previous study by (Kibrom, 2010) indicated that corporate image and price have positive effect on customer satisfaction. This study also shows that corporate image and price significantly affect customer satisfaction. The independent variables explained the dependent variable in 45.7%. Service quality has positive and significant effect on customers' satisfaction judgments (65.5%).As to the overall level of satisfaction of customers, majority of the customers (84%) are satisfied with the service delivery.

Chapter Five

Conclusion and Recommendation

This chapter attempts to highlight and summarize the significant contributions of this study. The chapter begins with a conclusion where research questions are answered, then ends with recommendation for future research.

5.1. Conclusion

Quality service delivery is not an optional competitive strategy which may, or may not, be adopted to differentiate one bank from another: today it is essential to corporate profitability and survival. Customer satisfaction is crucial in banking sector because of the special nature of the service which is characterized by intensive contact with customers who have different needs and require customized solutions and it is known to be one of the most important and serious issues towards success in today's competitive business environment, as it affects company market shares and customer loyalty (Clemes, 2008). Enhancing customer satisfaction is critical as it is a key to business success of any banking institution.

Organizations around the world struggle to find methods through which they can improve their quality of service, because it leads to enhanced satisfaction and loyalty. Alone the measures of service quality are imperative for organizations, as it tells them to focus on those facets that are critical for success. The same is true for banking industry. With the growth of competition in the banking industry, banks are struggling these days to find ways to improve service quality in order to ensure customer satisfaction. Data collected from surveys are used as a great tool of performance indicator for CBE. Sample survey enables the organization to realize quality of service provided from the view point of the customer.

In the banking industry where the customer is considered as a king, this study shows customers rating on the quality of service dimensions and their satisfaction with CBE. Therefore results of this study are considered important from the perspective of the organization. In order to improve service quality which will intern affect customers satisfaction of the bank, CBE has to incorporate output of this study so as to create a more enjoyable experience for its customer.

As promised in the research objective, the first objective was to assess the status of satisfaction of customers receiving service at commercial banks of Ethiopia in Addis Ababa. Results of the study have showed that majority of the customers are satisfied with the service provided by the CBE. This doesn't mean that CBE shouldn't strive further rather it must extend and widen opportunities so that customers would feel delight.

The study furthermore identified factors affecting customer satisfaction. Age and education are demographic factors that have significant influence on customer satisfaction. Empathy, reliability and assurance from dimension of service quality have a substantial influence on customers' satisfaction. The study has also revealed corporate image and price significantly influence customers' satisfaction. The study may indicate that commercial bank of Ethiopia need to pay more attention to the service quality dimensions of reliability, empathy, and assurance and corporate image and price as they significantly and positively influence customer satisfaction.

This study was conducted in commercial bank of Ethiopia particularly in Addis Ababa. Care should be taken in applying the findings of this study to other banks or other sectors. Alternatively, in future researches, this paper would give better understanding of the integration among service quality, corporate image, and price and customer satisfaction not only for CBE but also for private banks.

5.2. Recommendations

Customer is one of the vital assets for business regardless of its nature and size. Business lacking this important asset may face difficulty in such a way that operational income is less than operational cost; business losing customers may confront the problem of profit deterioration. Several studies have shown that improving service quality and customer satisfaction results in better financial performance for business.

On the basis of the findings and conclusions reached, the following recommendations are forwarded to the management of CBE, Addis Ababa to possibly improve the service delivery in a way that boosts customers' satisfaction.

The bank should exert its utmost effort to meet customers' expectation up to the standard. The bank to better satisfy its customers should emphasize on attributes of service quality, corporate image and price. The study showed Service quality, price, and corporate image are the most important factors to form customer satisfaction. The finding of the study also indicates that customers of the selected braches were satisfied by the service, so there is a need for management bodies to evaluate their status constantly and work for continuous improvements.

This study was conducted to assess the factors that affect customer satisfaction in the selected branches of CBE, Addis Ababa. The sample was drawn from only five branches, thus this study may be limited in its generalizability of the findings to others branches of the city and the private banks found. So, future research should draw sample of respondents on a number of branches of the bank found in the city. The researcher also wants to put forward the need to carry out further study on private banks.

