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**THE EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION IN THE
CASE OF BUNNA BANK S.C**

In four selected Branches in Addis Ababa

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DEDICATION

I dedicate that this thesis to my beloved Family!

AUTHOR'S STATEMENT

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Abstract

This study looked at the link between overall service quality and customer satisfaction at Bunna Bank (BB) at the chosen branches and the gap between customer perception and expectations on service dimensions. Customers of Bunna Bank S.C. at four specific Addis Ababa branches made up the respondents. 150 BB customer respondents completed a self-administered questionnaire to collect primary data. We then selected 150 valid questionnaires using a stratified random sample technique for statistical analysis. IBM SPSS version 25 was used to process the data, and descriptive statistics (such as frequencies, percentages, mean scores, pie charts, and bar graphs), as well as chi-square testing, binary logistic regression analysis, and Spearman correlation analysis, were used to evaluate the results. This study looked at how aspects of service quality impacted customer satisfaction at Bunna Bank in Addis Abeba. The characteristics of service quality were assurance, responsiveness, empathy, tangibility, and dependability. At the 5% significance level, the findings demonstrated that every aspect of service quality had a favorable and substantial influence on customer satisfaction. The survey also revealed that clients were pleased with the bank's physical spaces, prompt and accurate service, polite and informed employees, and personalized attention. The study included suggestions for future research paths as well as recommendations for the bank's management to enhance customer happiness and service quality.

Key Words: Tangibility, Reliability, Responsiveness, Empathy and Assurance, service quality, customer satisfaction

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ACRONYM'S

SURVQUAL	Service quality dimensions
S.C	Share Company
SPSS	Statistical Package for the Social Sciences (Statistical package for social science software)

ABBREVIATIONS

BB	Bunna Bank
YuB	Years of using the bank service

CHAPTER ONE: INTRODUCTION

Introduction

This chapter provides an overview of the backdrop and setting and acts as an introduction to the full research. It contains the study's background, problem statement, research questions, objectives, and research hypothesis in addition to the study's importance, scope, definition of important words, and organizational structure. An examination of the study's history comes first.

1.1. Background of the Study

According to Wicks and Roethlein (2009), a firm that continuously satisfies its customers' requirements likely to have better customer retention and improved profitability. As noted by Hossan (2012), issues including accountability, excellent service, and technical improvements impact the performance and longevity of service-oriented firms. Profit is simply one component of a company's accomplishments, and as Karim (2014) suggests, the most impactful companies may not always be the ones with the most financial success. As a result, businesses ought to put their consumers and the caliber of services they receive above their shareholders. Long-term customer happiness has a big influence on a business's overall performance. According to Ramzi (2010), retaining current clients and drawing in new ones are essential for business success in the modern economy.

The satisfaction of customers has a significant impact on a company's overall performance in the long term. In today's economy, maintaining existing customers and attracting new ones is crucial for thriving in the market, as emphasized by Ramzi (2010).

There is still disagreement on the exact definition of customer satisfaction, despite the efforts of many academics and researchers to define and measure it (Giese and Cote, 2000). According to Brunhn (2003), customer satisfaction is defined as the client's subjective assessment of how well the supplier has performed generally or in relation to certain aspects that the customer had expected.

An organization's degree of customer satisfaction is determined by a multitude of factors. Customer satisfaction is significantly influenced by a number of factors, including pricing, product quality, and service quality (Wilson, A., Zeithaml, V.A., Bitner, M.J., and Gremler, D.D., 2008). The idea that customer satisfaction levels are directly impacted by service quality is further supported by studies by Clemes (2008) and others. Rust and Oliver (1994)

assert that a crucial factor influencing consumer happiness is quality.

Providing high-quality service, which will eventually result in customer satisfaction, is vital for retaining a sustainable competitive edge in today's highly competitive climate, according to Shemwell, Yavas, and Bilgin (2008).

Providing high-quality service, which will eventually result in customer satisfaction, is vital for retaining a sustainable competitive edge in today's highly competitive climate, according to Shemwell, Yavas, and Bilgin (2008). "The core ideas of marketing theory and practice are focused on the crucial notions of service quality and customer happiness in the current period of intense competition. Maintaining a lasting competitive edge requires offering top-notch services, particularly in the face of increased competition and changing environmental problems." Due in large part to its importance in propelling and maintaining national economic progress, the global service industry is growing in size. Customers frequently voice concerns over the caliber of service offered by banks and other service providers, notwithstanding the growth. There have been reports of problems including long wait times, poorly trained employees, awkward operation hours, complicated processes, and delayed delivery, among other difficulties (Lovelock and Wirtz; 2004).

In recent years, service companies have increasingly prioritized customer focus as a means to enhance their competitiveness. Customer satisfaction is a crucial outcome of marketing efforts, particularly in the fiercely competitive banking industry. Retaining and satisfying existing customers is recognized as a more profitable strategy than constantly seeking new ones. The impact of customer satisfaction on business profitability is significant, with satisfied customers tending to spread positive feedback to nine to ten people, while dissatisfied customers are likely to share their negative experiences with fifteen to twenty others. Anderson and Zemke (1998) emphasized the importance of satisfied customers in enhancing business performance, while Naik (2010) highlighted the need to monitor and manage customer satisfaction as a valuable asset.

Despite the common objective of service-oriented industries to satisfy customers, many organizations struggle to meet this goal due to a lack of understanding of customer preferences. This challenge presents difficulties for businesses that prioritize customer relations (Munusamy et al; 2010). Therefore, this study aims to investigate the impact of service quality on customer satisfaction in selected branches of Bunna Bank S.C in Addis

Ababa.

1.2. Statement of the Problem

The survival and prosperity of any business, especially those in the service industry, hinge on their proficiency in delivering effective services that meet customer satisfaction. The ability to provide high-quality service is essential for attracting new customers and retaining existing ones, who not only continue to purchase but also act as advocates for the business. A significant challenge for service providers is to ensure customer satisfaction in a manner that is both economically and temporally efficient. “Customer dissatisfaction with service quality would lead to a reluctance to pay a premium price, or even to make a purchase, especially if a competitor offers a superior option,” (Lovelock and Wirtz; 2004: 408). Within the Ethiopian banking sector, there is a minimal perceived differentiation in the services offered by banks, as competitors quickly replicate any new services introduced. This leads to customer frustration when the services provided do not align with their expectations, as observed by Mesay et al. (2012)

The financial industry in Ethiopia is progressively strengthening, with intensified competition due to the expansion of branches in major towns and rural locales. Consequently, providing high-quality service and ensuring customer contentment are pivotal for achieving success and gaining a competitive edge. Thus, it is crucial for banks to fulfill or surpass the quality of services anticipated by their target customers to maintain customer satisfaction. Were In 1991, there were only six private banks in Ethiopia, but as of the latest data, there are more than 20 private banks operating in the country. This growth in the number of banks has led to increased competition and a greater emphasis on service quality as a key differentiator in the market. As a result, banks need to continuously improve their service delivery processes, invest in customer relationship management, and adopt innovative strategies to enhance customer satisfaction and loyalty. Failure to meet these evolving customer expectations can result in a loss of market share and a decline in overall business performance.

Initially, Ethiopia’s banking landscape was limited to only three banks. However, the sector has experienced significant transformations, expanding to a total of 30 banks, with 27 being privately owned and the remaining three state-owned, as reported in the NBE 2023 annual report. This evolution has led to a fiercely competitive market, characterized by minimal growth in new customer demand and a trend towards deregulation. The Ethiopian government has implemented measures to reduce regulations, aiming to stimulate investment

in the banking sector. Consequently, the increase in the number of banks has intensified competition and challenges within the industry. In such a competitive climate, each bank strives to draw in customers, recognizing that delivering superior service quality is key to achieving this goal.

The research problem addressed in this study is the challenge faced by banks in Ethiopia in meeting customer expectations and delivering satisfactory service quality. According to a study by Zewdu and Desta (2014), there is a significant gap between customer expectations and the actual service provided by banks in Ethiopia, leading to potential dissatisfaction among customers. This disparity can result in decreased customer loyalty and retention rates, impacting the overall performance and competitiveness of banks in the country.

Therefore, this study aims to investigate the impact of service quality on customer satisfaction in the banking sector in Ethiopia. By examining factors that influence customer perceptions and loyalty, this research seeks to provide evidence-based insights into strategies that banks can implement to bridge the gap between customer expectations and service delivery. Ultimately, the findings of this study can help banks enhance customer satisfaction, loyalty, and overall business performance in the Ethiopian banking industry.

1.3. Research questions

Ethiopian banks are currently under a great deal of competitive pressure. Therefore, in order to succeed in this cutthroat market, they must provide exceptional service and guarantee client happiness. As a result, it is critical that banks either match or exceed their clients' expectations in terms of the caliber of their services. In general, the research aims to investigate the following questions:

The purpose of the study is to determine the most important variables influencing customer satisfaction at Bunna Bank.

- ✓ What impact does tangibility have on customer satisfaction in the Bunna Bank S.C. case?
- ✓ What impact does dependability have on client satisfaction in the Bunna Bank Bank S.C. case?
- ✓ What impact does responsiveness have on client satisfaction in the Bunna Bank S.C. case?
- ✓ What impact does assurance have on client satisfaction in the Bunna Bank S.C. case?

- ✓ How does empathy affect customer satisfaction in the Bunna Bank S.C. case?

1.4. Objectives of the Study

1.4.1. General Objective of the Study

The main objective of this study is to analyze service quality on customer satisfaction in the selected branches of Bunna Bank (BB) in Addis Ababa.

