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**DEVELOPMENT MANAGEMENT**  
**(GRADUATE PROGRAM)**

**ASSESSMENT OF SERVICES QUALITY TOWARDS CUSTOMERS**  
**SATISFACTION: THE CASE OF COMMERCIAL BANK OF ETHIOPIA**  
**NORTH ADDIS ABABA DISTRICT**

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**Addis Ababa University**  
**College of Business and Economics**  
**Department of Public Administration And**  
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Approved by Board of Examiners

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## **DECLARATION**

I Assefa Dariebo hereby declare that the thesis entitled “assessment of customer satisfaction towards service quality the case of commercial bank of Ethiopia north Addis Ababa district” is my original work and submitted by me for the award of the Degree of Master of MPMP of Addis Ababa University at Addis Ababa and it hasn't been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution and that all sources of material used for the study have been appropriately acknowledged.

Assefa Dariebo

Student Signature

JUNE, 2018

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## **LIST OF ACRONYMS**

CBE ... COMMERCIAL BANK OF ETHIOPIA

FCY... FOREIGN CURRENCY

## **ABSTRACT**

The aim of this research is to assess possible effect of service quality of CBE on customer satisfaction using service quality dimensions tangibility, reliability, responsiveness, empathy and assurance. The population of this research consists of commercial bank of Ethiopia North Addis district. The Perceived service quality of the bank measurable by using 26 items SERVQUAL scale. In order to test the research structural equation modeling technique was used empirical findings of the research show that perceived service quality of the bank affect customer satisfaction directly and positively. The correlation analysis it was found that all the five service quality dimensions are positively correlated with overall customer satisfaction .The regression analysis tangibility and responsiveness found to be the most important dimension affecting customer satisfaction with the highest beta value. From this we can say that perceived service quality leads to satisfaction.

**Key Words:** - Service Quality, Customer Satisfaction

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# CHAPTER ONE:

## 1. Introduction

### 1.1 Background of the Study

Kotler (1999) defined satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectation as the definition makes clear, satisfaction is a function of perceived performance and expectation. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied if the performance exceeds expectation the customer is highly satisfied or delighted. An evaluation has been the chosen alternative consistent with prior beliefs with respect to that option. Satisfaction implies a conscious and deliberate evaluation of outcome.

Stafford (1996) financial services in general, particularly banks, compete in marketplace with generally undifferentiated services and products, thereby service quality and customer satisfaction becomes a key competitive weapon. A banking organization can only differentiate itself from other banks by providing high quality services. It is true that structural changes in banks to perform a greater range of activities and enabling them to more competitive advantage than non-bank financial institutions. It's make more satisfy to customer.

Augur, etal. (1999), service quality is desirable for generating customer satisfaction and service quality is associated with customer observation and customer outlook.

Oliver (1997) argues that service quality can be described as the result of customer comparisons between their expectations about the service they will use and their perceptions about the service company. That means if the perceptions would be higher than the expectations the service will be considered excellent if the expectations equal the perceptions the service is considered good and if the expectations are not met the service will be considered bad. There are many ways to improve customer satisfaction. Some strategies are building relationships with customers, superior customer service, unconditional guarantees, efficient complaint handling. Customer satisfaction leads to competitive advantage in marketplace by product differentiation, product quality, speed, unified corporate purpose etc. (Schnaars, 1991). The service management

literature argues that customer satisfaction is the effect of a customer's understanding of the value received in a transaction or relationship where value equals perceived service quality relative to price and customer acquisition costs relative to the value estimated from contact or relationships with challenging vendors.

There are a number of different "definitions" as to what is meant by service quality. One that is commonly used defines service quality as the extent to which a service meets customers' needs or expectations. Always there exists an important question: why should service quality be measured? Measurement allows for comparison before and after changes, for the location of quality related problems and for the establishment of clear standards for service delivery.

Edwardes et al. (1994) stated that, in their experience, the starting point in developing quality in services is analysis and measurement. The SERVQUAL approach, which will be considered in this research, is the most common method for assessing service quality.

Technological changes are causing banks to rethink their strategies for services offered to both commercial and individual customers. Moreover, banks that excel in quality service can have a distinct marketing edge since improved levels of service quality are related to higher revenues, increased cross-sell relations, higher customer retention (Bennett and Higgins, 1988), and expanded market share. Therefore, banks should focus on service quality as a core competitive strategy (Chaoprasert and Elsey, 2004). Within this background, customer satisfaction and service quality are compelling the attention of all banking institutions and it is assumed that service quality is a critical measure of firm performance (Lesser 2000). The need for research in customer satisfaction has been stressed by the increasing demand for the long term profitability of company. Therefore, the objective of the paper will be to assess the level of the customers' satisfaction towards service quality in Commercial Bank of Ethiopia North Addis Ababa district.