This study included only four factors, there could be some other relevant factors that may be vital for customer satisfaction. Future researches, therefore, may consider more factors which can influence customer satisfaction.

Other perspectives like that of open ended-questionnaire or semi- structured interview would also be employed so that respondents would be able to give more detailed response. The survey method employed in this study respondents gave their ratings to provide specific questions. While if other methods such as those mentioned were used, respondents would have freedom to include items that are important to them and give more elaborate responses to questions asked. This in return would help researchers to identify real problem areas as well as areas that are doing exceedingly well.

Lastly comparative studies can be done by comparing the level of satisfaction of customers and the factors affecting customer satisfaction with private and commercial bank. This will enable to understand how well the CBE is doing compared to its competitors.

References

Abebe E. College of Business and Economics School of Management and Accounting: Hawassa University; 2013.

Afsar, B., Rehman, Z. U., Qureshi, J. A., & Shahjehan, A. (2010). Determinants of customer Loyalty in the banking sector: the case of Pakistan. *African Journal of Business Management,* 1040-1047.

Akter, S., Upal, M. & Hani, U. (2008) 'Service Quality Perception and Satisfaction: A Study Over Sub-Urban Public Hospitals in Bangladesh'. Journal of Service Research of Institute For International Management and Technology, 17(7), p.125-146

Anderson, E., Fornell, C., & Lehman, D. (1994). Customer satisfaction, market share, and profitability: findings from Sweden. *Journal of Marketing,Vol.58,* 53-66.

Caruana, A. (2000). The effect of services quality and the mediating role of customer satisfaction. *Service Loyalty,* 811-812.

Che-Ha, N., & Hashim, S. (2007). Brand equity, customer satisfaction & loyalty: Malaysian Banking sector. *International Review of Business Research Papers,* 123-133.

Clemes MD (2008). An empirical analysis of customer satisfaction in international air travel, Innovative Marketing, 4: 49-62. Retrieved March 24, 2013, from http:// www.ccsenet.org/ijbm.

Clow, E. &Kutz L. (2003) "*Service Marketing, Operation Management and Strategy"*, 2nd ed. Biztantra press, New Delhi

David, J. R. (2010). Marketing Metrics: The Definitive Guide to Measuring Marketing Performance, *Pearson Education*. New Jersey, Upper Saddle River: .Inc.

Dr.Rakesh.R, (2012). "Quality assessment of banking industry using the Service quality model": Indian streams research journal, (vol.2, pp. 1-4)

Fabnoun, N. & Chaker, M. (2003).Comparing the Quality of Private and Public bank. *Journal of Managing Service Quality, Vol. 13 (4).pp. 23-55.*

Fitzsimmons, J. A. & Fitzsimmons, M. J. (2001), Service Management: operations, strategy, and information technology, McGraw Hill Inc., New York.

Gale, B. (1992), "Monitoring Customer Satisfaction and Market-perceived Quality", American Marketing Association worth Repeating Series, No. 922CSO 1, American Marketing Association, Chicago, IL.

Garbarino, E. and Slonim, R. (2003), "Interrelationships and Distinct Effects of Internal Reference Prices on Perceived Expensiveness", Psychology and Marketing, 20(3)

Haifa H. (2009).The impact of waiting time and service quality delivery on customer Satisfaction and brand equity. Maastricht School of Management (MSM), Maastricht, Netherlands. (Accessed at 15 Aug, 2014).

Hirut S. The Effect of Service Quality on Customer Based Brand Equity (A case of Commercial Bank of Ethiopia): AAU; 2015.

Ho, H.H. (2009). The role of commitment in the relationship between customer satisfaction and Customer loyalty in banking industry: Mediating effect of commitment. Unpublished doctoral dissertation, University of Maryland.

Ibáñez, V. A., Hartmann, P., &Calvo, P. Z. (2006). Antecedents of customer loyalty in residential energy markets: Service quality, satisfaction, trust and switching costs. *The Service Industries Journal*, *26*(6), 633-650.

