

Addis Ababa University

SERVICE QUALITY IN BANKING

A thesis submitted to the Graduate program of the Department of Management and
the College of Business and Economics of Addis Ababa University

In partial fulfillment of the requirements for the Degree

Master of Science in Management

(TQM)

By

Debebe Gadissa

Addis Ababa

September, 2019

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Advisor: Tilahun Teklu (PhD)

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Declaration

I, the undersigned, declare that this research project is my own work and effort and it has not been submitted anywhere for any award. Where other sources of information have been used, they have been duly acknowledged.

Declared by:

Name: Debebe Gadissa

Signature:

Date:

Confirmed by advisor

Name: Tilahun Teklu (PhD)

Signature:

Date:

CERTIFICATION OF APPROVAL

I certify that I have read Service Quality in Banking by Debebe Gadissa, and that in my opinion this work meets the criteria for approving a thesis submitted in partial fulfillment of the requirement for the degree Master of science in Management: Total Quality Management at Addis Ababa University.

Advisor: _____ Signature: _____ Date: _____

Internal Examiner : _____ Signature: _____ Date: _____

External Examiner : _____ Signature: _____ Date: _____

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Table of contents

Contents	page no
Acronyms and Abbreviation	viii
List of Tables	viii
List of Figures	ix
Abstract.....	x
Chapter one	1
1. Introduction.....	1
1.1 Back ground of the study	1
1.2 Statement of the problem	2
1.3 Objective of the study	3
1.3.1 General objectives	3
1.3.2 Specific objectives	3
1.4 Research questions	3
1.5 Scope of the study	3
1.6 Significance of the study.....	4
1.7 Limitation of the study	4
Chapter two.....	5
2. Literature Review.....	5
2.1 Definitions of Service.....	5
2.2. The Concept of Quality	5
2.3 Concepts of Service and Service Quality	6
2.4 Customer Satisfaction and Service Quality.....	6
2.5. Customer Expectation of Service Quality	7

2.6 Service Quality Gaps.....	8
2.7 Service Quality Measurement	9
2.7.1 Technical and functional quality model (Grönroos Quality Model)	9
2.7.2 GAP model	10
2.7.3 SERVQUAL model.....	12
2.7.4 SERVPERF (Performance only model)	13
2.8 Banks in Ethiopia	13
2.9 Conceptual frame work	16
Chapter three.....	17
3. Research Method	17
3.1 Research design.....	17
3.2 Target Population	17
3.3 Sample Size determination and Sampling technique	17
3.4 Source of Data and Method of Data Collection	18
3.5 Methods of Data Analysis	19
Chapter four	21
4. Result and Discussions	21
4.1. Demographic Information of the Respondents	21
4.2 Reliability Test	22
4.3 Descriptive Analysis of Service Quality Measurement	23
4.3.1 Responsiveness.....	23
4.3.2 Assurance.....	24
4.3.3 Empathy.....	25
4.3.4 Reliability	25

4.3.5 Tangibility	26
4.4 Overall SERVQUAL dimensions	27
4.5 Descriptive analysis of customer satisfaction items.....	28
4.6 Overall Customer Satisfaction	30
4.7. Correlation Analysis between Service Quality Dimensions and Customer Satisfaction	31
4.8. Linearity Test	33
4.9 Normality Test	34
4.10 Multiple Regression Analysis	35
Chapter five.....	39
5. Summary of Findings, Conclusion and Recommendations	39
5.1 Summary of Findings	39
5.2 Conclusion.....	40
5.3 Recommendations	41
References.....	42
Appendix I	45
Appendix II.....	56

Acronyms and Abbreviation

AIB	Awash International bank
CBE	Commercial Bank of Ethiopia
DBE	Development Bank of Ethiopia
SPSS	Statistical Package for Social Science

List of Tables

Table 1: sampling proportion for the selected banks	18
Table 2: Response rate of collected questioner.....	19
Table 3: Demographic characteristic of respondents.....	21
Table 4:Cronbach’s Alpha (Reliability analysis).....	23
Table 5: Responsiveness items mean value	24

Table 6: Assurance items mean score.....	24
Table 7: Empathy dimension items mean score	25
Table 8: Reliability dimension mean score.....	26
Table 9: Tangibility dimension mean score.....	26
Table 10: Overall Mean and standard deviation of Service Quality measurements.....	27
Table 11: customer’s satisfaction percentage on respectful behavior of the bank staffs.....	28
Table 12: customer’s satisfaction percentage with the communicative.....	28
Table 13: customer’s satisfaction percentage with the performance of the employee of the bank	29
Table 14: Customer’s satisfaction percentage with various rang of service of bank.....	29
Table 15: customer’s satisfaction percentage with the bank services.....	30
Table 16: Descriptive statistics of all over customer satisfaction.....	30
Table 17: correlation of SERVQUAL dimensions and customer satisfaction	31
Table 18: R ² and Adjusted R ² values of multicollinearity analysis.....	36
Table 19: Avova of multicollinearity analysis.....	36
Table 20: Multiple Regression Analysis.....	37

List of Figures

Figure 1:Gronoroos service quality model	10
Figure 2:GAP model.....	11
Figure 3: Conceptual frame work of study	16
Figure 4: Educational level of respondents.....	22

Figure 5: Normal point plot of standardized residual	33
Figure 6: Frequency Distribution of Standardized Residual.....	34

Abstract

Service sector has been increased due to the increment of the competition especially in banking Ethiopia. This study was aimed to measure the level of service quality in banks from the prospective of their clients in Ethiopia with the selected four banks in Addis Ababa. Total of 382 questioners were distributed but 334 respondents were filled prepared questioner correctly taken and use for analysis. Questioner included all quality dimensions of SERVQUAL model namely responsiveness, assurance, empathy, reliability and tangibles and level of customer satisfaction. The collected data were analyzed using SPSSV.25. Descriptive statistics, Pearson correlation and regression analysis was applied. The finding indicates that the mean score of the satisfaction was 3.979(79.58%). Pearson correlation result reveals that there was a positive relationship

between the service quality dimensions and customer satisfaction. Reliability was found to have the highest correlation with customer satisfaction. In addition, the regression result indicates that all the service quality dimensions had aggregate impact on customer satisfaction with R square value of 0.568 but Empathy and assurance have no significant impact among the five service quality dimensions. Thus bank responsible body should satisfaction with respect to aspects of service quality.

Key words: Service quality, customer satisfaction, SERVQUAL dimensions

Chapter one

1. Introduction

1.1 Back ground of the study

Definition given for the term service quality may differ from person to person. Generally, it is defined as thing that meets customer's expectations which is key gaining and retaining customers (Ijaz.A.T& Ali.A, 2013).

Service quality is a recent and more dynamic decisive issue in management thought. It helps to control competitive position and consequently determines profits (Shabib.A, 2002). Therefore, the ability of banks to going on and survive in the market depends on their ability to respond to the requirements of change and interact with the output of it. As the customers' needs and wishes are shaped and formed in the light of their economic, social and civilization conditions build close relationship between the banks and customers. As a result, the bank can continue, survive and increase their ability to create new services that fit within the increasing and changing needs of the customers (N. Ragavan and R. Mageh, 2013).

Hence Service organizations, especially banks should work hard to find effective ways to counter external changes in order to survive and enhance their effectiveness through activation of their services and creation and development of new ones for their customers. Thus, importance of achieving high levels of service quality lies in the number of economic and non-economic benefits resulting from quality commitment and helps to eliminating its problems and major causes of the problem (Mesay.S, 2013).

Service quality is important as banks working in Ethiopia put into lot of pressures there is need to address the service quality of banks using SERVQUAL the most widely used models in measuring service quality in the banking sector to evaluate the overall service quality of banks, identify the major factors that affect the service quality and the dimensions of the model which affect the customer satisfaction.

1.2 Statement of the problem

In banking sector offering quality services is very significant to create closer attachment with the entire customers. The issue of quality service is becoming a global concern that requires continuous improvement to fit unbalanced environment and changing customer needs. Good services quality has power to create customer satisfaction and poor quality of services result customer dissatisfaction and defection which lowers service quality performance (Shifera.B, 2011).

Many firms including banking industries begin to track their customers' satisfaction through measuring their level of service quality perceived by their customers. In order to satisfy customers banking sectors should have to focus on effective customer services to meet their needs. Customers of a bank rely on the services delivered to them. When service interactions are not properly controlled and handled, or not even handled at all the outcome is poor perception of service quality and customer dissatisfaction. Therefore, delivering quality service has become one of the most important ways to gain superior customer satisfaction and increase bank profitability (Kotler.P.B, 2003).

In the banking sector in which what is served to the customer is service crucial to be aware of the factors that influence customer satisfaction. For this reason, it becomes an obligation for banks to consistently measure customer satisfaction and to improve the quality of services that cause dissatisfaction. Today, bank aim should be not only to attract new customers but also to ensure that existing ones will keep being our customers. This can be achieved only by maintaining, and even improving customer satisfaction. Given the fact that banking sector can survive as long as they have customers and they can increase profitability, expectations of customers should be consistently assessed and satisfied. Therefore, there is a constant need for examining the expected and perceived quality of services especially in Ethiopia where many critics were forwarded from different customers on the banks way of operation even if banks in Ethiopia aggressively working in branch expansions, human resource development, introducing new modern technology and striving to realize its vision of achieving country mission.

The SERVQUAL Analysis was employed in these study one of the most popular methods used to measure quality of services. Finally, by addressing expectations and the understanding of

service in the banking industry, the applications performed to measure the service quality were presented.

1.3 Objective of the study

1.3.1 General objectives

The general objective of the study was to evaluate impact of service quality on customer's satisfaction in banking sector.

1.3.2 Specific objectives

- To investigate the relationship between service quality dimensions and customer satisfaction in selected banks.
- To measure the overall service quality in selected banks to delight customers.
- To explain service quality (SERVQUAL) dimensions that are dominant in influencing customer satisfaction in selected banks.
- To identify the area of improvement in selected banks in Ethiopia.

1.4 Research questions

- 1 What kind of relation exists between service quality (SERVQUAL dimensions) and customer satisfaction?
- 2 What overall service quality look like in selected banks?
- 3 Which **SERVQUAL** dimensions affect dominantly customer satisfaction?
- 4 Which dimension is done well among all dimensions of service quality in banking?
- 5 What are the areas do the banks work effectively for the future to enhance customer satisfaction?