1.4.2. Specific Objectives of the Study

In order to achieve the aforementioned general objective, this study has the following specific objectives:-

- ✓ To examine the effect of tangibility on customer satisfaction the case of Bunna Bank (BB) S.C.
- ✓ To ascertain is the effect of reliability on customer satisfaction the case of Bunna Bank (BB) S.C.
- ✓ To identify is the effect of responsiveness on customer satisfaction the case of Bunna Bank (BB) S.C.
- ✓ To find out is the effect of assurance on customer satisfaction the case of Bunna Bank (BB) S.C.
- ✓ To determine the effect of empathy on customer satisfaction the case of Bunna Bank (BB) S.C.

1.5. Significance of the Study

Given the significant expense involved in acquiring new clients and the frequent turnover of customers in the banking sector, it's crucial to examine what influences customer satisfaction. As customer contentment is a pivotal element for a company's success, measuring it is essential. The research will be beneficial in the following ways: - It is anticipated to shed light on how service quality measurement dimensions impacts on customer satisfaction. The results will aid the bank in comprehending the aspects of service quality that affect customer contentment, thereby informing them of the key factors that fulfill customer needs. Additionally, the study will offer the following benefits:

The research is anticipated to enhance understanding of how the quality of service is crucial for ensuring customer contentment. Additionally, the insights gained will allow banks to grasp how delivering high-quality service correlates with customer satisfaction, identifying the key aspects that meet customer demands. This knowledge will empower corporate leaders to align their services with customer expectations.

1.6. Scope of the study

This research is specifically limited to four chosen branches in Bunna Bank at Addis Ababa

city administration. The branches for this study (Bole, Yeka, Raguel, and Bole Medhanealem branches) are based on researcher's convenience. Hence, this study only concentrate on the customers of these four branches. Therefore, this research delves into the designated subject matter, using selected organizations as the case under consideration.

Conceptually, the scope of the study is on the service quality practice on the customer satisfaction. Furthermore, from different service quality practices, the study focus on the five variables of the service quality called reliability, tangibility, responsiveness, assurance, and empathy. Therefore, the study delimits methodologically to raise other issues.

Methodologically, this study we use quantitative research approach, and explanatory research design, and the sampling technique to be employed will be probability sampling techniques.

1.7. Operational definition of key terms

Service Quality: Service quality is the degree to which a service meets or exceeds the expectations of customers. It is influenced by various dimensions, such as reliability, responsiveness, assurance, empathy, and tangibles. Service quality is important for service firms because it affects customer satisfaction, loyalty, and profitability.

Service quality refers to the overall excellence or superiority of the service provided by a business or organization. It encompasses various dimensions that are often measured using scales or models. Common dimensions of service quality include:

- ✓ **Reliability:** The ability to perform the promised service dependably and accurately.
- ✓ **Responsiveness:** The willingness and promptness of service providers to help customers and address their needs.
- ✓ **Assurance:** The competence, credibility, and trustworthiness of service providers.
- ✓ **Empathy:** The extent to which service providers understand and care about customers' individual needs.
- ✓ **Tangibles:** The physical or tangible aspects associated with the service, such as facilities, equipment, or other visible cues.

Customer Satisfaction: Customer satisfaction measures the extent to which customers are pleased or content with the service they received. It reflects customers' perceptions, expectations, and experiences with the service. Customer satisfaction can be measured using various methods, including surveys, feedback forms, ratings, or other customer satisfaction

indices.

1.8. Organization of the Paper

There would be five chapters in this paper. Background information, the issue description, the study's purpose, its importance, and its scope are all covered in the first chapter. A review of the literature is included in the second chapter. The employed approach is covered in the third chapter. The presentation, analysis, interpretation, and synopsis of the main findings were covered in the fourth chapter. The conclusion and recommendations will be included in the last chapter.

CHAPTER TWO: LITERATURE REVIEW

This chapter's goal is to explore the body of research on the subjects of customer satisfaction, service quality, and the methods used to quantify them—particularly as they relate to the banking industry. Along with discussing the theoretical and empirical underpinnings of the research aims, it also points out the inadequacies in the existing model. Lastly, it presents the conceptual framework that serves as the study's direction.

2.1. Definition of Service

Diverse writers define service in various ways. For example, service is defined as "any intangible benefit or activity that one party provides to another without transferring ownership of anything" by Kittler (2003, p. 128). It could or might not include a tangible good. Any non-physical acts performed by humans or robots to leave a favorable impression on users are sometimes referred to as services. A service is an act or activity that one person provides for another. Although the method may be connected to a tangible good, the result is immaterial and does not grant the recipient any ownership rights over the inputs used in the production (Lovelock & Lauren, 1999). Service is a continuing process of communication between clients and service providers that includes a number of intangible acts intended to give clients with high-caliber answers for their problems. The financial, material, and other pertinent components of the system that provides the service are also included in these operations (Grönroos, 2004). A product that is provided but not physically is called a service. The primary difference between a product and a service is that clients obtain value without obtaining any material possessions. According to Miller et al. (2000), a service is essentially the production of a useful benefit, either on its own or as a major—not minor—aspect of a physical good that meets a particular demand of the client in exchange for some sort of payment. Additionally, they contend that while services are sometimes characterized as "intangible," their results are more accurately defined as activities than as tangible objects because many service outputs do contain observable tangible elements such real structures, furnishings, and employees. The service that grocery shops provide, which mostly consists of selling commodities to consumers, is an example of a service with physical components. In addition, they have tangible assets like computers, self-service equipment, and

sales representatives. To have a better understanding of service activities, we consider the tangible elements (service scape) while assessing the retail services provided by grocery shops. To sum up, in order to provide high service quality, it is critical for service companies to consider the tangible components of quality.

Any intangible good or service that one party provides to another without giving anything away is included in the broad definition of service. It could or might not be connected to a tangible good. Any non-physical acts that humans or computers carry out to leave a pleasant impression on users are also referred to as services. A service is a kind of delivered, non-physical product. Customers obtain value from services without having to purchase any physical components, which is the primary distinction between them. A service is the creation of a worthwhile benefit that, either on its own or as a major, non-ancillary component of a physical good, fulfills a specific client need in exchange for some sort of exchange. Although certain service outputs contain some significant tangible components, such as physical buildings, equipment, and staff, it is unclear why services are sometimes defined as "intangible" and their outcome as an activity rather than a tangible product.

Transportation, advice, haircuts, car washes, education, and health care services are a few instances of services. Companies offer services to satisfy consumer requirements and desires while also turning a profit. When they do deliver, the following elements may come into play:

- Employees or personnel who deal directly with clients are considered service providers.
- Office supplies, cars, computers, and software are examples of equipment used to deliver services.

These physical components play a critical role in service delivery because they impact our sense of happiness and quality. For instance, we favor dependable and effective equipment, spotless and pleasant facilities, and amiable and informed service staff.

2.2. Service Quality

Any organization's ability to succeed in the fiercely competitive business world of today depends on the quality of its services. One significant factor influencing a company's ability to compete is the quality of its services. Since there is no guarantee that the excellent service provided now will continue to be appropriate in the future, banks should continuously improve the quality of their offerings. As a result, in order to satisfy their customers and set themselves apart from competitors, banks need "develop new strategy" (Siddiqi, 2011).

Like beauty, quality is a subjective idea. Based on their own experiences, various people define different things in different ways. Quality, according to Crosby (1979), is "Conformance to requirements." This implies that organizations must establish guidelines and standards. Then, rigorous adherence to them is the quality objective of each of an organization's functions. Quality, according to Juran (1982), is "Fitness for use." Quality may be viewed from a variety of angles, as demonstrated on www.qualitygurus.com: from the viewpoint of the customer, from the perspective of the process, from the standpoint of the product, and from the perspective of the cost. "Quality means meeting customer satisfaction and being fit for use," according to the consumer. "Quality means matching the process design, standards, and specifications," according to the process viewpoint. "Quality means the level of excellence at a reasonable price," according to the product perspective. "Quality means the best balance between costs and features," according to a cost viewpoint.

According to Lewis by Booms (1983), providing great service entails consistently living up to the expectations of the client. "The amount and direction of difference between consumer's perceptions and expectations in terms of various but relatively important aspects of the service quality, which can influence their future buying behavior," according to Parasuraman et al. (1985), is what is meant to be understood when discussing service quality. This demonstrates that clients evaluate the quality of a service based on their expectations and impressions of the encounter. When consumers compare their pre-service expectations with their actual service experience, they are able to determine the quality of the services they have received. Based on a comparison between what the client believes should be provided and what is actually provided, service quality is determined (Parasuraman et al., 1985). Customer expectations and perceptions of performance level for various service qualities are assessed in order to determine the quality of the service (Parasuraman et al., 1985). When the organization meets or above the customer's expectations, it is perceived as providing superior service quality. However, if the clients' expectations are not fulfilled, the business will deal with disgruntled and irate clients, which will cause them to defect to rival businesses. According to Asubonteng et al. (1996: 64), "The basis for evaluating service quality is the customer's expectation because quality is high when performance is higher than expectation and quality is low when performance is lower than their expectation." According to Parasuraman et al. (1988), expectations are defined in the literature

on service quality as the desires or wishes of the customer, or what they believe a service provider should supply rather than would offer. The way a customer perceives the technical and functional aspects of the service determines how they perceive the service (Gronroos, 1984). "Perceived quality is a type of attitude, related but not equal to satisfaction, and comes from a comparison of expectations with perceptions of performance," according to Parasuraman et al. (1988:15). Thus, gaining further insight into customer sentiments will aid in understanding how customers evaluate bank service excellence.