Iglesias, M. P., &Guillén, M. J. Y. (2004). Perceived quality and price: their impact on the satisfaction of restaurant customers. *International Journal of Contemporary Hospitality Management*, *16*(6), 373-379.

Jay Kandampully, Hsin-Hui Hu (2007), "Do Hoteliers Need to Manage Image to Retain Loyal Customers?" International Journal of Contemporary Hospitality Management, 19(6)

Kalyanaram, G. and Winer, R.S. (1995), "Empirical Generalizations from Reference Price Research", *Journal of Marketing Science*, 14(3)

Karatepe, O. M. (2011). Service quality, customer satisfaction and loyalty: the moderating role of gender. *Journal of Business Economics and Management, 12*(2), 278- 300.

Keller, K. (1993). Conceptualizing, measuring and managing customer-based brand equity. *Journal of Marketing, Vol 57,* 1-22.

Kennedy, S.H. (1977), "Nurturing corporate image", European Journal of Marketing, 11(3)

Kibrom A. Customer Satisfaction and Service Loyalty In Wegagen Bank, Mekelle Branch: Mekelle University; 2010.

Kumbhar, V. M. (2011). Factors affecting the customer satisfaction in e-banking: Some evidences form Indian banks. *Management Research and Practice,* 1-14

Kurt, M., Andreas, W., & Birgit, R. (2006). Dimensions of price satisfaction: A study in the retail banking industry. *International Journal of Bank Marketing, Vol 24 (4)*, 216-231.

Marshall, A. (1980), Principles of Economics, Macmillan Press, London.

Matzler, K., Wurtele, A., & Renzl, B. (2006). Dimensions of price satisfaction: a studying the retail banking industry. *International Journal of Bank Marketing, 24 (4) ,* 216-231.

Mesay S, (2012). Bank Service Quality, Customer Satisfaction and Loyalty in Ethiopian Banking Sector. Retrieved from http://www.apexjournal.org/JBAMSR.

Meyer, T., Stobbe, A., Haibach, M. & Walter, N. (2006). What we learn from the differences in Europe. *E-Banking Snapshot,* Vol. 16, No. 1, pp. 1-5.

Mistry, S.H (2013) Measuring Customer Satisfaction in Banking Sector: With Special Reference to Banks of Surat CityAsia Pacific Journal of Marketing & Management Review. 2 (7): 132-140.

Monroe, K.B. (1990), Pricing: Making Profitable Decisions, McGraw-Hill, New York, and N.Y.

Mukhtar A, Inam H, Ashiq H, Amjad R, and Nasar H (2014). Customer Satisfaction towards Financial Services of Banks: An Empirical Case Study from Bahawalpur, Pakistan. *Journal of Marketing and Management*. 2 (1): 94-111.

Muyeed, M. A. (2012). Customer Perception on Service Quality in Retail Banking in Developing Countries-A Case Study. *International Journal of Marketing Studies*, *4*(1), 116-122.

Nagle, T.T. and Holden, R.K. (2002), The Strategy and Tactics of Pricing: A guide to Profitable Decision Making, Prentice-Hall, Englewood Cliffs, NJ.

Narteh, B. & J. Kuada, J. (2014). Customer Satisfaction with Retail Banking Services in Ghana. *Thunderbird International Business Review,* Vol. 56, No. 4, pp. 353-371.

Ndubisi, N. O., & Wah, C. K. (2005). Factorial and discriminant analyses of the underpinnings of relationship marketing and customer satisfaction. *International Journal of Bank Marketing*, *23*(7), 542-557.

Nigel slack, Stuart Chamber, Robert Johnston, (2010). Operations Management, Pitman Publishing, six editions.

Oduro, R., (2013). Factors That Determine Customer Satisfaction Level in Banking Institutions: Evidence from Ghanaian Banking Industry, *Asian Journal of Business and Management Sciences.* 2 (7): 01-13.

Ogden, J. & Ogden, D. (2005) *Retailing: Integrated Retail Management*. Boston: Houghton Mifflin Company.

P. Kotler and Armstrong, G. (2010). Principles of Marketing (13th ed.). Pearson Education Inc. New Jersey.

Parasuraman, A., Zeithaml, V., & Berry, L. (1988). SERVQUAL: A multiple item scale for measuring consumer perceptions of service quality. *Journal of Retailing, Vol.64, No.1,* 12-40.