1.5 Scope of the study

The study focuses on service quality in banking sector Ethiopia and evaluates SERVQUAL model service quality dimensions. Due to time and financial constraints this studies undertaken in DBE, CBE, Awash, and Dashen banks, Addis Ababa.

1.6 Significance of the study

Findings of this study provided an insight to the nature of service quality in the banking sector and inform the organizations to evaluate and review their service quality policies of banking sector in Ethiopia. It also draws attention of other business organizations on what to do to satisfy their customers through the application of SERVQUAL model. It can be used as reference for other researchers.

1.7 Limitation of the study

Due to shortage of time and financial constraints study limited to Addis Ababa. There are some limitations associated with this study. Firstly, the results obtained from this study cannot be generalized to a wide range of similar situations. However, the above limitations are less significant compared to the importance of carrying out this type of study. Such a study should be carried out frequently in order to monitor service quality and find out satisfaction levels of customers and hence make necessary adjustments in case of any weaknesses or strengths.

1.8 Organization of the Paper

The paper is prepared in five chapters. The first chapter dealt with introductory part consisting of background of the study, statement of the problem, objectives of the study, methodology, significance of the study and scope and limitation of the study.

In the second chapter of the paper where literature review is presented various theoretical concepts that are related with service, quality, service quality dimensions, Service quality measurement models and issues related with customer satisfaction and finally the conceptual model are discussed.

The third chapter presents details of the research design, sample size determination, sampling technique, data source and collection method, procedure of data collection, questionnaire and the method of data analysis.

Results of collected data and interpretation of results are presented in the fourth chapter. The final chapter presents summaries of findings, conclusions and possible recommendations.

Chapter two

2. REVIEW OF RELATED LITERATURE

2.1 Definitions of Service

Different scholars define service and its feature in different ways some of these are: Services are actions, processes and performances provided by one entity or person for another entity or person. It differs from product due to their intangibility, heterogeneity, simultaneous production and consumption and perishes ability (Zeithaml.V.A, 2009). According to James B.et.al, (1987), service is a serious of activities of more or less intangible nature that normally but not necessarily take place in interaction between customers and service employees and, or physical resource and, or system of the service provider which are provided as solution to customer problems.

2.2. The Concept of Quality

Quality has become essential for firms not to make more profits and to survive competition. Firms that operate under current competitive conditions should plan, implement and constantly improve their quality policies (Cirpin. B.K. and Sarica. K,2014). Although the term quality is quite widely used by practitioners and academics, there is no generally agreed definition of it, since different definitions of quality are appropriate under different circumstances (Ibrahim.E, 2012). According to Juran.J.M and Godfrey.A.B,(1999), Quality is defined as fitness for purpose and use as a predictable degree of uniformity and dependability with a quality standard suited to the customer. The aim in quality is not only endow the product with superior features but also to attain high levels of market and profitability performance. The concept of quality is defined in ISO 9000:2005 as the set of characteristics of a good or a service oriented towards satisfying defined needs. American Society of Quality Control (ASQC) in 2004 defines quality as the set of characteristics that demonstrate the ability of goods and services to satisfy certain needs. In the contemporary understanding of quality, it is not enough to only have good features. It is also necessary to identify customers' preferences to fully integrate them into goods and services (Ryall.J and Kruihof.J, 2001). Simultaneously ensuring the efficiency of production and the satisfaction of needs and expectations is key to competitiveness, profitability and sustainability. In the case of similar services and prices, firms need to create strong brands in order to make

customers feel that they are different than other brands. It is known that brands created by those firms that achieve distinctiveness and specialization are perceived as higher quality by customers (Hoyle, 2007). The quality perception of customers depends not only on the product or the service but also on the brands and firm's image and recognition as well as previous experiences with the product or brand (Nelsen.D and Daniels.S, 2007)

2.3 Concepts of Service and Service Quality

It has been observed in recent three or four decades that the importance of services within the larger economy is rapidly increasing. While the growth rates in manufacturing industries have been declining the share of the services industry has significantly grown bigger (Cirpin. B.K. and Sarica.s,2014). The concept of service is defined differently by many different authors Edvardson.Bo (2005), define service as activities, practices, processes and interaction that their outcomes are not tangible, mostly abstract values such as comfort, joy, convenience.

Service quality can be defined as meeting the needs and expectations of the customers (Smith.S, 1998; Czepiel.J, 1990; Munusamy.J.et al., 2010). Service quality is the difference between customer perceptions of the current service being provided by a given organization and customer expectations of excellent service within that given industry (Parasuraman.A. et.al., 1985,1988). Eshghi.A.et.al (2008), defined service quality as the overall assessment of a service by the customers, while others assumed service to be of good quality when it consistently conforms to customer expectations (Asubonteng.P. et.al., 2006). In addition, Parasuraman et.al (1985) stated ten quality dimensions for measuring service quality; competence, courtesy, credibility, security, access, reliability and responsiveness, understanding and tangible. Nevertheless, Parasuraman.A et.al. (1988) shortened the dimensions of quality into five factors; reliability, responsiveness, assurance, empathy and tangibles. Those five factors represent the base for SERVQUAL model of measuring service quality in organization.

2.4 Customer Satisfaction and Service Quality

Customer satisfaction is the outcome felt by buyers who have experienced a company performance that has fulfilled expectations are met and delighted when their expectations are exceeded. Recently, discussion arose regarding whether satisfaction leads to quality or, whether quality results in satisfaction. Many authors clearly indicated that service quality is as antecedent

of satisfaction. So, judgment of satisfaction is base to service quality. Others conclude that the two concepts resemble each other quiet closely. Service quality is the key driver of usage rates and customer retention. Superior service quality leads to more favorable behavioral intentions by customer to stay/remain which results in ongoing revenues increased spending and referred customers. On the on the other hand, inferior services quality will lead to unfavorable behavioral intentions by customers leading to deceased spending, lost customers and additional costs to attract new customers (Kottler.P,2003).

2.5. Customer Expectation of Service Quality

Expectations are reference points against which service delivery is compared only at beginning. The level of expectation can vary widely depending on the reference point of the customer hold. Customer expectations include several elements some of these are desired service, adequate service, predicated services and zone of tolerance that falls between the desired and adequate service levels (Lovelock and Jochen. W, 2004)

A. Desired and Adequate Service

The type of service customers hopes to receive termed desired service. It is a Wished-for level. It is combination of what customers believe can and should be delivered in the context of their personal needs. However, most customers are realistic and understand that companies can't always deliver the desired level of service due to this fact they have a threshold level of expectations, termed adequate service which is defined as the minimum level of service that customers will accept without being dissatisfied (Lovelock and Jochen.W, 2004).

B. Predicted Service

The level of service that customers anticipate receiving is known as predicted service which is directly affected how they define adequate service on that occasion. If good service is predicated the adequate level will be higher than if poorer service is predicted. Customers' predications of service may be situation specific (Lovelock and Jochen.W, 2004).

C. Zone of Tolerance

Making consistent service delivery is difficult across employees in the same company and even by the same service employee from one day to another. The extent to which customers are willing to accept this variation is called the zone of tolerance. Others look the zone of tolerance as the range of service with in which customers do not pay explicit attention to service performance. When service falls outside this range, customers will react either positively or negatively. This proposes that satisfaction will result as long as customer perceptions of service performance fall in the zone and also proposed that adequate service expectations are subject to change, while desired service expectations are relatively enduring. In other words, high involvement of customers generates a narrower zone of tolerance, while low involvement generates a wider zone of tolerance (Lovelock and Jochen.W, 2004).

2.6 Service Quality Gaps

There are six major gaps in the service quality concept. According to Curry, 1999; Luk and Layton, 2002, the three important gaps are more associated with the external customers, are Gap1, Gap5 and Gap6; since they have a direct relationship with customers. the remaining three gaps Gap2, Gap3 and Gap4 are from gap model developed by Parasuraman.A et al., 1988.

- Gap1: Customers expectations versus management perceptions: as a result of the lack of a marketing research orientation, inadequate upward communication and too many layers of management (Curry, 1999; Luk and Layton, 2002).
- Gap2: Management perceptions versus service specifications: as a result of inadequate commitment to service quality, apperception of unfeasibility, inadequate task standardization and an absence of goal setting (Parasuraman.A et al., 1988).
- Gap3: Service specifications versus service delivery: as a result of role ambiguity and conflict, poor employee-job fit and poor technology-job fit, inappropriate supervisory control systems, lack of perceived control and lack of teamwork (Parasuraman.A et al., 1988).
- Gap4: Service delivery versus external communication: as a result of inadequate horizontal Communications and propensity to over-promise (Parasuraman.A et al., 1988).

- Gap5: The discrepancy between customer expectations and their perceptions of the service delivered: as a result of the influences exerted from the customer side and the shortfalls (gaps) on the part of the service provider. In this case, customer expectations are influenced by the extent of personal needs, word of mouth recommendation and past service experiences (Curry, 1999; Luk and Layton, 2002).
- Gap6: The discrepancy between customer expectations and employees' perceptions: as a result of the differences in the understanding of customer expectations by front-line service providers (Curry, 1999; Luk and Layton, 2002).

2.7 Service Quality Measurement

2.7.1 Technical and functional quality model (Grönroos Quality Model)

Grönroos, (1984) defines service quality as the outcome of an evaluation process, where the customers compare their expectations with the service they have received. The customers perceive what customers receive as the outcome of the process in which the resources are used, i.e. the technical or outcome quality of the process. In his model he differentiated between the three components of service quality. The technical aspect (what service is provided), the functional aspect (how the service is provided) and the image.

Technical quality represents what the customer actually receives from the total service as a result of the process and is further known as the outcome dimension. Services are designed to produce a somehow tangible outcome and therefore customers can think of the quality of services varying according to the outcome received (Grönroos.C, 1984). Generally technical quality is what the customers receive as the result of using the actual service (result dimension). Functional quality dimension is how the customer receives the service and it concerns the process of delivering the service. The process delivery is conceived of as the moment of truth because it encompasses the crucial moment in the service experience where the business is truly exposed to the customer through interaction with customers. Generally functional quality is how the service is provided according to subjective perception of the customer and the customer evaluates the service procedure (process dimension).