According to Parasuraman et al. (1988), expectations are defined in the literature on service quality as the desires or wishes of the customer, or what they believe a service provider should supply rather than would offer. The way a customer perceives the technical and functional aspects of the service determines how they perceive the service (Gronroos, 1984). "Perceived quality is a type of attitude, related but not equal to satisfaction, and comes from a comparison of expectations with perceptions of performance," according to Parasuraman et al. (1988:15). Thus, gaining further insight into customer sentiments will aid in understanding how customers evaluate bank service excellence. If perceptions of the service are greater than expectations, it will be viewed as exceptional; if it only equals expectations, it will be viewed as acceptable or adequate; and if it does not match expectations, it will be viewed as horrible, awful, or inadequate. et al., Vazquez (2001). "Overall customer satisfaction is a more fundamental measure of a company's past, present, and future performance because it is dependent on the entire purchasing and consumption experience with a good or service over time."(Anderson, 2003:53)

2.3. Managing Service Quality

One of the most important responsibilities of service businesses is service quality management. The adage "what is not measured is not managed" is frequently used. (Unidentified). Measuring is necessary for managers to determine whether there are any service gaps as well as their types and locations. Many service providers desire to give top-notch services, but they are unable to do so because they are unsure of what their clients want. This is a more difficult task than it would be for product creators because there aren't any obvious signs. Cole (1995:147) Service providers have to think about this crucial query: -

- What are the key aspects of the service that customers value?
- What are the standards of these aspects that customers anticipate?
- How do customers view the service delivery process?
- What features of the service matter most to customers? What expectations do customers have for these features? How do customers evaluate the service delivery performance?
- What are the essential characteristics of the service for customers? What are the levels of these characteristics that customers require? How do customers judge the service delivery quality?

Quality of service is vital for a service firm's success. Service providers need to know two aspects of service quality: - first quality is determined by the customer not by the maker or seller. Second, Customer evaluates service delivered (Stanton; 1987). Therefore, to manage quality well, a service firm should:

Helping customers formulate expectation: is a strategy to manage and meet customer expectations. It means that businesses should communicate clearly and consistently what they can offer to customers, and what customers can expect from them. This way, customers can have realistic and accurate expectations, and businesses can avoid disappointing them or overpromising them.

- Setting service standards and policies that are visible and accessible to customers
- Providing accurate and updated information about products, services, prices, and availability
- Educating customers about how to use the products or services effectively and efficiently
- Asking for feedback and reviews from customers to understand their needs and preferences

- Managing customer complaints and resolving issues promptly and professionally
- Delivering consistent and reliable service across all channels and touchpoints
- Surprising and delighting customers with extra value or benefits

By helping customers formulate expectation, businesses can increase customer satisfaction, loyalty, and retention, as well as enhance their brand reputation and competitive advantage.

Measuring the expectation level of the target market means finding out how much the potential customers of a product or service expect from the provider in terms of quality, price, features, benefits, etc. By doing this, the supplier may enhance their offering, surpassing client expectations and gaining a competitive edge in the marketplace. The following are a few methods to gauge the target market's expectations:

- Conducting surveys or interviews with the potential customers to ask them about their needs, preferences, and expectations for the product or service.
- Using market research tools or methods to analyze the customer feedback, reviews, and complaints from the existing customers or competitors to identify the common issues and expectations
- Comparing industry or market-wide best practices and standards for the caliber of goods and services.
- Testing the product or service with a sample of the target market and collecting their feedback and suggestions

2.4. Customer Satisfaction

In an effort to become more competitive, service providers have increasingly concentrated on their clientele. One of the main outcomes of marketing efforts is customer happiness (Mick and Fournier, 1999). Customer happiness is viewed as the cornerstone of success in the fiercely competitive banking sector. Customer satisfaction is one of any business's primary objectives. Companies are aware that keeping their present clientele is more profitable than having to hunt for new ones to take the place of lost ones. Experts in marketing and management emphasize how crucial customer happiness is to a company's success (Kennedy & Schneider, 2000).

Nearly every business's profitability is impacted by high customer satisfaction. For instance, when patrons receive excellent service, they often recommend nine or ten others. Customers who

get subpar service, however, often tell fifteen to twenty other people about their displeasure (Naik, 2010). "Satisfied customers help business and dissatisfied customers hurt business," according to Anderson and Zemke (1998). Consequently, much like any physical resource, customer happiness is a resource that has to be monitored and managed. According to Lovelock (2004), "an individual's feeling of happiness (or unhappiness) resulting from comparing the expected performance or outcome with the actual performance or outcome" is how many studies define customer satisfaction.

The evaluation of satisfaction is based on all of the interactions that a customer has had with a particular company's merchandise, sales procedure, and post-purchase support. How well the offer performs in comparison to the client's expectations will also determine whether the consumer is happy after making a purchase. Consumers create their expectations based on information from rivals and marketers, past purchasing experiences, recommendations from friends and acquaintances, and other sources (Kotler, 2000).

Customer feedback on a product or service is crucial information that may be gathered through a variety of methods, including phone interviews, questionnaires, and panel discussions. Regularly measuring consumer orientation is also crucial (Rampersad, 2001).

Increased customer pleasure breeds customer loyalty, which increases revenue potential. Consequently, a lot of industry leaders are discovered to have excellent customer service skills. High income and client retention have also been bestowed to them. Because of this, businesses operating in the same industry must assess the caliber of the services they provide in order to draw in and retain clients. Since a company's ability to maintain a happy client base is critical to its long-term performance (Zeithaml et al., 1996).

2.5. The Relationship between Service Quality and Customer Satisfaction

The literature has focused a lot of emphasis on the link between customer satisfaction and service quality (Bolton and Drew, 1994). "Service quality is a global judgment, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction," according to Parasuraman et al. (1988)'s definition of the terms. While service quality refers to an overall assessment of a company's service delivery system, satisfaction is a "post consumption experience which compares perceived quality with expected quality" (Parasuraman et al., 1985).

According to Iacobucci et al. (1995), the primary distinction between customer satisfaction and service quality is that the former pertains to the administrative provision of the service, whilst the latter is a reflection of the experiences of the consumers with that service. They contend that increasing customer happiness cannot result from quality improvements that are not grounded in the demands of the consumer. Customer satisfaction is dependent upon pre-existing or contemporaneous opinions regarding service quality, as noted by Bolton and Drew (1994:176). Customers will be happier with enhanced service quality, as Anderson et al. (1994) also note.

One of the key differentiators between services and products has been determined to be service quality. According to Pitt et al. (1995), service quality is a crucial metric for gauging customer happiness. Customer happiness and the quality of the services provided are closely related. Delivering superior goods or services may safeguard customer contentment. Furthermore, customer happiness and intends to use the service again rise in tandem with service quality.

According to Siddiqi (2011)'s analysis of survey data, in retail banking environments, customer happiness and customer loyalty are strongly correlated with each other and with all aspects of service quality. According to Kumar et al. (2009), providing excellent service will boost client satisfaction and foster a sense of loyalty. Moreover, Parasuraman et al. (1988) discovered that the result of high-quality services is customer satisfaction.

2.6. Empirical study and SERVQUALs' of measurement

We utilize SERVQUAL tools to assess customer satisfaction with various elements of service quality and to address issues resulting from the disconnect between management and consumers. The fundamental tenet of the assessment was that clients could evaluate a company's level of customer service by contrasting their expectations with the actual experience. Its purpose is to gauge the level of customer-perceived service quality. As the tools for assessing service quality, the Baumann and Johnston (2007) service quality model proposed a five-dimensional framework comprising perceived service quality tangibles, dependability, responsiveness, empathy, and security.

2.6.1. Reliability as a SERVQUAL dimension

The foundation of reliability is the capacity to handle customer service concerns, complete tasks correctly the first time, provide services on schedule, and maintain an error-free record. Additionally, according to Malhotra and Mukherjee (2004), the most crucial element in conventional service is dependability. Correct order fulfillment, accurate records, an accurate quotation, accuracy in the bill, outcomes that are more precise than commissions, and meeting service promises are all examples of reliability. Additionally, he asserts that the most crucial element in financial services is dependability (Magesh, 2010). More precisely, SERVQUAL was utilized to gather information from four distinct businesses: long-distance phone companies, banks, credit card firms, and maintenance services providers. With the exception of a few data pertaining to significant dimensions, he discovered good dependability in each of these four businesses (Mokhlis, 2012). The "ability to perform the promised service consistently and accurately" is the final definition of dependability. (2000) Zeithmal et al. According to the specific Ethiopian bank headquarters' banking clients, a bank's dependability is determined by its service providers' capacity to fulfill their promises.

H0: Reliability has a considerable beneficial impact on customer satisfaction.

2.6.2. Tangibles as a SERVQUAL dimension

One of the five criteria that clients use to assess the quality of the services they receive is tangibles. The tangible assets consist of the company's representatives, real estate, supplies, machinery, and communication materials. Furthermore, the physical surroundings demonstrated the service provider's attention to detail and care (Ladhari, 2008). Tangibles are defined by Davis et al. (2003) as the tangible proof of the service. Magesh (2010) goes on to describe the tangibility look of textual materials, individuals, equipment, and physical facilities in more detail. Finally, as seen by the particular Ethiopian banking clients, the tangibles in the present study are the amenities and banking services offered by the providers of the Ethiopian bank headquarters.

H0: Tangibility significantly increases consumer satisfaction in a good way.

2.6.3. Responsiveness as a SERVQUAL dimension

According to Kanyurhi (2013), responsiveness is "the willingness to help customers and provide quick service." Johnston (2005) defines responsiveness as the promptness and efficiency with which services are provided. This involves having the capacity to process information quickly, provide prompt customer assistance, and shorten wait times. To be more precise, responsiveness refers to how eager or willing staff members are to help. It has to do with the promptness of the service (Baumann 2007). It also entails paying attention to the problem, paying attention to the staff's individual attention, comprehending the demands and expectations of the client, and ensuring the customer's safety throughout their transactions (Kumar et al., 2009). According to a certain Ethiopian bank headquarters' banking clients, responsiveness in this study refers to the ability of banking service providers to deliver prompt services.