Parasuraman, A., Zeithaml, V.A., & Berry, L.L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing,49-55*.

Potluri, R., and Hawariat, H., 2010. Assessment of After-Sales Service Behaviours of Ethiopia Telecom Customers: African Journal of Economic and Management Studies, 1(1), pp. 75-90.

Rafael, B., Teresa, M., & Jose, M. (2009). The role of bank image for customers. *International Journal of Bank Marketing, Vol27, No 4,* 315-334.

Ralston, R. (2003). The effects of customer service, branding, and price on the perceived value of local telephone service. *Journal of Business Research, Vol 56,* 201-213.

Reynolds, J. (2007). A retrospective data examination of customer loyalty in the banking technology services industry: Strategies for new successes. *Dissertation presented in partial fulfillment for the degree doctor of philosophy, Capella University.*

Rita Martenson (2007), "Corporate Brand Image, Satisfaction and Store Loyalty: A Study of the Store as a Brand, Store Brands and Manufacturer Brands", International Journal of Retail & Distribution Management, 35(7).

Salifu, J. R., Decaro, F., Evans, M. K., Hobbs, S., & Iyer, R. K. (2010). The nexus of service Performance and service quality: A study of the Ghanaian retail banking industry. *Dissertation Abstracts International, Vol .71(5).*

Sasraku, F. S. (2007). Lectures notes on marketing of financial services. Univ. of Education, Winneba, Kumasi Campus.

Shanka, M.S (2012) Bank Service Quality, Customer Satisfaction and Loyalty in Ethiopian Banking Sector, *Journal of Business Administration and Management Sciences Research*. 1(1): 001-009.

Singh, H., 2006. The Importance of Customer Satisfaction in Relation to Customer Loyalty and Retention. UCTI Working Paper, Asia pacific university college of technology and innovation.

Siu, N. & Cheung, J. (2001) 'A measure of retail service quality', *Marketing Intelligence & Planning,* 19 (2), pp. 88-96.

Spiteri, J., & Dion, P. (2004). Customer value, overall satisfaction, end-user loyalty, and market performance in detail intensive industries. *Industrial Marketing Management,33* , 675-687.

Sulieman (2011) Banking Service Quality Provided by Commercial Banks and Customer Satisfaction, American Journal of Scientific Research, ISSN 1450-223X Issue 27(2011), pp. 68 83.

Sulieman A. (2013). Basic dimensions of the (servqual model) and its impact on the level of Customer satisfaction: an empirical study of the housing bank in karak. *European Scientific Journal vol.9, No.1. pp, 21-34.*

Swar, B. N., & Sahoo, P. K. (2012).Public, Private, and Foreign Banks. *Journal of Indian Management, 9*(3), 43-51.

Tefere, S. (2013, December). Prospects & Changes of Private Commercial Banks in Ethiopia, Department of economics Unity University.

Tesfom, G. & Birch, N. J.(2011). Do Switching Barriers in the Retail Banking Industry Influence Bank Customers in Different Age Groups Differently?' *Journal of Services Marketing,* Vol. 25, No. 5, pp.371-380.

Uddin B, Akhter B. Determinants of Customer Satisfaction of Banking Industry in Bangladesh. Pak J Commer Soc Sci. 2012;6(2):242-56.

Uddin, M. B., & Akhter, B. (2012). Determinants of customer satisfaction of banking. *Journal of Commercial Social Science*, Vol. 6 (2), 242-256.

Vijay M. Kumbhar (2012). Alternative Banking Channels and Customers' Satisfaction: An Empirical Study of Public and Private Sector Banks. International Journal of Business and Management Tomorrow Vol. 1 No. 1

Walsh, G. and Wiedmann, K.P. (2004), "A Conceptualization of Corporate Reputation in Germany: An Evaluation and Extension of the RQ", Corporate Reputation Review, 6(4)

Wieseke, J., Geigenmüller, A., & Kraus, F. (2012). On the role of empathy in customer employee interactions. *Journal of Service Research, 15*(3), 316-331.