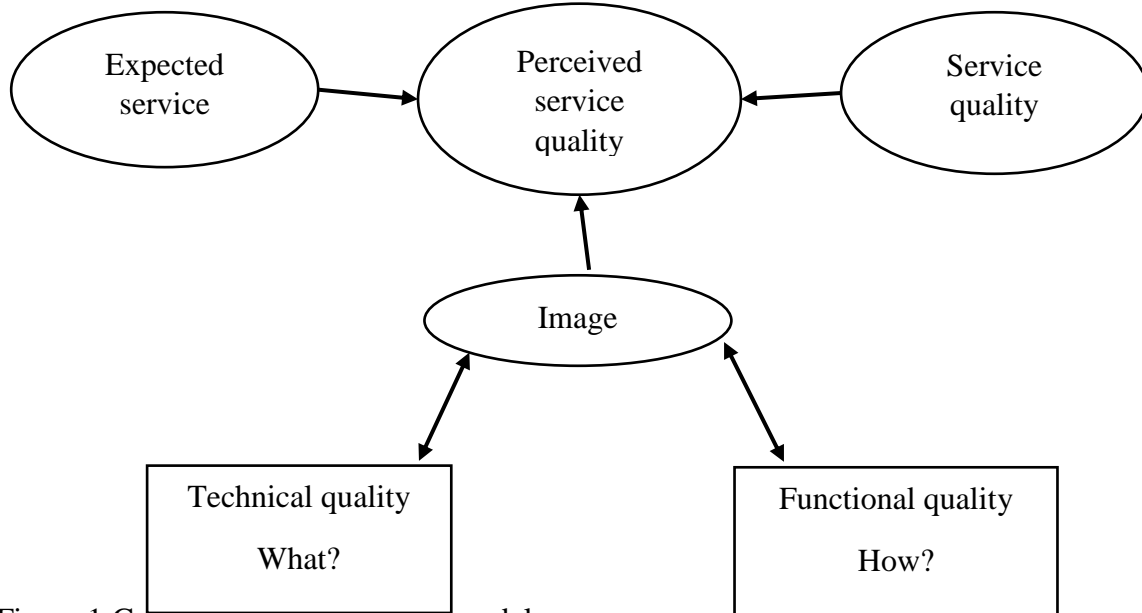


Figure 1: Gronroos service quality model

2.7.2 GAP model

Parasuraman et al. (1985) proposed that service quality is a function of the differences between expectation and perception performance along the quality dimensions. They developed a service quality model (Figure 2) based on gap analysis. The various gaps visualized in the model are:

Gap 1 - Difference between consumer's expectation and managements perceptions of those expectations, i.e. not knowing what consumers expect.

Gap 2 - Difference between management's perceptions of consumers' expectations and service quality specifications, i.e. improper service-quality standards.

Gap 3 - Difference between service quality specifications and service actually delivered i.e. the service performance gap.

Gap 4 - Difference between service delivery and the communications to consumers about service delivery, i.e. whether promises match delivery?

Gap 5 - Difference between consumers' expectation and perceived service. This gap depends on size and direction of the four gaps associated with the delivery of service quality on the marketer's side.

According to this model, the service quality is a function of perception and expectations. This exploratory research was refined with their subsequent scale named SERVQUAL for measuring customer's perceptions of service quality (Parasuraman.A et al., 1988). At this point the original ten dimensions of service quality collapsed in to five dimensions: reliability, responsiveness, tangibles, assurance (communication, competence, credibility, courtesy, and security) and empathy which capture access and understanding/knowing the customers.

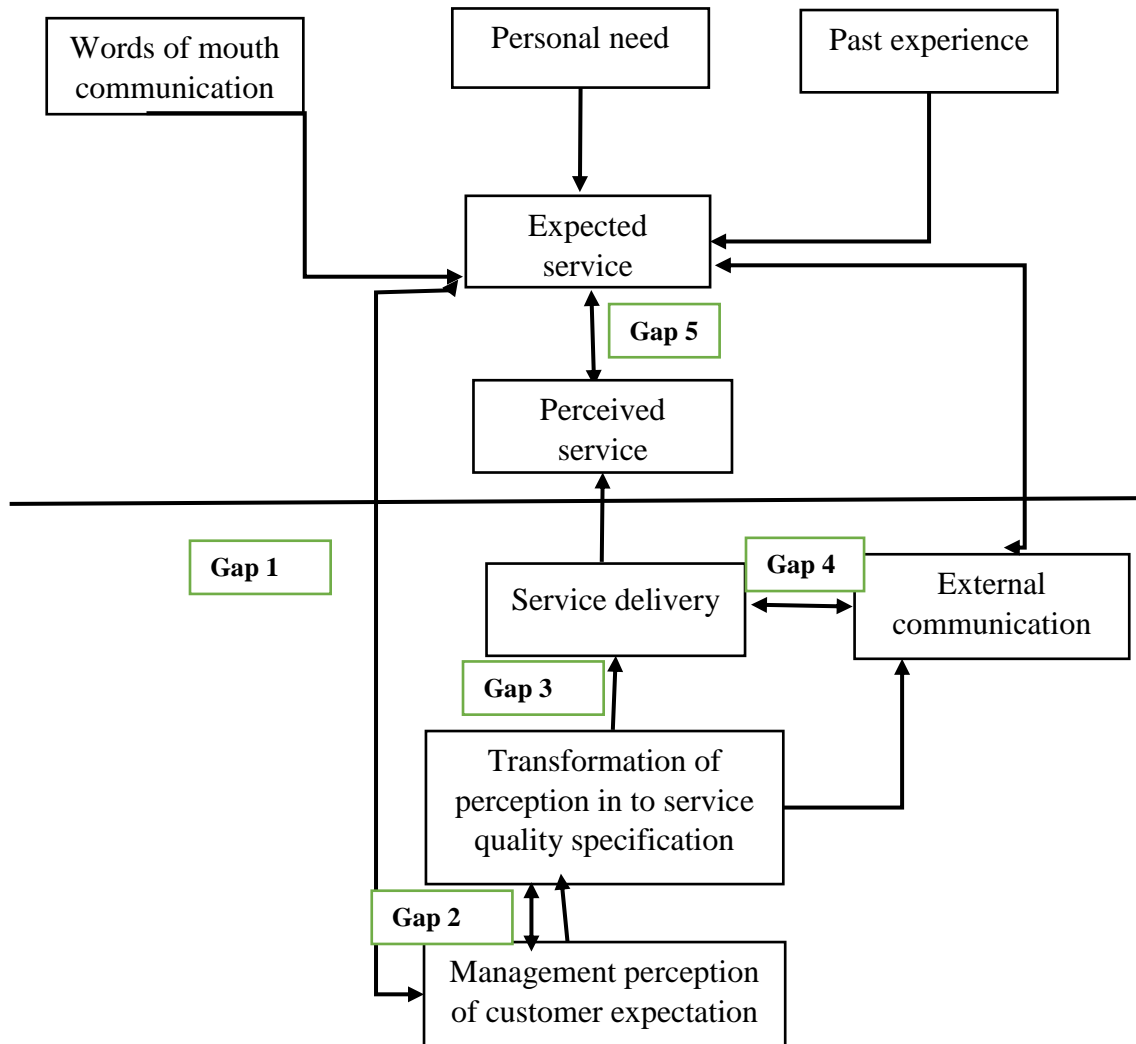


Figure 2: GAP model

2.7.3 SERVQUAL model

The SERVQUAL model was developed by Zeithaml.V.A, (2009). to measures the quality of service on five identified quality dimension. This scale is designed to measure the difference between customers' expectations and perception on a 22-item, representing five service quality dimensions' Reliability, Assurance, responsive, Empathy and Tangible.

1. **Reliability:** delivering on promises

Reliability is defined as the ability to perform the promised service dependably and accurate. In the broadest sense, reliability means that the company delivers on its promises- promises about delivery, service provision, problem resolution, and pricing. Customers want to do businesses with companies that keep their promises, particularly their promises about the service out come and core service attributes Zeithaml.V.A, (2009).

2. **Tangibles:** representing the service physically

Tangibles are defined as the appearance of physical facilities, equipment, personnel and communication materials. Tangibles provide physical representations or images if the service that customer, particular new customers will use to evaluate quality Zeithaml.V.A, (2009).

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

Responsiveness is the willingness to help customers and provide prompt services Zeithaml.V.A, (2009).

4. **Assurance:** inspiring trust and confidence

An assurance is defined as employees' knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. This diminution is likely to be particularly important for services that customers perceive as high risk or for services of which they feel uncertain about their ability evaluate outcomes Zeithaml.V.A, (2009).

5. **Empathy:** treating customers as individuals

Empathy is defined as the caring, individualized attention that the firm provide its customers. The essence of empathy is conveying, though personalized or customized service, customers are unique and special and that their needs are understood. Customers want to feel understood by

and important to firms that provide service to them. Personal at small service firms often know customers by name and build relationships that reflect their personal knowledge of customer requirements and preferences. when such a small firm compete with larger firms, the ability to be empathic may give the small firm a clear advantage Zeithaml.V.A, (2009).

The SERVQUAL model gives customers opportunity to offer their views regarding service encounters. It enables management to look at the perceptions from both business and customers' perspective. By closing the gaps, businesses can use the information generated to formulate strategies to ensure customer expectations are fulfilled on a consisted basis. But SERVQUAL is limited as it addresses only continuous improvement in a fast moving world where continuous improvement alone may not ensure business success unless blended with service and product innovation (Tan.K and Pawitra. T, 2001)

2.7.4 SERVPERF (Performance only model)

Cronin and Taylor, 1992 investigated the conceptualization and measurement of service quality and its relationship with consumer satisfaction and purchase intentions. They compared computed difference scores with perception to conclude that perceptions only are better predictor of service quality. They argued on the framework of Parasuraman et al. (1985), with respect to conceptualization and measurement of service quality and developed performance only measurement of service quality called SERVPERF by illustrating that service quality is a form of consumer attitude and the performance only measure of service quality is an enhanced means of measuring service quality.