H0: There is a positive significant effect of responsiveness on customer satisfaction.

2.6.4. Empathy as a SERVQUAL dimension

The personalized care and attention that the business provides to its clients is referred to as empathy. It involves workers who provide convenient services and amenities while paying attention to the demands of the clients. According to some research, empathy—which includes giving consumers individual attention, being easily accessible, and being aware of their unique needs—is crucial for ensuring that they are satisfied in the banking industry. Being amiable, accommodating, and receptive to consumers is another aspect of empathy, particularly when it comes to relationships between employees. According to the SERVQUAL model, a customer's level of satisfaction may be determined by how closely the actual service meets their original expectations.

H₀: Empathy has a favorable and noteworthy impact on customer satisfaction.

2.6.5. Assurance as a SERVQUAL dimension

Assurance pertains to the ability of the company and its staff to instill confidence and trust in their clients by their expertise and politeness. This component is particularly important for services that are hard to evaluate or that carry a significant level of risk or uncertainty for the clients. The individual who introduces the client to the business may be the face of confidence and trust. The company's goal in these kinds of service scenarios is to build a relationship of trust and loyalty between the important contacts and the specific clients. This is demonstrated by the concept of the personal banker, in which clients have a banker who handles all of their financial needs and comes to know them personally.

H₀: Assurance significantly increases customer satisfaction in a good way.

2.7. Conceptual Framework

The conceptual framework depicts the critical process, which is important in determining the path of the investigation. The study will look at how the five service quality aspects (reliability, responsiveness, assurance, empathy, and tangible) affect customer happiness. The study also focuses on gap 5, which indicates the discrepancy between customer expectations and perceptions, often known as perceived service quality.

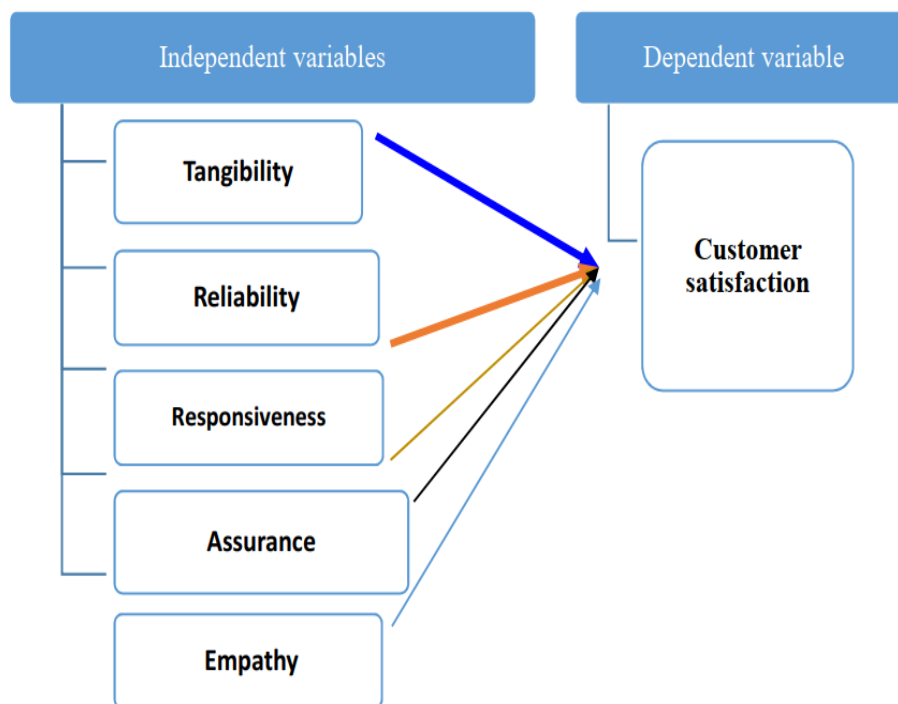


Figure 1: conceptual frame work dependent and Independent variables

Source: Own Survey, May 2024

CHAPTER THREE: RESEARCH METHODOLOGY

Introduction

This section gives a brief explanation of the methods employed in the study. It discusses the research methodology, data sources, and study population, sampling methods, sample size calculation, data gathering procedures, data analysis methodologies, and ethical issues during the research process.

3.1. Research Approach and Design

3.1.1. Research Approach

The study was use explanatory research designs. The researchers used descriptive research because it allows for the description of characteristics like service quality and consumer happiness. The explanatory research design will be used because it is useful for explaining the cause-and-effect relationship between the dependent and independent variables. Furthermore, these studies were take a quantitative research strategy, collecting data using a closed and open-ended questionnaire and employing regression analysis to analyze the results.

3.1.2. Research Design

A research design provides a framework for data collection and analysis, reflecting priorities such as establishing causal relationships between variables, generalizing findings to larger populations, comprehending behavior within specific social contexts, and appreciating the temporal aspects of social phenomena. In this study, descriptive and explanatory research designs were used. The descriptive research style was used to collect respondents' perspectives on the study variables, whereas the explanatory research approach was used to understand and control the interactions between dependent and independent variables. The explanatory study methodology employed correlation to elucidate the relationships between factors such as service quality measures and customer satisfaction.

3.2. Sources of Data

The selection of a specific data collection method depends on the research objectives, the nature of the information sought, the available resources, and the researcher's expertise (Kothari, 2004). Data can be collected from questionnaire based source. Secondary data involves gathering information that does not already exist in the selected studies area but researcher use the literature review as source for secondary data source. In order to assess the service quality of

Bunna Bank S.C (BB) from the perspective of customers, this study utilized primary data collection methods. Specifically, the study collected primary data through the use of questionnaires. The survey predominantly relied on questionnaires for data collection. Additionally, secondary data sources were used to complement and support the primary data. It is widely acknowledged by researchers that secondary data can provide valuable evidence to support findings derived from primary data analysis.

3.2.1. Primary Data

Primary data sources refer to information that has been gathered specifically for a particular research project. Primary data is considered to be more precise and dependable in comparison to secondary data (Saundera, Lawis, & Thornhill, 2003). It is the original data collected by the researcher from the study's sample or target population. Primary data collection involves obtaining information that does not already exist. This study utilized primary data to assess the service quality of BB from the perspective of customers.

3.3. Data Collection instrument

This research aims to evaluate the service quality and customer satisfaction as perceived by Bunna Bank (BB) customers. Data was gathered from customers using questionnaires distributed at BB (Bunna Bank) of selected branches. Kothari (2004) emphasized the importance of a well-constructed questionnaire, stating that it is crucial for the success of a survey. The questionnaire in this study consisted of three parts. The first part sought personal information and demographic data from respondents using nominal scale. The second part focused on understanding the perceptions and expectations of the respondents, while the third part aimed to measure overall customer satisfaction across various service quality dimensions.

3.4. Target Population and Sampling Technique of the Study

3.4.1. Target Population

The researcher aimed to apply the study results to a broader group of people, called the target population. The company's customers were the target population for this research. The number of customers are around 1,400,000 as we can get from the Bunna Bank information center. And also we have more than 405 branches. The research used questionnaires for BB customers, but not for managers or employees and any others that was employees on Bunna Bank S.C (BB). The study focused on the Bole, Raguel, Yeka and Bole Medhanealem branches, where there were 150 sampled customers was selected out of 19,250.00 customers in the four selected

branches in Addis Ababa and each participants or respondents are selected by researcher using simple random sampling methods from the selected sample frame.

3.4.2. Sampling techniques And sample size determination

The researcher used convenience sampling to collect enough data from customers who were easy to reach. This is a probability sampling method which is Simple random sampling method. The sample size was determined based on the total population size in the study area. The target Branch had 19,250.00 customers, from this target population we selected 150 samples by using sample size determination.

Therefore, convenience sampling approach was used to data collection in this study. Sample size was determined proportionally from each Branches.

$$n = \frac{\frac{z^2 \sum_{h=1}^L W_h p_h q_h}{d^2}}{1 + \frac{z^2 \sum_{h=1}^L W_h p_h q_h}{Nd^2}}, \text{ since } n_o = \frac{z^2 \sum_{h=1}^L W_h p_h q_h}{d^2}$$

$$n = \frac{n_o}{1 + \frac{n_o}{N}} \text{ this is a total sample size in stratified random sampling method.}$$

- ✓ To calculate the sample size we have used the above stratified random sampling method, under this stratified random sampling we assume the margin of error is 8% and the probability of success and failure is 0.5.

In research, the margin of error is a measure of the accuracy of a survey or study's results. It indicates the degree to which the sample results may differ from the actual population values. A smaller margin of error indicates higher precision and confidence in the findings.

When determining the sample size for a study using stratified random sampling, researchers often use a margin of error and probability of success/failure to calculate the required sample size. Here's why a margin of error of 8% and a probability of success/failure of 0.05 (or 5%) might be chosen:

- i. Margin of Error (8%): The margin of error represents the acceptable level of uncertainty in the study results. A margin of error of 8% means that you are willing to tolerate a potential difference of up to 8% between the sample results and the true population values. This level of precision is commonly used in survey research to balance accuracy with practicality.
- ii. Probability of Success and Failure (0.05 or 5%): In many survey studies, researchers assume a probability of success and failure of 0.05, which corresponds to a scenario where there is no

prior knowledge or bias about the outcome being studied. This assumption helps to ensure that the sample size calculation is conservative and accounts for variability in the data.

By utilizing a margin of error of 8% and a probability of success/failure of 0.05 in our sample size calculation, we aim to strike a balance between precision and feasibility in our study. These parameters serve as a guide for determining an appropriate sample size that can yield reliable results while taking into account the resources and constraints of the research project. The selection of an 8% margin of error is typically influenced by factors such as the desired level of precision, available resources, and the expected variability in the data. A margin of error of 8% is commonly employed in survey research as it is deemed acceptable for many studies. It enables a reasonable trade-off between precision and practicality, particularly when dealing with large populations or when resources are limited.