Wong, S. F. (2011). *A study on the role of customer satisfaction in domestic retail banking sector*. Unpublished master's thesis, University of Malaya.

Zeithamal A. & Bitner M. (2006), *Service Marketing -Integrating Customer Focus Across the firm*, 3rd ed. Tata MacGraw-Hill. Publishing Company Limited, New Delhi. Thakur, S. (2011). Service Quality, Customer Satisfaction & Customer Loyalty: A Study with Special Reference to Indian Banking Industries. *The Journal of Sri Krishna Research & Educational consortium, vol. 1*(5), pp. 83-93.

Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2010). *Business Research Methods 8th Edition.* New York: South-Western Publishing.

Zineldin, M. (2005). Quality and customer relationship management (CRM) as Competitive Strategy in the Swedish banking industry. *The TQM Magazine*, *17*(4), 329- 344.

QUESTIONAIRE

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

MBA PROGRAM

Appendix 1: Questionnaire

Introduction

My name is Fikirte Mersha. I am attending Master's program in business administration at Addis Ababa University and I am conducting a study on bank customers. Currently I am collecting information related with factors affecting bank customer's satisfaction. Therefore, as a customer of this bank, your participation in this study will be valuable and greatly appreciated.

Study Title

"Factors affecting customer satisfaction: the case of Addis Ababa, Ethiopia"

Purpose

This study is intended to assess factors affecting customer satisfaction. The information to obtain from this study may be used by CBE and researchers. Moreover, the main aim of this study is to write a thesis as a partial requirement for the fulfillment of Degree of Master's in business administration.

Procedure and duration

First of all, you were selected by lottery method. I will be asking you using a questionnaire to provide me with pertinent data about factors affecting customer satisfaction that is helpful for the study. The questionnaire will take about 10-15 minutes, so I kindly request you to spare me this time for the study.

Risks

The risks of being participating in this study are very minimal, but only taking few minutes from your time. Other than this the questionnaire will not cause any harm on you and the community.

Benefit

There would not be any direct payment for participating in this study. But the findings from this research may reveal important information for the bank customer.

Confidentiality

The information that you provide us will be confidential. There will be no information that will identify you and your organization. The findings of the study will be general for the study population and will not reflect anything particular of individual persons or housing. The questioner will be coded to exclude showing names; no references will be made in oral or written reports that could link participants to the research.

Rights

Participation in this study is fully voluntary. You have the right to declare for your organization to participate in this study. You may refuse to answer any question at any time. However, we hope you will answer the questions, which will benefit the services you get.

Contact address

If there are any questions or enquires any time about the study, please contact and speak to principal investigator, Ms. Fikirte Mersha by phone number: 0912907597 and Email: *fikir2129@gmail.com*.

Instruction for filling the questionnaire

Please read each statement carefully and encircle your choice for the questions indicated in the table and write your opinion on the blank space.

Part I: Demographic or personal information (please encircle)

Question		**Response**
1	sex	1. Male 2. Female
2	Age	1. Less than 20 2. 21-30 3. 31-40 4. More than 40
3	Educational level	1. secondary school &below 2. Diploma 3. Bachelor degree 4. Master or higher
4	The type of jobs that respondents participated	1. Student 2. Employee 3. Business owner 4. Agriculture and related 5. Other
5	How long have you been customer of this bank?	1. <1 year 2. 1-4 years 3. 4-7 years 4. >7 years
6	Could you indicate in which category your **monthly income** belongs?	1. Less than 2, 000 Birr 2. 2, 001-4, 000 Birr 3. Br. 4, 001- 7, 000 Birr 4.over 7, 000 Birr

Part: II ***Assessment the degree of satisfaction of services offered by the bank***

The following question aims to assess the degree of satisfaction of service offered by the bank. Please tick **(√)** the number that you feel most appropriate number using the scale below (from 1 to 5 alternatives in the Likert scale).