2.8 Banks in Ethiopia

The first modern banking bank in Ethiopia started in1905 marked Abyssinian bank. The financial sector was dominated by foreign ownership until the Abyssinian Bank was nationalized in 1931 and renamed the Bank of Ethiopia, thereby becoming the first bank to be nationally owned in Africa (Belay.G, 1990, Befekadu.D,1995). Further financial institutions were established during the Italian five years occupations in the late 1930s. In 1943 the State Bank of Ethiopia was founded, despite considerable British opposition (Befekadu.D,1995, for an interesting neo-colonial story). Resistance to foreign control of the financial system has therefore been a

longstanding theme in Ethiopia's banking history, including arguments by the country's famous economist in the last century GebreHiwot B. in 1920s and it still is an influence today.

The State Bank of Ethiopia operated as both a commercial and central bank until 1963 when it was dissolved to form the central bank, the National Bank of Ethiopia (NBE,2018), and the Commercial Bank of Ethiopia (CBE). A number of other private financial institutions were also established during the 1960s. The structure of Ethiopia's financial system therefore resembled other African countries.

All of this changed with the overthrow of the monarchy of Haile Selassie in 1974. Under the Derg all privately owned financial institutions including three commercial banks, thirteen insurance companies and two non-bank financial intermediaries were nationalized on January 1975 (Befekadu.D,1995). The NBE continued its functions as a central bank, although the directives of the planning system now circumscribed its activities. The NBE fixed both deposit and loan rates, administered the allocation of foreign exchange and directly financed the fiscal deficit (NBE 2018).

Currently the number of banks operating in Ethiopia remained at 18, of which 16 were private banks. These banks opened 204 new branches during the first quarter of 2018 thereby increasing the total number of bank branches to 4,461 of the total bank branches, about 34.4 percent were located in Addis Ababa and private Banks accounted for about 67.5 percent of the total bank branches in the country (NBE, 2018).

Total capital of the banking system reached Birr 80.2 billion, of the total capital, private banks accounted for 35.8 percent while that of public banks, namely Commercial Bank of Ethiopia and Development Bank of Ethiopia, stood at 64.2 percent and 9.6 percent, respectively. The banking sector disbursed about Birr 22.8 billion in new loans, registering a 2 percent annual decline. Of the total new loan disbursement, the share of public banks was 33.1 percent and that of private banks 66.9 percent (NBE, 2018).

According to NBE (2018), the top ten banks in Ethiopia are Commercial bank of Ethiopia, developmental bank of Ethiopia from government banks and private banks Awash bank, Dahsen

bank, Cooperative bank of oromiya, Abissiniya bank, Wegagen bank, Zemen bank, NIB bank and United bank are listed. (NBE,2018).

Commercial Bank of Ethiopia (CBE) is one of the leading banks in Ethiopia established in 1963. It operates a network of 1,250 branches and 1,501 ATMs across Ethiopia and total assets ETB 485.7 billion. Development Bank of Ethiopia, formerly known as the Agricultural and Industrial aims to promote Ethiopia's economic development by financing agriculture, commerce, industry, and manufacturing activities and oversees around 32 branches throughout the country and total assets ETB 52.17 billion (NBE, 2018). Awash Bank is the first private commercial banks in Ethiopia established in 1994. The bank manages more than 346 branches trough out the country and total assets ETB 42 billion. Dashen Bank was established in 1995. It is the largest private banks in Ethiopia. the bank oversees 196 branches, 220 ATMs, nine forex bureaus, and 958 POS terminals located throughout the country and total assets of ETB 34.62 billion (NBE, 2018).

Bank of Abyssinia established in 1996 bank operates a network of 233 branches and sub-branches, 114 ATMs, and 200 POS terminals and total assets ETB 25.32 billion. United Bank provides incorporated as a share company in 1998. The bank operates a network of 202 branches and 19 sub-branches and total assets ETB 21.9 billion. Nib International Bank founded in 1999. It manages 130 branches with total assets of ETB 21.1 billion. Wegagen Bank established in 1997. The bank oversees 211 branches and total assets ETB 20.95 billion (NBE, 2018).

Cooperative Bank of Oromia commenced banking operations in 2005, focusing on cooperatives and agro-based businesses in Ethiopia more than 289 branches and employs 3,138 agents across the country and total assets ET B10.69 billion. Zemen Bank commenced its operations in 2008 was established in 2006 with total assets of ETB 9.67 billion (NBE, 2018).

2.9 Conceptual frame work

Conceptual framework summarizes the idea obtained from past literature for this study area. Thus, purpose of this study was to examine how tangibility, reliability, responsiveness, assurance, empathy independent variables can affect the dependent variables customer satisfaction in selected Ethiopian banks using SERQUAL model.

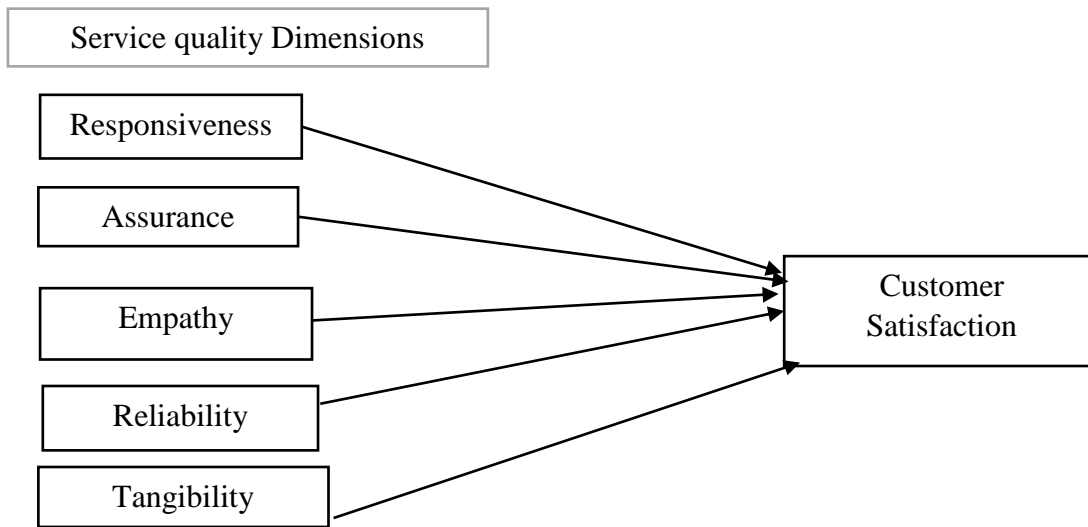


Figure 3: Conceptual frame work of study adopted from Parasuraman et al., 1988

Chapter three

3. Research Methodology

3.1 Research design

The study areas were top four banks in Ethiopia; Commercial bank and Developmental bank of Ethiopia were from government bank and Awash and Dashen from the private bank.

Quantitative approach was used to conduct this study. It is the major approaches being used today in the social and human science. The research design was descriptive type that involves describing, organizes, tabulates and depicts collected data.

3.2 Target Population

Target population of this study were customers of top four banks in Ethiopia namely Andent branch of commercial bank of Ethiopia, Development bank of Ethiopia head office, Kasanches branch of Awash bank and Haile G/Selassie branch of Dashen bank. The target populations for this study were customers available during data collection time period from July 1 to 30 2019.

3.3 Sample Size determination and Sampling technique

Total numbers of customers of selected banks are 70,701 among these 56,709 were form CBE, 2,946 from DBE, 8,285 from Awash and Dashen 2,761 customers. The sample size was determined by using sample size determination formula (Equation1) developed by Cochran (1963). Accordingly, a total of 382 customers have been selected proportion formula sample size were determined for each selected bank as shown in table1. Using convenience sampling methods samples were selected from the available population. It's impossible to carry out probability sampling because there is no point in time during which all customers are available due to different reasons and it is not possible to contact everyone who may be sampled.

$$n_o = Z^2 pq / e^2 \dots\dots\dots \text{Equation 1}$$

where n_o is the sample size, Z^2 is abscissa of the normal curve, e the desired level of precision, p is the estimated proportion of an attribute that is present in the population, and q is $1-p$.

$$n_o = \frac{(1.96)^2(0.5)(0.5)}{(.05)^2} = 384$$

$$n = \frac{n_o}{1 + \frac{(n_o-1)}{N}} \dots\dots\dots \text{Equation 2}$$

Where n_o is the sample size and N is the population

$$n = \frac{384}{1 + \frac{(384-1)}{70701}}$$

$$n=382$$

Table 1: sampling proportion for the selected banks

S.no	Banks	Number of active customers in each bank	Percentage proportion	Sample size
1	CBE Andent branch	56709	80.2%	306
2	AIB Kasanches branch	8285	11.7%	45
3	DBE head office	2946	4.2%	16
4	Dashen bank Haile G/Selassie branch	2761	3.9%	15
	Total	70701	100	382

Source: Survey result (2019)

3.4 Source of Data and Method of Data Collection

For the purpose of this study primary data were collected through questioner. It was prepared in English and interpreted to Amharic before they were distributed. The questioner consists of 22

items that indicated the customers' assessments of the service provided by the bank adopted from SERQUAL model by Cronin and Taylor's (1992). The items were measured using Likert scale with five response categories (strongly agree, agree, neither agree nor disagree, disagree and strongly disagree). The Likert scale method was referred to make the questions interesting to the respondents and to insure maximum response rate. Customer satisfaction had 5 items that were measured in five scales with response of highly satisfied, satisfied, neutral, dissatisfied and highly dissatisfied. The data collection was done using self-administered questionnaire to be filled by the bank's customers. Total of 382 questioners were distributed among them properly filled 334 questionnaires were taken for analysis. Response rate was 87.4 %.

Table 2: Response rate of collected questioner

S.no	Banks	Sample distributed	Sample response	Response rate
1	CBE Andent branch	306	262	85.6%
2	AIB Kasanches branch	45	42	95.5%
3	DBE head office	16	16	100%
4	Dashen bank Haile G/Selassie branch	15	14	93.3%
	Total	382	334	87.4%

Source: Survey result (2019)

3.5 Methods of Data Analysis

Data collected were analyzed using statistical software packages SPSS.V.25 before the main analysis reliability test was done for the collected data Cronbach's alpha was used in this study to assess the internal consistency or reliability of the instrument (questionnaire).