Ultimately, the choice of margin of error depends on the specific research objectives, the level of confidence required in the results, and the trade-offs between precision and practicality. In your study, a margin of error of 8% was likely deemed appropriate based on these considerations. And we have calculated the total number of sample size we use the above mentioned calculation formulas:-

- ✓ The research has a four stratum, which are Bole, Raguel, Bole Medhanealem and Yeka branches.

- Stratum one is Bole Branch = $N_1 = 5,000$
- Stratum two is Raguel Branch = $N_2 = 4,650$
- Stratum Three is Bole Medhanealem Branch = $N_3 = 4,800$
- Stratum four is Yeka Branch = $N_4 = 3,800$

$$n_o = \frac{z^2 \sum_{h=1}^L W_h p_h q_h}{d^2}$$

$$= \frac{z^2 \sum_{h=1}^4 W_h p_h q_h}{d^2}$$

$$\frac{(1.96^2 \times 0.5 \times 0.5) \left(\frac{5000}{19250} + \frac{4650}{19250} + \frac{4800}{19250} + \frac{3800}{19250} \right)}{0.08^2}$$

$$= 150$$

- ✓ Based on the proportional allocation under stratified random sampling techniques from the each stratum the below sample size is selected: -

- $n_h = nW_h$

No	Customers in the study Area	Number of customers in the Bunna Bank (who are use the bank service only in the selected branches)	Proportional Sample taken from each selected branches
1.	Bole	5,000	39
2.	Raguel	4650	36
3.	Bole Medhanealem	4800	45
4.	Yeka	3800	30
Total		19,250.00	150.00

Table 1: sample size selected from the study area

The study adopt explanatory research designs. The researchers preferred descriptive research as it is convenient for description of the variables such as service quality and customer satisfaction. Explanatory research design we conduct as it is convenient for an explanation of cause-and-effect relationship between the dependent and independent variables. In addition, this research adopts quantitative research approach using a questionnaire as a data collection and regression analysis as a data analysis tools.

3.5. Sampling Techniques

The clients that obtained services from Bunna Bank in any of the carefully chosen branches located in Addis Ababa will comprise the study's population. Convenience sampling techniques will be employed in the study to choose a sample from the accessible population. The convenience sampling approach was chosen by the researcher since it is truly impossible to conduct a probability sampling because it is not possible to contact every potential sample subject because there is never a moment when every client is available for various reasons.

3.6. Data Type and Sources

The primary data source for this study was the information requested for the investigation. The sources of data for the analysis and discussion of the findings were primary data from a structured, self-administered, closed-ended questionnaire and secondary data gathered from earlier research, journals, and articles on the impact of service quality on customer satisfaction and other related studies.

3.7. Methods of Data Collection

A well-crafted self-administration questionnaire with an ordinal scale of measurement based on Bunna Bank's context will be used to collect primary data. A 5-point Likert scale with the markings 1 = extremely displeased, 2 = unsatisfied, 3 = neutral, 4 = satisfied, and 5 = highly satisfied will be used to measure the items. A high score indicates that the service quality perception is very viable, whilst a low score indicates that the scale's adequacy perception is poor.

3.8. Validity and Reliability of Data Collection Tools

Validity

It is crucial to confirm that the tool we create to gauge a certain idea truly measures the variable as intended and that the notion we are trying to gauge is being measured. As a result, the

literature analysis and instrument adaptation from the earlier study helped to address the content validity of this investigation (Hair, 2007).

Reliability

Targeted at the idea that, even with repeated research, the findings will be comparable, or the reliability or consistency of a measurement method; it also addresses the stability or consistency of the score obtained from a measure or assessment over time and in various contexts. There is less likelihood that random variables and measurement error contributed to the result if the measurement is dependable (Marczyh, 2005). George and Mallery (2003) state that Cronbach's alpha is a reliability coefficient. It is frequently employed as a gauge for a sample of test takers' internal consistency or reliability of psychometric test results. Typically, the Cronbach's alpha reliability coefficient falls between 0 and 1.

3.9. Methods of Data Analysis

We'll utilize descriptive statistics to analyze service quality and customer satisfaction, such frequency, percentages, means, Pie charts, bar charts, chi-square tests, and standard deviations. We utilize the Correlation Coefficient to determine if the service quality aspects (reliability, responsiveness, assurance, empathy, and tangibility) and customer satisfaction have a statistically significant link. Multiple linear regression will be used to determine the impact of independent or predictor factors (assurance, tangibility, empathy, responsiveness, and dependability) on the dependent variable (consumer happiness).

3.10. Moral Thoughts/ Ethical Consideration

Following the recommendations of Trochim (2000) and Sekaran (2006), the researcher has made sure that the following ethical guidelines are strictly followed: Participants in the study give their informed consent, and information will only be gathered with that permission. Respondents receive a detailed explanation of the research's goal. Respondent information will be handled with the utmost secrecy, and the researcher has made sure that study participants will stay anonymous. The respondent will be questioned about any misrepresentation or distortion of the true data.

CHAPTER FOUR: RESULT ANALYSIS AND INTERPRETATION OF DATA

The data presentation and analysis of the information obtained via structured questionnaires are covered in this chapter. The demographic features and background data of the respondents, together with their frequency, were gathered and presented using descriptive statistics. Following that, an analysis of the questionnaire responses using correlation and multiple linear regressions was given using SPSS 25 version for inferential statistics.

4.1. Respondents' demographic characteristics

<i>Demographic Characteristics of Respondents</i>			
		Count	Percentage (%)
<i>Gender of the respondents</i>	Male	82	54.67%
	Female	68	45.33%
	Total	150	100%
<i>Age of the respondents</i>	18 – 30	76	50.67%
	30-45	56	37.33%
	Above 45	18	12%
	Total	150	100%
<i>Educational Level of the respondents</i>	Primary School	32	21.34%
	Secondary School	59	39.33%
	Certificate or Diploma	24	16%
	First Degree	24	16%
	Master's Degree and Above	11	7.33%
	Total	150	100%
<i>Year of using Bank service in BB</i>	1-5 years	76	50.67%
	5-10 Years	60	40%
	Above 10 Years	14	9.33%
	Total	150	100%

Table 2: Demographic characteristics of the respondents

Table 2 above illustrates the demographic features of the research participants with respect to sex. It demonstrates that 54.67% of the respondents were male and the remaining 45.33% were female, indicating that the majority of the respondents were male. About the age distribution of the respondents, it was discovered that 50.67% of them were between the ages of 18 and 30, 37.33% were between the ages of 30 and 45, and 12% were over the age of 45.

In addition, with regard to the demographic data related to educational background, 21.34% of the respondents were found to have attended primary school, 39.33% had completed secondary school, 16% had a certificate or diploma, 16% had a first degree, and the remaining 7.33% had completed a master's degree or higher. This suggests that the participants possess a strong educational foundation to comprehend the inquiries posed by the structured questionnaire designed to investigate the topic.

Regarding the responses for question that was how long you have been using the Bank service from Bunna Bank S.C, as indicated in the above table 2 depicted below, 50.67% of customers used the bank service for 1-5 years, 40% of customers used the service for 5-10 years and 9.33% of customers were used the bank service for more than 10 years, which is the majority of the customers used the bank for maximum of 1 up to 5 years. From this data we conclude that more than 50% of the sample respondents had been used the banking service from Bunna Bank S.C up to 5 years, which it indicates the understanding of banking service in Ethiopia is increased from time to time and this is better to describe and understand the service quality of Bunna Bank (BB) S.C.

4.2. Descriptive statistics for Service quality dimensions'

Descriptive statistics for Service Quality Dimensions' (Tangibility, Assurance, Reliability, Responsiveness & Empathy)			
		Count	Table N %
Tangibility	Very Good	31	20.7%
	Good	41	27.3%
	Average	40	26.7%
	Bad	38	25.3%
	Total	150	100.0%
Assurance	Strongly Agree	11	7.3%
	Agree	46	30.7%
	Neutral	30	20.0%
	Disagree	54	36.0%
	Strongly Disagree	9	6.0%
	Total	150	100.0%
Reliability	Strongly Agree	31	20.7%
	Agree	30	20.0%
	Neutral	15	10.0%
	Disagree	64	42.7%
	Strongly Disagree	10	6.7%
	Total	150	100.0%
Responsiveness	Strongly Agree	12	8.0%
	Agree	16	10.7%
	Neutral	59	39.3%
	Disagree	54	36.0%
	Strongly Disagree	9	6.0%
	Total	150	100.0%
Empathy	Strongly Agree	13	8.7%
	Agree	38	25.3%
	Neutral	36	24.0%
	Disagree	55	36.7%
	Strongly Disagree	8	5.3%
	Total	150	100.0%

Table 3: Descriptive statistics for Service quality dimensions'

The above table 3 it indicates that the descriptive statistics for service quality dimension in the Bunna Bank S.C, from this result we conclude that rate the availability of the modern equipment in the selected study area 20.7% of the respondents rate very good, 27.3% of the respondents rate good, 26.7% the respondents rate average and 25.3% of the respondents rate the availability of modern equipment in Bunna Bank S.C were rate bad.

Regarding the assurance for question that was ‘‘ the bank’s customers trust the security of their transactions with Bunna Bank.’’ as indicated in the above table 3 7.3% of the respondents are strongly agree, 30.7% of the respondents are agree, 20% of the respondents are neutral, 36% of the respondents are disagree and 6% of the respondents who are customers in the Bunna Bank S.C are strongly disagree.