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree

NO	**Service quality**	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
	Tangible					
1	The bank uses modern state of art technology and equipment in their service delivery					
2	The bank's physical facilities are visually appealing and satisfactory.					
3	The employees are well dressed and neat in appearance					
4	The materials in the bank like the deposit slip, cheque, and other documents are visually appealing					
	Reliability					
5	The bank provides its services at the time it promises to do so.					
6	When customers have a problem, the bank shows sincere interest in solving it					

7	The bank delivers its services promptly at the time it promises to do so					
8	The bank has operating hours convenient to all its customers.					
9	The bank insists on error-free records					
	Responsiveness					
10	The bank's employees give me prompt service.					
11	The bank employees are always willing to help me					
12	The bank employees are never too busy to respond to my requests					
	Assurance					
13	The behaviour of employees instil confidence in me					
14	I feel safe in all my transactions at the bank					
15	In the bank, employees are consistently courteous with me					
16	Employees in the bank have the knowledge to answer my questions					
	Empathy					
17	The bank employees give customers individual attention					
18	The employees of the bank give customers personal attention					
19	The employees understand customers specific needs					
20	The bank provider has convenient operating hours to its customers					

	Corporate Image	1	2	3	4	5
1	The bank's product and services has a good reputation.					
2	The bank is innovative and pioneering in its service delivery					
3	The bank in its service delivery is Persuasive.					
4	The bank has a better image than its competitors.					
5	The bank aims much effort to the benefits of the community.					
6	The performance of this bank is superior to that of competitor's					

	Competitive Pricing (Price satisfaction)					
1	I am properly informed about the price of services.					
2	I feel the service charge that I have paid for local transfer is fair					
3	Interest rate on loans is relatively lower compared to other banks					
4	Price information is clear, complete and understandable.					
5	Interest earned on saving and fixed term deposits are higher compared to other banks					

	Customer Satisfaction					
1	The bank completely meets my expectations.					
2	I feel absolutely delighted with the banks' services					
3	The information that is presented by this Bank is accurate					
4	This Bank is exactly what I need					
5	There are guarantees of this Bank					
6	Overall, the bank is able to satisfy my wants and needs					

Finally, write any ideas or comment about CBE that you feel regarding the customer service.

____

____

____

መጠይቅ

አዲስ አበባ ዩኒቨርሲቲ

ቢዝነስ እና ኢኮኖሚክስ ኮሌጅ

ማኔጅመንት ዲፓርትመንት

ውድ የባንኩ ደንበኞች

እኔ በአሁኑ ሰዓት በአዲስ አበባ ዩኒቨርሲቲ የሁለተኛ ድግሪ ተማሪ ስሆን የመመረቂያ ጥናቴን በኢትዮጵያ ንግድባን ክአዲስ አበባ ባሉ ቅርንጫፎች ላይ በደንበኛው የአገልግሎት እርካታ ላይተፅዕኖ የሚያሳድሩ ሁኔታዎችን በሚል ርዕስ ጥናቴን እየሰራሁ እገኛለሁ፡፡የዚህ መጠይቅ አላማም ባንኩ በሚሰጠው አገልግሎት የደንበኛውን እርካታ ተፅዕኖ የሚያሳድሩት ነገሮች ላይ በቂ መረጃ በመሰብሰብ ጥናቱን ውጤታማና ተዓማኒነት ያለውማድረግ ነው፡፡ ይህንንም አሳካ ዘንድ የእርስዎ ትብብር በጣም ያስፈልገኛል፡፡ስለዚህ ለመጠይቁ መልስዎን በመስጠት እንዲተባበሩኝ በአክብሮትእጠይቃለሁ፡፡ ለመጠይቁ የሚሰጡት ምላሽ ለጥናቴ ብቻ የሚውል ሲሆን መልስዎትም በሚስጥር ይያዛል፡፡

ማሳሰቢያ፡-

- *ሰምዎትን መጥቀስ አያስፈልግም*
- *ትክክል ነው ብለው ያሰቡትን መልስ ፊት ለፊት ባለው ሳጥን ውስጥ የራይት (✓) ምልክት ያድርጉ፡፡*

ስለትብብርዎ አመሰግናለሁ!!