The descriptive statistical analysis results were presented by tables, frequency distributions and percentages to give a condensed picture of the data. it was done through summary of statistics,

which includes the means and standard deviations values which are computed for each variable of the study. Pearson's correlation coefficient was used to determine the relationships between service quality dimension (Tangible, reliability, responsiveness, assurance, empathy) and customer satisfaction. Multiple regression analysis was used to investigate the effect of service quality dimensions (Tangible, reliability, responsiveness, assurance, empathy) and customer satisfaction.

The equation of multiple regressions to this study was generally built around two sets of variable, namely dependent and independent variables. The basic objective of using regression equation was used for effective description, understanding and prediction of the stated variables.

Regress customer satisfaction on the service quality dimensions

$$X = \beta_1 + \beta_2 Y_2 + \beta_3 Y_3 + \beta_4 Y_4 + \beta_5 Y_5 + \beta_6 Y_6$$

Where X is the dependent variable- customer satisfaction, Y_2 = responsiveness, Y_3 =assurance, Y_4 =empathy, Y_5 = reliability and Y_6 =Tangible were the explanatory variables (or the regresses). β_1 is the intercept term- it gives the mean or average effect on Y of all the variables excluded from the equation, although its mechanical interpretation is the average value of Y when the stated independent variables are set equal to zero. β_2 , β_3 , β_4 , β_5 and β_6 refer to the coefficient of their respective independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables.

Chapter four

4. Result and Discussions

4.1. Demographic Information of the Respondents

The first part of the questionnaire requested a limited amount of information related to personal and demographic characteristics of respondents. Demographic variables of respondents were summarized and described in the subsequent tables and pie chart. These variables include sex, age, marital status and educational level.

Table 3: Demographic characteristic of respondents

Demographic factor		Frequency	Percent
Gender	male	212	63.5
	female	122	36.5
	Total	334	100.0
Age	18-29 years old	122	36.5
	30-39 years old	125	37.4
	40-49 years old	56	16.8
	50 years old and above	31	9.3
	Total	334	100.0
Marital Status	Single	140	41.9
	Married	179	53.6
	Divorced	15	4.5
	Total	334	100.0

Source: Survey result (2019)

As the above table about 63.5% respondents were male and 36.5% the respondents were female. In addition to the gender demographic distribution of the respondents, it is possible to see their proportion in terms of as their age. The largest age group of participant was 30-39 years age group which accounted 37.4%. The second (36.5%) was 18-29 years age group. The third (16.8%) 40-49 years age group and the remaining 9.3% of the respondents were above 50 years old age group. marital status of respondents indicated that 41.9 % were single, 53.6% were married and the remaining 4.5% of the were divorced

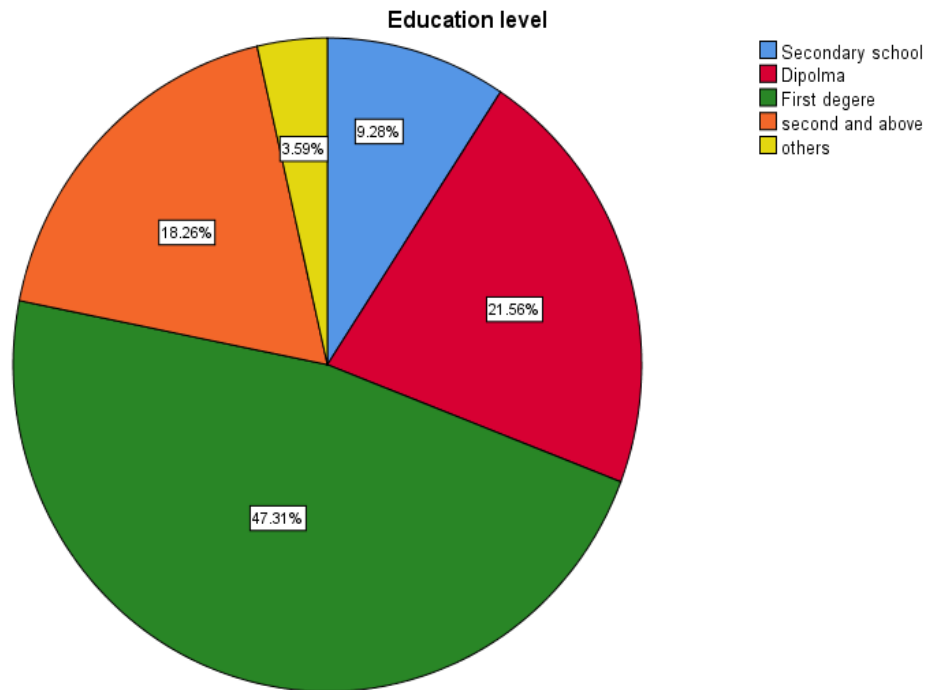


Figure 4: Educational level of respondents

Majority of the respondents were first degree holder 47.31% followed by diploma holder (21.56%) and secondary school (18.26%) as shown in Figure 4.

4.2 Reliability Test

To measure the internal consistency of the questioner Cronbach's alpha coefficient reliability test was used. The coefficient has to be between 0 and 1 to label as reliable. The internal consistency of the item is better as the result approaches to 1, which means all the items measures the same variable i.e. over all service quality and customers' satisfaction.

Table 4: Cronbach’s Alpha (Reliability analysis)

Dimensions	Coronbach’s alpha value	Number of items
Responsiveness	0.736	4
Assurance	0.728	4
Empathy	0.798	5
Reliability	0.776	5
tangibility	0.766	4

Source: Survey result (2019)

The highest cronbach alpha coefficient was 0.798 for empathy dimension and lowest 0.728 assurance dimension. Cronbach alpha for reliability, responsive and reliability was 0.736, 0.776and 0.766 tangibility. The overall Cronbach’s alpha for the independent variables (Tangibility, Reliability, Responsiveness, Empathy and Assurance) was found to be 0.937. As described by Field, 2005 and Muijs.D, 2010, the values of Cronbach’s alpha more than 0.7 is good though alpha values in this study were above 0.7 therefore questioners had very good reliability.

4.3 Descriptive Analysis of Service Quality Measurement

To measure the customers’ perception of the service quality provided by banks, SERVQUAL model was used in this study. SERVQUAL directly measures the customer’s perception of service quality. For all the service quality dimensions (Tangibles, Reliability, Responsiveness, Empathy and Assurance), the mean score has been computed. The following tables represent the results.

4.3.1 Responsiveness

The mean the Employees responds to requests quickly for the customers was greater with mean of 3.934 followed by employees are willing to help you mean was 3.904; the employees tells you exactly when services will be provided mean was 3.889 and Employees give prompt service mean was 3.850 as shown in table 5.

Table 5: Responsiveness items mean value

No	Responsiveness	mean
1	The employees tells you exactly when services will be provided	3.889
2	The employees are willing to help you	3.904
3	Employees respond to requests quickly	3.934
4	Employees give prompt service	3.850

Source: Survey result (2019)

4.3.2 Assurance

Assurance is the knowledge and courtesy of employees and their ability to convey trust and confidence so that the customer feels he or she is in courteous, able and competent hands. The mean score of the item listed as you feel safe in your transactions with bank was higher (3.943); the employees has product knowledge of bank information mean of 3.916; The employees are trustworthy mean was 3.895 and the employees speak with you by using an appropriately address forms was 3.889 (table 6).

Table 6: Assurance items mean score

No	Assurance	Mean
1	The employees has product knowledge of bank information	3.916
2	The employees speak with you by using an appropriately address forms	3.889
3	The employees are trustworthy	3.895
4	You feel safe in your transactions with bank.	3.943

Source: Survey result (2019)

4.3.3 Empathy

Empathy is providing caring and individualized attention to customers to make them feel they are receiving caring services and individualized attention. The mean score of employees are able to communicate effectively with you was 3.898; the employees knows your specific needs and Bank has operating time convenient to you were 3.847; The employees shows personal attention to you was 3.838 and Employees pass transactions in a caring manner 3.811 as shown in table7.

Table 7: Empathy dimension items mean score

No	Empathy	Mean
1	The employees are able to communicate effectively with you	3.898
2	The employees shows personal attention to you	3.838
3	The employees knows your specific needs	3.847
4	Bank has operating time convenient to you	3.847
5	Employees pass transactions in a caring manner	3.811

Source: Survey result (2019)

4.3.4 Reliability

Reliability is the ability to perform the promised service dependably, accurately and consistently. The mean score of employees perform the service right at the first time was 3.925 followed by the employees provide you accurate information 3.880, the employees can provide you the services as promised 3.856, Bank insists on error-free and accurate records 3.850 and the employees offer you some help 3.832.

Table 8: Reliability dimension mean score

No	Reliability	mean
1	The employees can provide you the services as promised	3.856
2	The employees provide you accurate information	3.880
3	The employees perform the service right at the first time	3.925
4	The employees offer you some help	3.832
5	Bank insists on error-free and accurate records	3.850

Source: Survey result (2019)

4.3.5 Tangibility

Tangibility refers to the appearance of physical facilities, equipment, personnel and communication materials. Accordingly, the mean score of the employees dress properly was 3.994; for was the employee provides the services with smiling 3.937; Bank's physical facilities are visually appealing and has modern-looking equipment 3.931 and the employees have attractive appearance 3.892 and as it can be seen from the table from the four questions asked under tangibility the highest mean score is obtained employees dress properly agree 3.994. The lowest mean score is obtained in the statement which asks the employees have attractive appearance i.e. elegant, smart, etc.

Table 9: Tangibility dimension mean score

	Tangibility	Perception
1	The employees dress properly	3.994
2	The employees have attractive appearance i.e. elegant, smart, etc	3.892
3	The employee provides the services with smiling	3.937
4	Bank's physical facilities are visually appealing and has modern-looking equipment	3.931

Source: Survey result (2019)

4.4 Overall SERVQUAL dimensions

SERVQUAL model was used in this paper to measuring respondents' perception towards banks service delivery quality by using five service quality dimensions having 22 items. To measuring respondents' perception of banks over all service quality dimensions and their satisfaction level mean score was used.

Table 10: Overall Mean and standard deviation of Service Quality measurements

	Mean	Std. Deviation
Responsiveness	3.8945	.60489
Assurance	3.9109	.59946
Empathy	3.8485	.62360
Reliability	3.8689	.59683
Tangibility	3.9386	.66043
Customer Satisfaction	3.9790	.56964

Source: Survey result (2019)

The above table showed that respondent's perception towards service quality dimensions, over all service quality and customer satisfaction. As clearly seen in the table 10, the perception of respondents on tangibility, 3.938 mean score which was better than other service quality dimensions, assurance and responsiveness had mean score of 3.910, and 3.894 respectively. However, customers' perception on reliability and empathy are relatively the least perceived value from the services quality dimensions with mean score of 3.868 and 3.848 respectively.