Regarding of the Reliability customer respond for ‘‘ The Bank of Bunna Bank keeps the records accurately.’’ A 20.7% of the respondents are strongly agree, 20% of the respondents are agree, 10% of the respondents are neutral, 42.7% of the respondents are disagree and 6.7% of the respondents who are respond strongly disagree. Based on the above result more of the respondents or customers of Bunna Bank are there is a debt in his transaction in the bank of Bunna Bank.

From the aspects of empathy of Bunna Bank employees, the respondents’ respond for the question ‘‘ Bunna Bank staff care deeply about their customer need and goals.’’ 8.7% of the respondents strongly agree, 25.3% of the respondents agree, 24% of the respondents are neutral, 36.7% of the respondents are disagree and 5.3% of the respondents who are respond strongly disagree.

Concerning, the response of employees of Bunna Bank for the customer needs and willingness. The customer or respondent of 8% respond strongly agree, 10.7% respond agree, 39.3% of the respondents respond neutral, 36% respond disagree and 6% of the respondents respond strong disagree in the needs and willingness of the employees to response for the customers.

4.3. Regression Analysis and Model Diagnostics

Correlations									
			Satisfaction	Tangibility	Empathy	Assurance	Reliability	Responsiveness	
Spearman's rho	Satisfaction	Correlation Coefficient	1.000	.176*	.043	.011	.068	.125	
		Sig. (2-tailed)	.	.031	.599	.895	.410	.129	
		N	150	150	150	150	150	150	
	Tangibility	Correlation Coefficient	.176*	1.000	.030	.032	-.084	.219**	
		Sig. (2-tailed)	.031	.	.717	.695	.306	.007	
		N	150	150	150	150	150	150	
	Empathy	Correlation Coefficient	.043	.030	1.000	.152	.079	.042	
		Sig. (2-tailed)	.599	.717	.	.064	.337	.609	
		N	150	150	150	150	150	150	
	Assurance	Correlation Coefficient	.011	.032	.152	1.000	.052	.042	
		Sig. (2-tailed)	.895	.695	.064	.	.528	.609	
		N	150	150	150	150	150	150	
	Reliability	Correlation Coefficient	.068	-.084	.079	.052	1.000	-.002	
		Sig. (2-tailed)	.410	.306	.337	.528	.	.979	
		N	150	150	150	150	150	150	
	Responsiveness	Correlation Coefficient	-.125	.219**	.042	.042	-.002	1.000	
		Sig. (2-tailed)	.129	.007	.609	.609	.979	.	
		N	150	150	150	150	150	150	
	*. Correlation is significant at the 0.05 level (2-tailed).								
	**. Correlation is significant at the 0.01 level (2-tailed).								

4.3.1. Correlation analysis

Table 4: correlations between the service quality dimensions and customer satisfactions

Source: Own Survey output of SPSS v23, 2024

The correlation coefficient is a statistical measure of the strength of the relationship between the relative movements of two variables. The values range between -1.00 and 1.00. A calculated number is greater than 1.00 or less than -1.00 means that there was an error in the correlation measurement. A correlation of -1.00 shows a perfect negative correlation, while a correlation of 1.00 shows a perfect positive correlation. A correlation of 0.00 shows no linear relationship between the two variables. In this section of our project, we assess the relationship amongst all variables, up to second-order interaction using the linear correlation coefficient r , which is a numerical measure of the strength of the association between two variables. We paired the variables in the table below then we found the value of r (using IBM SPSS), and then we used that value to see if there is or not a linear correlation between the two variables.

In general, this study found that all the service quality dimensions, namely Tangibility, Reliability, Responsiveness, Assurance, and Empathy, were positively related to customer satisfaction. This implies that there is a positive correlation between service quality dimensions and customer satisfaction and that enhancing any of the service quality dimensions would increase customer satisfaction.

4.3.2. Multi-collinearity

Multiple regressions assume that there is no collinearity between the independent variables. The variance inflation factor (VIF), which quantifies the severity of multi-collinearity in regression analysis, is used in this study to test for multi-collinearity issues. The tolerance statistics, which is

the reciprocal of VIF ($1/VIF$), also used to test multi-collinearity. Multi-collinearity occurs when there are high inter-correlations among some set of independent variables. As a rule of thumb when tolerance value is less than 0.1 and the VIF is greater than 10 signals the presence of multi-collinearity issue, which may lead to misleading and/or inaccurate results (Field, 2013; Mooi & Sarstedt, 2014). The result of multi-collinearity is summarized in the table below.

		Coefficients^a	
Model		Collinearity Statistics	
		Tolerance	VIF
1	Tangibility	.943	1.060
	Empathy	.969	1.032
	Assurance	.973	1.028
	Reliability	.985	1.015
	Responsiveness	.949	1.054

a. Dependent Variable: Satisfaction

Table 5: Collinearity Statistics

Source: Own Survey of SPSS output 2024

4.3.3. Normality

One of the assumptions of linear regression is that the residuals are normally distributed. This can be checked using the histogram of the standardized residual. The histogram of the standardized residuals below suggests that the residuals have only a minor departure from normality. Similarly, the normal P-P plot can also be used to assess the normality of the standardized residuals. This plot contains plots of the relationship between the observed residuals against those expected under the condition of normality. The closer the observed residuals fall about the regression line, the more evidence of normality. The plot below provides good support for evidence of normally distributed residuals.

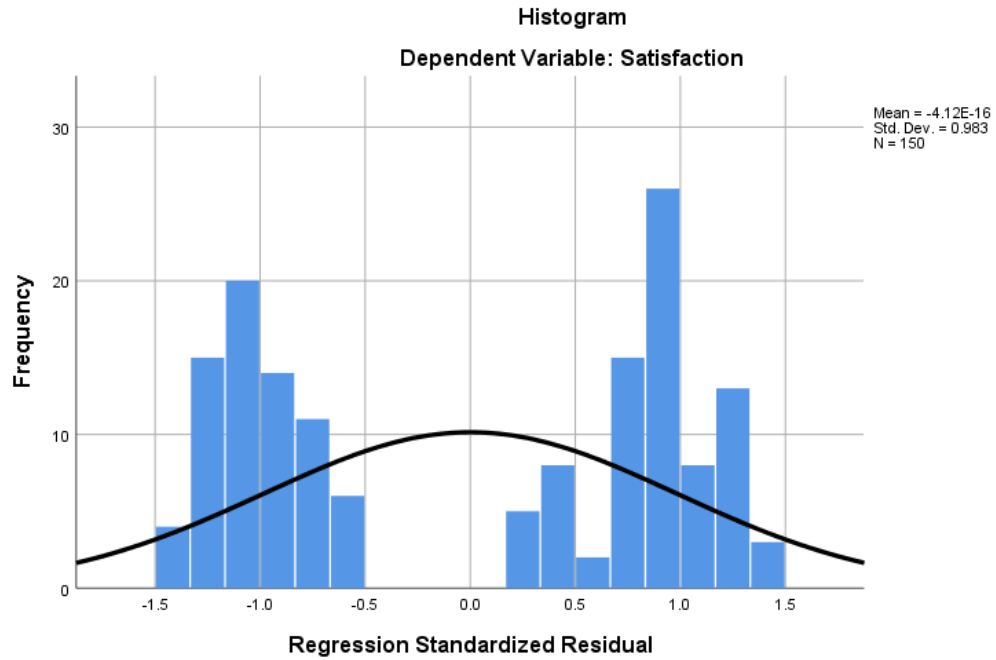
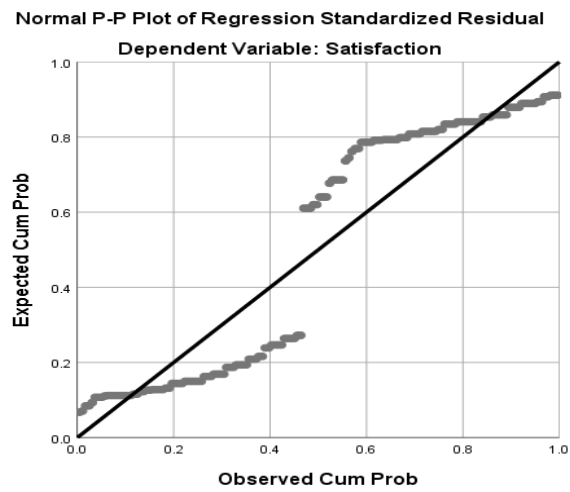


Figure-1: Histogram of Normality test



FigureError! Use the Home tab to apply 0 to the text that you want to appear here.-2:
P-Plot of Normality

4.4. Statistical model

A statistical model is a mathematical representation (or mathematical model) of observed data. When data analysts apply various statistical models to the data they are investigating, they are

able to understand and interpret the information more strategically. A statistical model is a model for the data that is used either to infer something about the relationships within the data or to create a model that is able to predict future values.

4.5. Binary Logistic Regression Analysis

Multiple Binary logistic regressions is a statistical model that is used to analyses the relationship between two or more independent variables and a dependent variable. It is a commonly used method in data analysis, especially in the field of predictive modeling.

4.6. Coefficient of determination

Regression analysis was carried out in order to test the impact of independent variables on dependent variable. Table 5 shows coefficient model, the significant and the model to be accepted. This means that the relationship between dependent and independent variables are reliable.

Then, below regression model indicated that (F statistics sig value =0.000), this figure show that there is significant relationship between model variable and factor or explanatory variables. The value correlation coefficient R=0.260 it is revealed that there is a strong positive relationship between model variable and its explanatory variables and the R² figure 0.068 means 6.8% of the model variable is depend on the factor variables.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.260 ^a	.068	.035	.49162
a. Predictors: (Constant), Responsiveness, Reliability, Assurance, Empathy, Tangibility				
b. Dependent Variable: Satisfaction				

Table 6: Coefficient of determination

Source: Own Survey using v23 SPSS, 2024

To determine how independent factors affected the dependent variable, regression analysis was used. Table 5 displays the acceptable model, the significant model, and the coefficient model.