ክፍል አንድ: የግል ሁኔታ

ጥያቄዎች		ምላሽ
1	ፆታ	3. ወንድ ☐ 4. ሴት ☐
2	እድሜ	5. ከ20 ዓመት በታች ☐ 6. 21-30 ☐ 7. 31-40 ☐ 8. ከ40 ዓመት በላይ ☐
3	የትምህርት ደረጃ	5. 2ኛ ደረጃና ከዚያ በታች ☐ 6. ዲፕሎማ ☐ 7. የመጀመሪያ ዲግሪ ☐ 8. 2ኛ ዲግሪና ከዚያ በላይ ☐
4	ለምን ያህል ጊዜ የዚህ ባንክ ደንበኛ ነዎት?	5. ከ1 ዓመት በታች ☐ 6. ከ1-4 ዓመት ☐ 7. ከ4-7 ዓመት ☐ 8. ከ7 ዓመት በላይ ☐
5	እርስዎ የሚያገኙት የወር ገቢ በአማካኝ ስንት ይሆናል?	4. ከ2,000 ብር በታች ☐ 5. ከ2, 001 - 4,000 ብር ☐ 6. ከ4, 001- 7, 000 ብር ☐ 7. ከ 7, 000 ብር በላይ ☐

ክፍል ሁለት፡በባንኩ አገልግሎት የሚያገኙትን እርካታ ይዳስሳል

እባክዎን የእርስዎን ሀሳብከ 1-5 የቀረቡትን ቁጥሮች ምልክት በማድረግ ያመልክቱ

1	2	3	4	5
በጣም አልስማማም	አልስማማም	ሀሳብ የለኝም	እስማማለሁ	በጣም እስማማለሁ

	የአገልግሎት ጥራት	1	2	3	4	5
	ውጫዊ እይታ /Tangibility/					
1	ባንኩ አገልግሎት ሲሰጥ ዘመናዊ መሳሪያና ቴክኖሎጂ ይጠቀማል፡፡					
2	የባንኩ ውጫዊ ገፅታ ለዓይን የሚስቡና የሚያረኩ ናቸው፡፡					
3	የባንኩ ሠራተኞች ፅዱና የተስተካከለ አለባበስ አላቸው፡፡					
4	የባንኩ አገልግሎት መስጫ መሳሪያዎች ገቢ ማድረጊያ ቅጽ፣ቼክ እና ሌሎች መሳሪያዎች ለዓይን የሚስቡ ናቸው፡፡					
	ታማኝነት //Reliability/					
5	ባንኩ ቃል በገባው መሠረት ተገቢውን አገልግሎት ይሰጣል፡፡					
6	የባንኩ ደንበኞች ችግር በሚገጥማቸው ጊዜ ባንኩ ችግሩን ለመፍታት ከልብ የመነጨ ፍላጎት ያሳያል፡፡					
7	ባንኩ አገልግሎት ለመስጠት ቃል በገባበት ሰዓት አገልግሎቱን ይሰጣል					
8	ባንኩ የሚሰራበት ሰዓት ለሁሉም ደንበኞች ምቹ ነው፡፡					
9	ባንኩ ከስህተት ነጻ የሆነ አገልግሎት ይሰጣል::					
	ፈጣን ምላሽ /Responsiveness /					
10	የባንኩ ሰራተኛ ቀልጣፋ የሆነ አገልግሎት ይሰጣል::					
11	የባንኩ ሰራተኞች ደንበኞቻቸውን ለማገዝ ሁሌም ዝግጁ ናቸው::					
12	የባንኩ ሰራተኞች የደንበኛውን ጥያቄ መልስ ለመስጠትጊዜ አይወስዱም::					
	እርግጠኝነት /Assurance/					
13	የባንኩ ሰራተኖች ፀባይ በባንኩ እምነትእንዲኖረኝ አድርጓል፡፡					
14	ከባንኩ ጋር ባለኝ የሥራ ግንኙነት ስጋት የለኝም፡፡					
15	የባንኩ ሰራተኞች ለደንበኞች ሁልጊዜም ትሁት ናቸው፡፡					
16	የባንኩ ሰራተኞች ጥያቄዎችን ለመመለስ በቂ እውቀት አላቸው፡፡					
	ችግርን መርዳት /Emphathy/					
17	የባንኩ ሰራተኞች ለደንበኞች ተገቢውን ትኩረት ይሰጣሉ፡፡					
18	የባንኩ ሰራተኞች ደንበኞቻቸውን እንደየፍላጎታቸው ያስተናግዷቸዋል፡፡					
19	የባንኩ ሰራተኞችን የደንበኞቻቸውን ፍላጎት ይረዳሉ፡፡					
20	ባንኩ ለደንበኞቹ አመቺ የሆነ የሥራ ሰዓትአለው፡፡					