4.5 Descriptive analysis of customer satisfaction items

Respondents were asked to rate level of their satisfaction on Liker's 5-point Scale of five customer satisfaction measurements. The responses of the question on respectful behavior of the bank staffs indicated that only 57.5% respondents were satisfied and 23.1 % respondents were highly satisfied (Table 11).

Table 11: customer's satisfaction percentage on respectful behavior of the bank staffs

	Frequency	Percent	Valid Percent	Cumulative Percent
dissatisfied	20	6.0	6.0	6.0
Neutral	45	13.5	13.5	19.5
satisfied	192	57.5	57.5	76.9
strongly satisfied	77	23.1	23.1	100.0
Total	334	100.0	100.0	

Source: Survey result (2018)

The responses of the question on the communicative item of were shown on table12.The and 59% and 24.9% of respondents were satisfied and strongly satisfied with the communicative respectively.

Table 12: customer's satisfaction percentage with the communicative

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly dissatisfied	1	.3	.3	.3
dissatisfied	12	3.6	3.6	3.9
Neutral	41	12.3	12.3	16.2
satisfied	197	59.0	59.0	75.1
strongly satisfied	83	24.9	24.9	100.0
Total	334	100.0	100.0	

Source: Survey result (2019)

The following table 13 showed response of respondents on performance of the employee of the bank. Satisfaction of the respondents indicated that only 26.6% were highly satisfied and over half of the customers were (58.4%) were satisfied and about one fourth of customers (26.6%) were highly satisfied.

Table 13: customer's satisfaction percentage with the performance of the employee of the bank

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly dissatisfied	3	.9	.9	.9
dissatisfied	19	5.7	5.7	6.6
Neutral	28	8.4	8.4	15.0
satisfied	195	58.4	58.4	73.4
strongly satisfied	89	26.6	26.6	100.0
Total	334	100.0	100.0	

Source: Survey result (2019)

The responses of the question asked on various rang of service of bank were shown on table 14. The overall satisfaction of the respondents indicated that only 22.8% were highly satisfied and 58.7% were satisfied on various rang of service of bank.

Table 14: Customer's satisfaction percentage with various rang of service of bank

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly dissatisfied	5	1.5	1.5	1.5
dissatisfied	17	5.1	5.1	6.6
Neutral	40	12.0	12.0	18.6
satisfied	196	58.7	58.7	77.2
strongly satisfied	76	22.8	22.8	100.0
Total	334	100.0	100.0	

Source: Survey result (2019)

4.6 Overall Customer Satisfaction

In order to generate the overall score of customer service, respondents were asked to rate level of their satisfaction on Liker's 5-point Scale. The responses of the question were shown on table 15. The overall satisfaction of the respondents indicated that 65% were satisfied, 15.3% were neutral and 14.1% were highly satisfied and were and with service delivery of bank.

Table 15: customer's satisfaction percentage with the bank services

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly dissatisfied	1	.3	.3	.3
dissatisfied	18	5.4	5.4	5.7
Neutral	51	15.3	15.3	21.0
satisfied	217	65.0	65.0	85.9
strongly satisfied	47	14.1	14.1	100.0
Total	334	100.0	100.0	

Source: Survey result (2019)

Table 16: Descriptive statistics of all over customer satisfaction

Customer Satisfaction	
Mean	3.9790
Median	4.2000
Mode	4.20
Std. Deviation	.56964
Minimum	1.80
Maximum	4.80

Source: Survey result (2019)

The mean score of overall customer the satisfaction was 3.979(79.58%), minimum was 1.8 and maximum of 5.

4.7. Correlation Analysis between Service Quality Dimensions and Customer Satisfaction

Table 17: correlation of SERVQUAL dimensions and customer satisfaction

Correlations						
	Responsiveness	Assurance	Empathy	Reliability	Tangibility	Customer Satisfaction
Responsiveness	1					
Assurance	.699**	1				
Empathy	.653**	.775**	1			
Reliability	.714**	.794**	.753**	1		
Tangibility	.643**	.726**	.680**	.747**	1	
Customer Satisfaction	.668**	.664**	.617**	.678**	.662**	1

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

Source: Survey result (2019)

To check the relationship between service quality dimensions and customer satisfaction Pearson's correlation coefficient (r) was used. It measures the strength and direction of a linear relationship between two variables. Values of Pearson's correlation coefficient value ranges between -1 and +1 (Dancey.C & Reidy.J, 2004). The above table 17 indicated that all five dimensions of service quality and customer satisfaction had significant positive relationship. The highest correlation was observed between reliability and customer satisfaction (0.678) next by responsiveness (0.668), assurance (0.664) and the remaining dimension tangibility (0.66) and empathy (0.617) respectively.

The inter correlation between the service quality dimensions we can see that there is a positive and significant relationship which implies that a change made in one of the service quality dimension will positively motivate the other service quality dimension. The highest inter correlation is between reliability and assurance ($r=0.794$) followed by assurance and

empathy($r=0.775$), reliability and tangibility ($r=0.747$), tangibility and assurance (0.726) and reliability and responsiveness (0.714).

The correlation magnitudes of customer satisfaction with all service quality dimensions were greater than 0.5 which indicated that the dimensions had strong relationship between customer satisfactions (Dancey.C& Reidy.J, 2004). it proves that reliability as a determinant factor for customer satisfaction and service quality followed by responsiveness. This indicates improvement on reliable and responsiveness had significant effect on customer satisfaction levels. Even if, assurance and tangibility had relatively less correlation improving these dimensions has also effect on customer satisfaction. The study entitled on the impact of service quality on customer satisfaction the case of commercial bank of Ethiopia by Betelhem.T in 2015 find out that responsiveness and reliability had higher significant effect on customer satisfaction. This research finding was similar to Yeshitila (2018) reliability have a higher coefficient and strong relationship with customer satisfaction. However, responsiveness had lower coefficient value.

The study of Girma.B. (2015) on assessment of service quality and its influence on customer satisfaction: the case of Oromia International Bank showed that all service quality dimensions have positive and significant relationship with customer satisfaction. The result of the study made by Meron.M (2015) revealed that customers were most satisfied by assurance followed by responsiveness. All service quality dimensions have positive and significant relationship with customer satisfaction. Tizazu.K in 2013 conducted research titled the effect of customer service quality on customer satisfaction on private banks indicated that customers were most satisfied with assurance and tangibility. There were a positive and significant correlation between the four service quality dimensions (tangibility, reliability, assurance and empathy) and customer satisfaction. It also indicated that all service quality dimensions have positive and significant effect on customer satisfaction like the result obtained from this study.

The research made by El Saghier.N and Nathan.D(2013), on service quality dimensions and customers satisfaction of banks in Egypt depicted that customer service was significantly affected by the four service quality dimensions; reliability, responsiveness, assurance and empathy. But, tangibility did not have significant impact on service quality unlike this research finding. The study made by Al-Azzam.A.F, (2015) entitled the impact of service quality

dimensions on customer satisfaction on Arab bank in Irbid city, Jordan indicated that Jordanian banking services was significantly affected by tangibility, reliability, responsiveness, empathy and security and customers' perception was highest for reliability. To conclude, as observed from the above studies, most of the service quality dimensions have positive and significant correlation with customer satisfaction. However, the dominant service quality dimension differs from study to study.

4.8. Linearity Test

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables. To determine whether the relationship between the dependent variable customer satisfaction and the independent variables, Reliability, Assurance, Tangibility, Empathy and Responsiveness is linear; plots of the regression residuals through SPSS software was used.

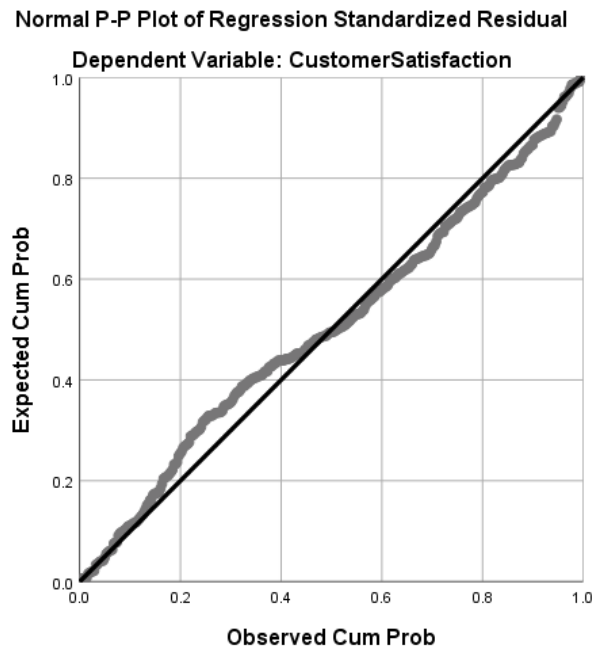


Figure 5: Normal point plot of standardized residual

The p plot of residuals reveals no large deviation in the spread of the residuals as we look from left to right on the figure and it is almost all residuals lay on the linear straight line therefore this tells us the relationship between the independent variables and the dependent variable (customers satisfaction) was linear as shown in figure5.

4.9 Normality Test

The assumption of normality of disturbances was very much needed for the validity of the results for testing of hypothesis, confidence intervals and prediction intervals. Small departures from normality may not affect the model greatly but gross non normality is more serious. So data would be distributed symmetrically around the center of all scores. As such, drew a vertical line through the center of the distribution then it should look the same on both sides. This is known as a normal distribution and is characterized by the bell-shaped curve.

The normality tests for this study as shown in figure 6 the kurtosis was close to 3, skewness close to 0. As figure displays some standard residuals are a little bit far away from the curve, many of the residuals are fairly close more to the curve and the histogram is bell shaped. This shape basically implies that the majority of scores lie around the center of the distribution (so the largest bars on the histogram are all around the central value as shown in figure 6. Therefore, this indicates that the residuals or (disturbance or errors) are normally distributed.