As indicated in table - 5, together 26.0% of the variance in the overall customer satisfaction is where predicated by assurance, tangibility, empathy, reliability and responsiveness and also there is positive relationship between the overall satisfaction and independent variables. This study were supported by (Bitta, 2014); MA thesis in Kenya. The regression results indicate all the service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) combined significantly influence the satisfaction of customers. The adjusted R square of 0.068 indicates 6.8% of the variance in customer satisfaction can be predicted by the service quality offered by the banks.

This indicates that there is a trustworthy link between the independent and dependent variables. Next, the regression model above showed that the factor or explanatory variables and the model variable had a significant link (F statistics sig value = 0.000). The R2 score of 0.068 indicates that factors related to service quality account for 6.8% of customer satisfaction.

4.7. Model of Binary Logistic Regression

$$\text{Customer satisfaction} = \beta_0 + \beta_1 (\text{Assurance}) + \beta_2 (\text{Tangibility}) + \beta_3 (\text{Responsiveness}) + \beta_4 (\text{reliability}) + \beta_5 (\text{Empathy})$$

Variables in the Equation							
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Tangibility	1.105	.427	6.694	1	.010	3.019
	Empathy	.169	.348	.236	1	.027	.845
	Assurance	.063	.349	.033	1	.047	1.065
	Reliability	.386	.344	1.264	1	.021	1.471
	Responsiveness	.749	.360	4.332	1	.037	.473
	Constant	.598	1.023	.342	1	.039	.550
a. Variable(s) entered on step 1: Tangibility, Empathy, Assurance, Reliability, and Responsiveness.							

Table 7: Regression analysis table

Source: Own survey using SPSS v23, 2024

Customer Satisfaction

$$= 0.598 + 1.105(\text{Tangibility}) + 0.169(\text{Empathy}) + 0.063(\text{Assurance}) + 0.386(\text{Reliability}) + 0.749(\text{Responsiveness})$$

4.8. Discussion and Test of Hypothesis

4.8.1. Discussions

Tangibility

The regression table shows a positive and statistically significant association between Customer Satisfaction and tangibility. The coefficient of tangibility is the change in the log odds of customer satisfaction for a 1.105 n tangibility, holding the other variable as constant. The coefficient of tangibility, which means the log odds of customer satisfaction increase by 1.105 for each additional improvement of tangibility, holding the other variables as constant. To get the

odds ratio, we can exponentiate the coefficient: $e^{1.105} = 3.09$. This means the odds of customer satisfaction increased by 3.09 for improvement of tangibility, holding the other variables as constant. Therefore, we can infer that tangibility is an important determinant of customer satisfaction. This is consistent with previous studies that found a positive effect of service quality, especially tangibility, on customer satisfaction. Hence, the bank should invest in improving its physical infrastructure, technology, and staff appearance to enhance customer satisfaction.

Reliability

The table shows that reliability positively and significantly influences customer satisfaction, as the p-value is less than 0.05. The coefficient of reliability is the change in the log odds of customer satisfaction for a one-unit increase in reliability, holding the other variable as constant. The coefficient of reliability is 0.386, which means the log odds of customer satisfaction increase by 0.386 for each additional improvement of reliability, holding the other variables constant. To get the odds ratio, we can exponentiate the coefficient: $e^{0.386} = 1.47$. This means the odds of customer satisfaction increased by 1.47 for improvement of reliability, holding the other variables as constant. Therefore, we can infer that reliability is an important factor for customer satisfaction. The bank should improve its service quality by delivering the service consistently and correctly, which would increase customer satisfaction.

Responsiveness

The regression model shows that responsiveness has a positive and significant impact on customer satisfaction, as the p value is less than 0.05. The coefficient of responsiveness is the change in the log odds of passing the exam for a one-unit increase in responsiveness, holding the other variable as constant. The coefficient of responsiveness is 0.749, which means the log odds of customer satisfaction increase by 0.749 for each additional improvement of responsiveness, holding the other variables as constant. To get the odds ratio, we can exponentiate the coefficient: $e^{0.749} = 2.12$. This means the odds of customer satisfaction increased by 2.12 for improvement of responsiveness, holding the other variables as constant. The bank should train its employees to be more responsive and attentive to the customers' needs and expectations, which would enhance customer satisfaction with the bank's service.

Assurance

The regression model shows that customer satisfaction is positively and significantly influenced by assurance, as the p value of assurance is less than 0.05. The coefficient of tangibility is the change in the log odds of customer satisfaction for a one-unit increase in assurance, holding the other variable as constant. The coefficient of assurance is 0.063, which means the log odds of customer satisfaction increase by 0.063 for each additional improvement of assurance, holding the other variables as constant. To get the odds ratio, we can exponentiate the coefficient: $e^{0.063} = 1.065$. This means the odds of customer satisfaction increased by 1.065 for improvement of assurance, holding the other variables as constant. Therefore, we can infer that assurance is an important factor for customer satisfaction. The bank should train its employees to be more knowledgeable, skilled, and confident in delivering the service, which would increase customer satisfaction.

Empathy

The regression model shows that empathy positively and significantly impacts customer satisfaction, as the p-value of empathy is less than 0.05. The coefficient of empathy is the change in the log odds of customer satisfaction for a one-unit increase in empathy, holding the other variable as constant. The coefficient of empathy is 0.169, which means the log odds of customer satisfaction increase by 0.169 for each additional improvement of empathy, holding the other variables constant. To get the odds ratio, we can exponentiate the coefficient: $e^{0.169} = 1.184$. This means the odds of customer satisfaction increased by 1.184 for improving empathy, holding the other variables as constant. Therefore, we can infer that empathy is an important factor for customer satisfaction. The bank should provide more care and personalized attention to its customers, which would enhance their satisfaction.

4.8.2. Hypothesis testing

H0: Reliability has a considerable beneficial impact on customer satisfaction

H0: Tangibility significantly increases consumer satisfaction in a good way

H0: There is a positive significant effect of responsiveness on customer satisfaction

H₀: Empathy has a favorable and noteworthy impact on customer satisfaction

H₀: Assurance significantly increases customer satisfaction in a good way

Hypothesis	Independent Variables	Dependent Variable	Result
H ₁	Reliability	Customer Satisfaction	Supported or a significant effect on Customer satisfaction
H ₂	Tangibility	Customer Satisfaction	Supported or a significant effect on Customer satisfaction
H ₃	Responsiveness	Customer Satisfaction	Supported or a significant effect on Customer satisfaction
H ₄	Empathy	Customer Satisfaction	Supported or a significant effect on Customer satisfaction
H ₅	Assurance	Customer Satisfaction	Supported or a significant effect on Customer satisfaction

Table 8: Hypothesis testing

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Conclusions

Using the SERVQUAL model, the study's main goal is to ascertain how service quality aspects affect Bunna Bank customers' satisfaction. The study's conclusions show that customer happiness and every aspect of service quality are positively and significantly correlated. The following conclusions are made in light of the data analysis and findings discussion:

- ✓ Tangibility has a p-value of less than 0.05, according to the data analysis, indicating that it is statistically significant and significantly affects customer satisfaction. Customer satisfaction is influenced by the physical amenities and ambiance of the bank. Additionally, dependability has a p-value of less than 0.05 in the regression result, indicating that it influences customer satisfaction and is statistically significant. The aspects of reliability service quality include meeting commitments, delivering goods or services—like bank statements, ATMs, and other information—on time, and offering high-quality support—all of which boost client happiness.
- ✓ Given that the regression's p-value was less than 0.05, it was clear that responsiveness had a substantial effect on customer satisfaction. This indicates that Bunna Bank clients were pleased with the staff members' eagerness and promptness to assist them.
- ✓ Because assurance's p-value was less than 0.05, the data analysis also demonstrated that assurance had a substantial impact on customer satisfaction. This indicates that the bank was able to provide the clients with confidence-boosting answers to their queries.
- ✓ Given that the p-value of the regression result was less than 0.05, it was also evident that empathy had a substantial impact on customer satisfaction. This indicates that Bunna Bank gave each of its client's particular attention and considered their demands.

5.2. Recommendations

The researchers offered the following recommendations for each aspect of service quality based on the study's findings mentioned above:

- ✓ Since client happiness is significantly impacted by tangibility. The answers to the questions about tangibility dimensions show that factors such as branch location, parking, and office equipment were some of the factors that determined customer satisfaction and should be adjusted to fit the service. As a result, the bank should make its physical facilities and atmosphere more aesthetically pleasing to increase customer satisfaction.
- ✓ The study's conclusions show that customer happiness is significantly impacted by dependability. As a result, the bank needs to speed up delivery and clearly explain the status of any product or customer support requests. consumers order products like ATMs, which are made at the center, making it impossible to determine the delivery time owing to many reasons. As a result, they must try their best to fulfill their promises or notify consumers of any delays and provide them with individualized care.
- ✓ The study's conclusions indicate that responsiveness significantly affects customer satisfaction. As a result, banks should continue to be responsive to their clients, but they also need to make improvements in the way that information is stored and shared so that clients can access it readily and understand it at any time.

The study's regression analysis showed that assurance significantly affects customer happiness. Consequently, the researcher suggests that the bank focus particularly on providing its staff with training that aligns with the transactional character of the branches. Building trust and confidence requires the bank to be prepared with the necessary knowledge and to change its operations accordingly.

The study's conclusions showed that empathy significantly affects consumer satisfaction. In order to maintain a loyal client base, the bank should promote non-cash transactions, provide each customer with personalized attention and time, listen to their unique demands, and understand their wants.