	እርስዎ ለባንኩ የሚሰጡት ግምት /Corporate image/	1	2	3	4	5
1	የባንኩ አገልግሎት ጥሩ ዝና አለው፡፡					
2	ባንኩ አዳዲስ ቴክኖሎጂዎችን በመስራትና በማስተዋወቅ የመጀመሪያነው፡፡					
3	የባንኩ አገልግሎትአሰጣጥ አስተማማኝነው፡፡					
4	የባንኩ አሰራር ከሌሎች ባንኮች የተሻለነው፡፡					
5	ባንኩ ለማህበረሰቡ ጥቅም ይጥራል፡፡					
6	የዚህ ባንክ አፈፃፀም ከሌሎች ባንኮች የተሻለነው፡፡					

	ዋጋን በተመለከተ /Price satisfaction/					
1	የእያንዳንዱ የአገልግሎት ክፍያ እንዳውቅ በሚገባ መረጃ አግኝቻለሁ፡፡					
2	ለሀገር ውስጥ የሀዋላ መላኪያ የአገልግሎት ክፍያ ተመጣጣኝ ነው፡፡					
3	በብድር ለሚወሰድ ገንዘብ የሚከፈለው ወለድ ከሌሎች ባንኮችሲነጻጸር ዝቅተኛ ነው፡፡					
4	የክፍያ መረጃን በተመለከተ ግልጽ እና የተሟላ እንዲሁም በቀላሉ ለመረዳት የሚያስችል ነው፡፡					
5	ለቁጠባ እና ለቋሚ ቁጠባ ባንኩ የሚከፍለው ወለድ ከሌሎች ባንኮች የተሻለ ነው፡፡					

	የደንበኛው እርካታ /Customer satisfaction/					
1	ከባንኩ ሙሉ በሙሉ የጠበቅሁትን አገልግሎት አግኝቻለሁ፡፡					
2	ከባንኩ በአገኘሁት አገልግሎት ሙሉ በሙሉ ረክቻለሁ፡፡					
3	ከባንኩ የማገኘው መረጃ አስተማማኝ ነው፡፡					
4	ባንኩ እንደምፈልገው ነው፡፡					
5	ባንኩ ዋስትና አለው፡፡					
6	ባንኩ ፍላጎቴን ያሟላል፡፡					

በመጨረሻም፡ ባንኩ ለደንበኞቹ በሚሰጠው አገልግሎት የተሰማዎትን ሀሳብ እና አስተያየት ይፃፉ____________________

____

____

____

Appendices 2: VIF table for regression analysis

Model	Collinearity Statistics	
	Tolerance	VIF
Tangibility	.556	1.798
Reliability	.365	2.742
Responsiveness	.843	1.186
Assurance	.435	2.301
Empathy	.481	2.077
Corporate image	.639	1.565
Price	.715	1.400

Appendices 3: Reliability Analysis of the Questionnaires

Cronbach's Alpha

Reliability Statistics

Reliability Statistics

Cronbach's Alpha	Tangibility items
.801	4

Reliability Statistics

Cronbach's Alpha	Reliability items
.870	5

Reliability Statistics

Cronbach's Alpha	Responsiveness items
.190	3

Reliability Statistics

Cronbach's Alpha	Assurance items
.789	4

Reliability Statistics

Cronbach's Alpha	Empathy Items
.838	4

Reliability Statistics

Cronbach's Alpha	Corporate Image Items
.875	6

Reliability Statistics

Cronbach's Alpha	Price Items
.666	5

Reliability Statistics

Cronbach's Alpha	Customer Satisfaction Items
.866	6