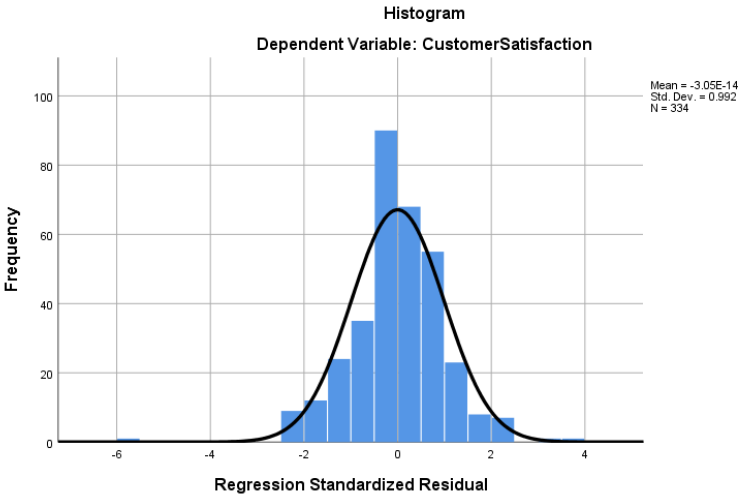


Figure 6: Frequency Distribution of Standardized Residual

4.10 Multiple Regression Analysis

Regression is statistical process used to analyze the relationship between dependent variable and independent variable. Regression analysis used to know the dependent variable changes when any one the independent varied. The other independent variables are hold fixed.

Multiple regression analysis has multicollinearity (collinearity) characters that check weather one variable can be linearly correlates with the other two or more predictor variables. It explains how much independent is dependent to another independent variable in the model. Test of multicollinearity is detected by tolerance and variance inflation VIF (George,D and Mallery.P.,2003).

The formula used in multicollonearity is $1-R$ for each variable result of less than 0.1 means the variable is highly correlated with other variable and multicollinearity is existed between variable and variance inflation factor ($VIF=1/(1-R)$) above 10 existences of multicollinearity between variable. Therefore, in this results no multicollinearity problem when the tolerance value and VIF are above 0.1 and below 10 respectively (Chris.B. 2014).

Table 18: multicollinearity analysis

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Responsiveness	.428	2.337
Assurance	.268	3.725
Empathy	.337	2.972
Reliability	.265	3.767
Tangibility	.379	2.640

Source: Survey result (2019)

In this study multiple regression analysis was used to test effect of service quality dimensions on customer satisfaction. Table 18 shows the results of multiple regressions analysis correlation coefficients (R^2) which tells the level of variance in the dependent variable (customer satisfaction) that is explained by the model.

Table 19: R^2 and Adjusted R^2 values of multicollinearity analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.754 ^a	.568	.562	.37718	1.992

Source: Survey result (2019)

Table 20: Avova of multicollinearity analysis

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	61.389	5	12.278	86.301	.000 ^b
	Residual	46.664	328	.142		
	Total	108.053	333			

Source: Survey result (2019)

The results of multiple regressions table 18 showed that there was positive and statistically significant relationship between the independent variables (tangibility, reliability, responsiveness, empathy and assurance) and the dependent variable (customer satisfaction) with $p < 0.01$. R square value showed the degree to which overall customer satisfaction (dependent variable) is explained by the model (services quality dimensions). the aggregate of the independent variables R square value was 0.568. This implies that customer satisfaction is impacted or explained by service quality dimensions to the extent of 56.8%. From the ANOVA table it has been determined that Sig. was .000 which confirms service quality dimensions have a positive and significant effect on customer satisfaction.

Table 21: Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.901	.151		5.983	.000
	Responsiveness	.258	.052	.274	4.945	.000
	Assurance	.124	.067	.131	1.866	.063
	Empathy	.053	.057	.058	.928	.354
	Reliability	.158	.067	.165	2.349	.019
	Tangibility	.196	.051	.227	3.850	.000

Source: Survey result (2019)

Table 21 shows the contribution of each independent variable to the model and its statistical significance. The Beta value shows the contribution of each independent variable on the predicted variable (dependent variable). In this research empathy and assurance has no significant effect on customer satisfaction since the p-value was 0.354 and 0.063 is greater than the significant value 0.05. Like this research in Betelhem.T, (2015) find out empathy did not have impact on customer satisfaction with regard less of their magnitude Dejene.G, (2017), Meron.M,(2017), Yeshitila.T,(2018), find out all SERVQUAL service quality dimensions had significant impact on customer satisfaction similar to the finding of this research and showed some dissimilarity with this finding, The 0.258 beta coefficient for responsiveness P 0.079 level of significance. Responsiveness positively affects customer satisfaction. Hence one percent change in responsiveness when all other independent variables are kept constant increases customer satisfaction by 25% though the higher on responsiveness service the higher will be the customer satisfaction.

The 0.196 beta coefficient for tangibility in the table shows that at P 0.00 level of significance; tangibility positively affects customer satisfaction. Hence a one percent change in assurance when all other independent variables are kept constant increases customer satisfaction by 19.6 %.

Reliability have a beta coefficient of 0.158 with p value of 0.019, empathy positively affects customer satisfaction. When there is a one unit change in reliability when all other independent variables kept constant increase customer satisfaction by 15%.

As result in table 21 above indicates that at 95% confidence interval only all independent variables; have a statistically significant effect. The variables are reliability, assurance responsiveness, empathy and tangibility dimension have significant influence on customers' satisfaction. From the above regression analysis empathy and assurance has no significant effect on customer satisfaction since the p-value is 0.354 and 0.063 is greater than the significant value 0.05; and the regression analysis result the most significant service quality measurement is responsiveness, reliability and tangibility since the p-value 0.000, 0.019 and 0.000 less than the significant value 0.05, the coefficient is positive.

As a result, the Fitted Regression Model for this study was

$$\text{Customer satisfaction} = 0.901 + 0.258\text{Responsiveness} + 0.124\text{Assurance} + 0.053\text{Empathy} + 0.158\text{Reliability} + 0.196\text{Tangebility}$$

Chapter five

5. Summary of Findings, Conclusion and Recommendations

5.1 Summary of Findings

The main focus this study was to find out the impact of service quality on customer satisfaction in the case of selected banks located in Addis Ababa. The 22 service quality item of the SERVQUAL dimensions were used to investigate the relationship between the service quality dimensions and customer satisfaction. The data obtained from the respondents was analyzed using SPSSV.25.

The result of the background information of respondents indicated that the majority of the respondents were male (63.5%) aged in the range of 18 to 29 (36.5%) and 30 to 39 (37.4%). Regarding the education background 47.31% were first degree holder and 21.56 % respondents were diploma holder.

The mean result indicated tangibility dimension had higher mean (3.94) followed by assurance dimension (3.91) and responsiveness dimension (3.89) of service quality.

The mean score of the satisfaction was 3.979(79.58%) out of maximum of 5 indicated that there was opportunity for improving in the level of satisfaction.

The finding from the correlation result reveals that there was a positive and significant relationship between the service quality dimensions and customer satisfaction. Reliability had highest correlation with customer satisfaction than others. the inter correlation was higher between reliability and assurance.

Having tested the relationship of all independent and dependent variables, it was checked that there was no multi-collinearity problem among the predictor variables with tolerance value more than 0.1 and VIF value less than 10.

From the regression analysis empathy and assurance had no significant effect on customer satisfaction since the p-value was 0.354 and 0.063. the most significant service quality measurement was responsiveness followed by reliability and tangibility at p-value of 0.000,

0.019 and 0.000 respectively. In addition, the finding from the regression result indicated that all the service quality dimensions have a positive impact on customer satisfaction. reliability was relatively higher service quality dimension that affects customer satisfaction.

the R square value showed that 56.8% of variation in customer satisfaction was explained by the service quality dimensions.

5.2 Conclusion

The overall mean of customer satisfaction was 3.979 (79.58%) customer satisfied the remaining percent were not satisfied. These indicated that banks need to work more on value add to improve service quality and to satisfy customer. In award where client expectation increases continuously it was necessary to follow this expectation closely and promptly take the essential step to meet them. Banks that target client dependency should always increase their service quality.

Pearson's correlation result also indicated that there was a positive relationship between the service quality dimensions (reliability, tangibility, responsiveness, assurance and empathy) and customer satisfaction. Among five dimensions' reliability was highly correlated with customer satisfaction than the other dimensions. The correlation was observed between reliability and customer satisfaction (0.678) next by responsiveness (0.668), assurance (0.664) and the remaining dimension tangibility (0.66) and empathy (0.617) respectively.

the correlation between independent variables highest correlation was found between reliability and assurance($r=0.794$) followed by assurance and empathy (0.775) while the lowest relationship was found between reliability and responsiveness (0.714). Thus the change in one of the service quality dimension will positively affect the other service quality dimension.

The overall regression result 56.8% of variation in customer satisfaction was explained by the service quality dimensions which imply that 43.2% of variation in customer satisfaction was explained by other variables. The regression also indicated that reliability tangibility, responsiveness has significant impact but assurance and empathy are not significant.

5.3 Recommendations

Based on the results find out from research the following suggestion are given to increase service quality

- The bank should have strong emphasis on responsiveness service quality dimension that includes willing to serve customer, respond request quickly and give prompt service in maintaining and improving the service quality to provide service which deliver.
- The bank responsible body should focus on reliability service quality dimension specially on services as promised, give accurate information, give service right at the first time, help customer properly and error-free and accurate records items.
- The bank should have to work on tangibility service quality which focus on employees dressing, services with smiling and bank's physical facilities are visually appealing and has modern-looking equipment
- The satisfaction level result showed that 0.3% were strongly dissatisfied 5.4% were dissatisfied and 15.3% were neutral. one fifth of respondents were not satisfied with service provided by banks though the banks responsible body should have to exert its maximum effort to change this result for customers are key divers of its performance.
- Current environment services preference of customers and their demands keeps on changing at a rapid speed and the bank should operate proactively in meeting its customers' needs and preferences. Accordingly, the bank should have to customer centric and management's focus area should emanate from the customer's need
- The banks customer service managers should have to undertake assessment to find out the gap on their service delivery and improve customer satisfaction.
- Due to the increasing competition in banking sector, customer service is an important part then bank managers and responsible employees should have to arrange training on customers handling techniques to improve customer satisfaction with respect to service quality.