The primary discovery of this research is that customer happiness at Bunna Bank is significantly impacted by aspects of service quality. To satisfy their clients' needs and win their loyalty, the bank's management and employees must thus devote great attention to every facet of service quality. Future studies in the banking sector on this subject have to take into account other factors that affect client happiness. Larger sample sizes should also be used in future research to increase the validity and reliability of the findings.

5.3. Limitation and future directions

This study has several limitations that need to be addressed in future research. First, the study was conducted only in four branches of Bunna Bank: Raguél, Bole, Bole Medhanealem, and Yeka. Therefore, the generalizability of the study findings to other branches or other banks is questionable. Future research should expand the sample size and include all branches of the bank or other banks, to obtain more reliable and valid results and to enhance the generalizability of the study. Second, the study used a cross-sectional design, which does not allow for causal inference or temporal analysis of customer satisfaction and service quality. Future research should use a longitudinal design, which collects data over multiple time periods, to examine how customer satisfaction and service quality change over time and how they affect each other. Third, the study focused on one specific bank, which may limit the external validity of the findings. The results may not be applicable to other service sectors that have different characteristics, customer segments, or competitive environments. Future research should replicate the study in other service sectors, or use a comparative approach to examine how customer satisfaction and service quality vary across different contexts. Fourth, the study measured customer satisfaction and service quality using self-reported scales, which may be subject to bias or error. Customers may not be honest or accurate in reporting their satisfaction or perceptions of service quality, or they may be influenced by factors such as mood, expectations, or loyalty. Future research should use alternative or complementary methods to measure customer satisfaction and service quality, such as behavioral indicators, objective indicators, or third-party evaluations.

Appendix A: Reference

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Appendix B: Sample size Determination

Sample size determination

The sample size determination for the research is calculated as below:-

- ✓ To select the sample size we have used the stratified random sampling method
- ✓ The variance of \bar{y}_{st} is under the stratified random sampling is $\bar{y}_{st} = \frac{(1-f)n}{\sum_{h=1}^L W_h q_h p_h}$

$$d = z \sqrt{\frac{1-f}{n} \sum_{h=1}^L W_h p_h q_h}$$

$$d^2 = z^2 \left(\frac{1-f}{n} \right) \sum_{h=1}^L W_h p_h q_h$$

$$d^2 = z^2 \left(\frac{1-\frac{n}{N}}{n} \right) \sum_{h=1}^L W_h p_h q_h$$

$$nd^2 = \left(\frac{Nz^2 - z^2 n}{N} \right) \sum_{h=1}^L W_h p_h q_h$$

$$Nnd^2 = (Nz^2 - z^2 n) \sum_{h=1}^L W_h p_h q_h$$

$$Nnd^2 = Nz^2 \sum_{h=1}^L W_h p_h q_h - z^2 n \sum_{h=1}^L W_h p_h q_h$$

$$Nnd^2 + z^2 n \sum_{h=1}^L W_h p_h q_h = Nz^2 \sum_{h=1}^L W_h p_h q_h$$

$$n \left(Nd^2 + z^2 \sum_{h=1}^L W_h p_h q_h \right) = Nz^2 \sum_{h=1}^L W_h p_h q_h$$

$$n = \frac{(Nz^2 \sum_{h=1}^L W_h p_h q_h)}{(Nd^2 + z^2 \sum_{h=1}^L W_h p_h q_h)}$$

$$n = \frac{\left(\frac{Nz^2 \sum_{h=1}^L W_h p_h q_h}{Nd^2}\right)}{\frac{Nd^2}{Nd^2} + \frac{z^2 \sum_{h=1}^L W_h p_h q_h}{Nd^2}} = \frac{\frac{Nz^2 \sum_{h=1}^L W_h p_h q_h}{Nd^2}}{1 + \frac{z^2 \sum_{h=1}^L W_h p_h q_h}{Nd^2}}$$

$$n = \frac{\frac{z^2 \sum_{h=1}^L W_h p_h q_h}{d^2}}{1 + \frac{z^2 \sum_{h=1}^L W_h p_h q_h}{Nd^2}}, \text{ since } n_o = \frac{z^2 \sum_{h=1}^L W_h p_h q_h}{d^2}$$

$$n = \frac{n_o}{1 + \frac{n_o}{N}} \text{ this is a total sample size in stratified random sampling method.}$$

- ✓ To calculate the sample size we have used the above stratified random sampling method, under this stratified random sampling we assume the margin of error is 8% and the probability of success and failure is 0.5. and we have calculated the total number of sample size we use the above mentioned calculation formulas:-
- ✓ The research has a four stratum, which is the customers in Bunna Bank S.C in the selected four branches.
 - Stratum one = $N_1 = 5,000$ which is customer in Bunna Bank S.C Bole branch.
 - Stratum two = $N_2 = 4,650$ which is customer in Bunna Bank S.C Raguel branch.
 - Stratum one = $N_3 = 4,800$ which is customer in Bunna Bank S.C Bole branch.
 - Stratum one = $N_4 = 3,800$ which is customer in Bunna Bank S.C Bole branch.

$$n_o = \frac{z^2 \sum_{h=1}^L W_h p_h q_h}{d^2}$$

$$= \frac{z^2 \sum_{h=1}^L W_h p_h q_h}{d^2}$$

$$\frac{(1.96^2 \times 0.5 \times 0.5) \left(\frac{5000}{19250} + \frac{4650}{19250} + \frac{4800}{19250} + \frac{3800}{19250} \right)}{0.08^2}$$

$$= 150$$

- ✓ So, the total sample size is $n = \frac{n_o}{1 + \frac{n_o}{N}}$

$$\begin{aligned}
 n &= \frac{n_o}{1 + \frac{n_o}{N}} = \frac{150}{1 + \frac{150}{12950}} \\
 &= \frac{150}{1 + 0.01158} \\
 &= 150
 \end{aligned}$$

- ✓ Based on the proportional allocation under stratified random sampling techniques from the each stratum or from each selected branches the below sample size is selected: -

$$\begin{aligned}
 n_h &= nW_h \\
 n_1 &= n \left(\frac{N_1}{N} \right) = 150 \left(\frac{5000}{19250} \right) = 39 \\
 n_2 &= n \left(\frac{N_2}{N} \right) = 150 \left(\frac{4650}{19250} \right) = 36 \\
 n_3 &= n \left(\frac{N_3}{N} \right) = 150 \left(\frac{4800}{19250} \right) = 45 \\
 n_4 &= n \left(\frac{N_4}{N} \right) = 150 \left(\frac{3800}{19250} \right) = 30
 \end{aligned}$$

- ✓ So, the total sample size is based on the above calculation is 150.

Appendix C: questionnaire

**ADDIS ABABA UNIVERSITY POST GRADUATE STUDIES
DEPARTMENT OF MANAGMENT
MASTER OF SCIENCE IN INTERNATIONAL BUSINESS**

Questionnaire to be completed by customers of Bunna Bank S.C

Dear respondents:

The purpose of this questionnaire is to collect the necessary data to investigate the service quality on customer satisfactions in the Bunna Bank S.C. Your opinion is extremely important for our research and your participation with this project is voluntary and is greatly appreciated. All answers given will be anonymous and treated with full confidentiality, please complete them all. Thank you very much for the willingness of to participate in this study.

Things to consider while filling out the questionnaire

- No need to write your name
- Read each question carefully
- There is no right or wrong choice
- respond with integrity
- it is not allowed to give multiple response per question
- respond by putting '√' sign
- feel free to ask for any clarification you need

Please read the following statements and tick the answer which best fits what you think about the service quality in Bunna Bank S.C. Please only tick one box per statement.

1. Are you male or female?

Male Female

2. Age

18 – 30 Years

30 – 40 Years

Above 40 Years

3. Education Level

Very High

High

Average

Low

Very Low

4. Are you customer in Bunna Bank S.C?

Yes No

5. If your answer is 'Yes' in question number 2, Which Branches are you in?

Boles Bole Medhanealem

Raguel Yeka

6. How long have you been use in the bank service from Bunna Bank S.C?

1-5 Years 5 – 10 Years above 10 Years

7. How do you rate the cleanness of the branch office?

Very good Good Average Bad

8. How do you rate availability of the modern equipment in the Bunna Bank S.C?

Very good Good Average Bad

9. How do you evaluate the tidiness and professionalism of the staff at Bunna Bank?

Very good Good Average Bad

10. The bank's customers trust the security of their transactions with Bunna Bank.

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

11. With their expertise, the employees of the bank at Bunna Bank can handle the questions from the customers.

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

12. Generally, the bank service at Bunna Bank assures its customers.

- | | |
|---|--|
| <input type="checkbox"/> Strongly agree | <input type="checkbox"/> Disagree |
| <input type="checkbox"/> Agree | <input type="checkbox"/> Strongly Disagree |
| <input type="checkbox"/> Neutral | |

13. The bank delivers its services or products and communicates every information on time.

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

14. The Bank of Bunna Bank keeps the records accurately.

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

15. Generally the reliability of Bunna Bank creates satisfaction.

- Strongly agree

- Agree
- Neutral
- Disagree
- Strongly Disagree

16. How do you rate the responsiveness of the employees in Bunna Bank?

- Very Good
- Good
- Average
- Bad

17. How do you rate the willingness of the employees in Bunna Bank?

- Very Good
- Good
- Average
- Bad

18. Bunna Bank staff care deeply about their customer need and goals.

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

19. Employees at Bunna Bank understand the specific needs of their customer.

- | | |
|---|--|
| <input type="checkbox"/> Strongly agree | <input type="checkbox"/> Disagree |
| <input type="checkbox"/> Agree | <input type="checkbox"/> Strongly Disagree |
| <input type="checkbox"/> Neutral | |

20. Finally are you pleased the quality of the service that you get from Bunna Bank?

- Yes No

Thank you again!