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Appendix I
Addis Ababa University
College of Business and Economics
Department of Management

Questionnaire to be filled by Customer of ----- banks

Dear Respondent,

The purpose of this questionnaire is to collect primary data for study entitled "Service quality in Banking" for the partial fulfillment of the Masters of Science in management at Addis Ababa University. I kindly request you to provide me reliable information. Your responses will be kept confidential.

Thank you in advance for your cooperation

N.B

- No need to write your name

Part I. Personal information

- 1.1 Gender Male Female
- 1.2 Age 18-29 years old 30-39 years' old
- 40-49 years old 50 years old and above
- 1.3 Marital Status Single Married Divorced
- 1.4 Educational level Primary and high school Diploma
- First degree Second degree and above
- Others

Part II: Survey of your perceptions towards service quality banking

This part deals with your opinion about banking. There is no right or wrong answers all I am interested is a number that show your best about the Service Quality System of banks. Based on this please put a tick (√) in the boxes which explain your attitudes.

The score levels are described as:

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

No	Dimensions	1	2	3	4	5
	Responsiveness					
	The employees tells you exactly when services will be provided					
	The employees are willing to help you					
	Employees respond to requests quickly					
	Employees give prompt service					
	Assurance					
	The employees has product knowledge of bank information					
	The employees speak with you by using an appropriately address forms					
	The employees are trustworthy					
	You feel safe in your transactions with bank.					
	Empathy					
	The employees are able to communicate effectively with you.					
	The employees shows personal attention to you					
	The employees knows your specific needs					

	Bank has operating time convenient to you.					
	Employees pass transaction in a caring manner					
	Reliability					
	The employees can provide you the services as promised					
	The employees provide you accurate information					
	The employees perform the service right at the first time					
	The employees offer you some help					
	Bank insists on error-free and accurate records.					
	Tangibility					
	The employees dress properly					
	The employees have attractive appearance i.e. elegant, smart, etc					
	The employee provides the services with smiling.					
	Bank's physical facilities are visually appealing and has modern-looking equipment					

Part Three:

In this part of the questionnaire, your valuable information on the overall level of service quality and your overall level of satisfaction on the delivery of bank service will be sought. Please tick (√) a number that shows your overall service quality perception and your level of satisfaction with respect to the following statements

Level of Customers Satisfaction

Your satisfaction level on the bank service delivers.	Strongly dissatisfied	Dissatisfied	Neutral	Satisfied	Strongly Satisfied
I am satisfied with the security of the bank services					
I am satisfied with respectful behavior of the bank staffs					
I am satisfied with the communicative ability of the employee of the bank					
I am satisfied with the performance of the employee of the bank					
I am satisfied with various rang of service of bank					

አዲስአበባዩኒቨርሲቲ
የቢዝነስአናሊሲስቲክስኮሌጅ
የስራ አመራር ትምህርት ክፍል

ይህ መጠይቅ የተዘጋጀው በአዲስ አበባ ዩኒቨርሲቲ የድህረ-ምረቃ ተማሪ ሲሆን አላማውም የኢትዮጵያ ባንኮች አገልግሎት አሰጣጥ ጥራት በሚል ርዕስ ለሚደረግ ጥናት የመጀመሪያ ደረጃ መረጃ ለመሰብሰብ ነው። የሚሰጡት መልስ የሚወለወው ለዚህ ጥናት አላማ ብቻ ነው። ስለሆነም ከዚህ በታች ለቀረቡት ጥያቄዎች ትክክል ነው የሚሉትን መልስ ይሰጡ ዘንድ በትህትና እጠይቃለሁ።

ስለትብብር በቅድሚያ አመሰግናለሁ።

መመሪያ፡

- ስምዎን መጥቀስ አያስፈልግም
- ትክክል ነው የሚሉትን መልስ በተዘጋጀው ሳጥን ውስጥ ምልክት ያስቀምጡ።

ክፍል አንድ

1.1 ፆታ ወንድ ሴት

1.2 ዕድሜ

ከ18-29 አመት

ከ30-39 አመት

ከ40-49 አመት

50 አመት ና በላይ

1.3 የጋብቻ ሁኔታ

ያላገባ/ች

ያገባ/ች

ፍቺ የፈፀሙ

1.4 የትምህርት ደረጃ

አንደኛ እና ሁለተኛ ደረጃ

የመጀመሪያ ዲግሪ

የተለየ

ዲፕሎማ

ሁለተኛ ዲግሪ

እና

በላይ

✓ ክፍል ሁለት

✓

እንደ አንድ የባንክ አገልግሎት ተጠቃሚ በባንኩ የተሰጠዎትን አገልግሎት ከዚህ በታች የተጠቀሱትን ጉዳዮች ያስፈላጊነታቸውን ደረጃ ከ 1 - 5 የቀረቡትን ቁጥሮች ውጤቱን

በመጠቀም

ያመልክቱ

(√)::

1= በጭራሽ አልስማማም 2= አልስማማም 3=ሃሳብ የለኝም 4= እስማማለሁ
እስማማለሁ

5=በጣም

✓

	Responsiveness (ተጠያቂነት ያለው ምላሽ)	1	2	3	4	5
1	የባንኩ ሠራተኛ አገልግሎቱ በምን ያህል ጊዜ እንደሚያልቅ ያሳውቃል።					
2	የባንኩ ሠራተኛ ቀና ትብብር ያረግላታል።					
3	ሰራተኛ በተቀላጠፈ የፈለጉትን አገልግሎት ይሠጣል					
4	ሰራተኛው የባንኩ አገልግሎቱን በአግባቡ ያስተዋውቃል					
	Assurance (በራስ መታመን)					
1	የባንኩ ሠራተኛ የባንኩ አገልግሎቶችን በሚገባ አውቆት ያስተላልፍል					
2	የባንኩ ሠራተኛ ስነስርዓት ባለው መልኩ ያናግራል።					
3	የባንኩን ሰራተኛ እምነት የሚጣልበት ነው					
4	በባንኩ ውስጥ የሚያልፈው የሂሳብ ልውውጥ ደህንነቱ የተጠበቀ ብለው ያምናሉ					
	Empathy (የሰራ ባለቤትነት መረዳት)					
1	የባንኩ ሰራተኛ በአግባቡ ነው የሚገባው					
2	የባንኩ ሰራተኛ በአግባቡ ትኩረት ይሰጣል					
3	የባንኩ ሰራተኛ የሚፈልጉትን አገልግሎት ያውቃል					
4	የባንኩ የስራ ሰዓት ለእርሶ አመቺ ነው					
5	የባንኩ ሰራተኛ ሂሳቡን የሚያሳልፈው በጥንቃቄ ነው					
	Reliability (ሊታመን የሚችል አገልግሎት)					
1	የባንኩ ሰራተኛ በባንኩ ቃል በገባው መሠረት አገልግሎትን ይሰጣል					
2	የባንኩ ሰራተኞች ትክክለኛ መረጃ ያደርሳሉ					
3	የባንኩ ሰራተኞች በተጠየቀው ቅፅበት አገልግሎትን ይሠጣል					

4	የባንኩ ሰራተኞች እርዳታ ለመስጠት ፍቃደኛ ናቸው					
5	የባንኩ የሂሳቡ ልውውጥ ከስህተት የፀዳና ትክክለኛ መሆኑን ያረጋግጣል					
	Tangibility (በባንክ ውስጥ ያለው ተጨባጭነት)					
1	የባንኩ ሰራተኛ ልብስ አለባበስ አግባብነት ያለው ነው					
2	ሰራተኛው የሚስብ /የሚያስደስት/የሚያረካ አለው/አላት					
3	ሰራተኛው አገልግሎት የሚሰጠው በፈገግታና በደስታ ነው					
4	የባንኩ ቢሮ እና የመገልገያዎች እቃዎች ዘመናዊናጥራቱን የጠበኩ ለአይን ሳቢ ናቸው					

ክፍል ሶስት

በባንኩ ያገኙትን አጠቃላይ የአገልግሎት እርካታ መጠን በተጠቀሰው ውጤት መሠረት ይህንን ምልክት ያስቀምጡ(✓)::

1. አጠቃላይ የደንበኛ የአገልግሎት እርካታ

ተ.ቁ	በባንኩ አገልግሎት ያሉት የእርካታ ደረጃ	በጣም አልተደሰትኩም	አልተደሰትኩም	መካከለኛ ነው	ደስተኛ ነኝ	በጣም ተደስቻለሁ
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1	በባንኩ ዋስትና ያለው አገልግሎት ደረጃ					
2	የባንኩ ሰራተኞች ትሆት ባህሪ					
3	የባንኩ ሰራተኞች በመግባባት የመስጠት ችሎታ					
4	በባንኩ ሰራተኞች ብቃት					
5	በባንኩ የተሟላ አጠቃላይ አገልግሎት					

Appendix II

Demographic characteristic of the respondents

Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid male	212	63.5	63.5	63.5
female	122	36.5	36.5	100.0

Total	334	100.0	100.0	
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Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-29 years old	122	36.5	36.5	36.5
	30-39 years old	125	37.4	37.4	74.0
	40-49 years old	56	16.8	16.8	90.7
	50 years old and above	31	9.3	9.3	100.0
	Total	334	100.0	100.0	

Marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	140	41.9	41.9	41.9
	Married	179	53.6	53.6	95.5
	Divorced	15	4.5	4.5	100.0
	Total	334	100.0	100.0	

Pearson correlation of service quality dimensions and customer satisfaction

Correlations

		Responsiveness	Assurance	Empathy	Reliability	Tangibility	Customer Satisfaction
Responsiveness	Pearson Correlation	1	.699**	.653**	.714**	.643**	.668**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	334	334	334	334	334	334
Assurance	Pearson Correlation	.699**	1	.775**	.794**	.726**	.664**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	334	334	334	334	334	334
Empathy	Pearson Correlation	.653**	.775**	1	.753**	.680**	.617**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	334	334	334	334	334	334
Reliability	Pearson Correlation	.714**	.794**	.753**	1	.747**	.678**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	334	334	334	334	334	334
Tangibility	Pearson Correlation	.643**	.726**	.680**	.747**	1	.662**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	334	334	334	334	334	334
Customer Satisfaction	Pearson Correlation	.668**	.664**	.617**	.678**	.662**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	334	334	334	334	334	334