## **1.2 Background of the Organization**

After the Ethiopian-English victory over Fascist Italy, the new government established the State Bank of Ethiopia a proclamation issued in August 1942. State Bank of Ethiopia commenced full operations on 15 April 1943 with two branches and 43 staff. (David H.; Thomas P. (2013- 04-11). Historical Dictionary of Ethiopia. Scarecrow Pres. 67–69. ISBN 978081087457)

As we have seen the total picture of commercial bank of Ethiopia today, it is the largest commercial bank in Ethiopia. As of June 2016-2017, it had about half trillion Birr assets and held approximately 66% of deposits and about 70% of all bank loans in the country. The bank has around 33,000 employees, who staff its headquarters and its over 1000+ branches positioned in the main cities and regional towns. CBE's banking network has reached online more than 1200 branches. The bank has reached 1237 branches as of November 29, 2017 ([www.combanketh.et/](http://www.combanketh.et/))

The bank also operates two branches in South Sudan and is contemplating opening re-opening it means that CBE had a branch in Djibouti and because of different reason it was closed but now the closed one and other new branch are opened in Djibouti, and opening branches in Dubai and Washington, DC, all to serve the Ethiopian diaspora. The bank is the pioneer to introduce modern banking to Ethiopia and credited for playing a catalytic role in the economic progress and development of the country. It is also the first bank in Ethiopia to introduce ATM service for local users (Electronic-Banking in Ethiopia- Practices, Opportunities, and Challenges) ([www.combanketh.et/](http://www.combanketh.et/))

From the name and the time, it serves, that we do understand CBE has more responsibility to give quality service and satisfy its customers. Nowadays, Banks are competing intensely in a highly competitive environment to offer quality-oriented services according to customers' expectations. The incredible growth of the globalization and especially liberalization of banking services, in the country, are changing the way banks conduct business with customers who are increasingly expecting the higher quality of services, becoming time saver and wanting more conveniences. However, due to services intangibility, inseparability, heterogeneity and perishability of production and consumption, service quality becomes hard to evaluate. This is a critical area where the private sector, in particular, banks should focus on and thus, catches up the level of customer satisfaction.

### **1.3 Statement of the Problem**

Commercial Bank of Ethiopia has the vision to become world class bank in the year 2025. As we all know there are more than 16 private banks compete each other and with CBE focusing their business on the society, but CBE more focused on the government mega projects rather than working with the business society. From the name that we understand CBE was established to do

commercial business with its customers rather than more involved in the development program. In its mission statement, it says that "we are committed to best realize stakeholders' needs through enhanced financial intermediation globally and supporting national development priorities, by deploying highly motivated, skilled and disciplined employees as well as state-of-the-art technology. We strongly believe that winning the public confidence is the basis of our success". <http://www.combanketh.et/AboutUs/CompanyProfile.aspx>.

According to Lovelock and Wright (1999), a key issue for financial services today is to recognize the relevant service marketing dimensions required for reaching both new and existing customers. Regulatory, technological and changing consumer dynamics in the marketplace had an impact on both the nature and extent of marketing activity in retail banking and have created considerable uncertainty for banks. At the same time, the requirements and expectations of customers have changed and growth in competition as well as technological developments, have made huge differences in the scope and modes of financial service delivery. So to survive in this business environment every organization must clearly analyze the service quality and customer satisfaction.

Similarly, as stated by Gilmore, (2003), services managers need to understand the service well enough to know which elements lend them to high-tech and to understand the market well enough. Moreover, to remain competitive, service providers must render quality service to their customers. Understanding and meeting customers' expectations and subsequently being different from competitors are important in order to survive in today's world of globalization (Kotler and Keller, 2006). Moreover, the benefits of banks resulting from its services delivery is enhancing efficiency and effectiveness of their operations so that more transactions can be processed quickly and easily, which will have a fundamental impact on the overall performance of the banks.

The customers, on the other hand, stand to enjoy the benefit of banks products, quick service delivery, and reduced frequency of going to banks physically and reduced cash handling, which will give rise to the higher volume of turnover. However, to some extent Commercial Bank of Ethiopia seem not to have achieved their aims. Not having quoin's manager in most of the branch that forces the customer to wait in lines especially in the payday in most of the branch,

network failure, power interruptions in some of the branch and low accessibility and improper working of ATM machines, are still seen in most of the districts. Most of the time customers will not always be happy with the quality and value of the services they receive and once the customer is dissatisfied, it would be very difficult to gain their trust back (Lovelock and Wright, 1999). Therefore, the aim of this study is to assess the extent to which customers are satisfied with the service quality in Commercial Bank of Ethiopia.

Yoseph Teklu (2012) under his Master's Thesis, identified gaps and stated under his recommendation part.

- 1- The bank should pay particular attention to ease by providing the customers ATM accessibility.
- 2- Recommend staffs to update interest and the related taxes on the passbooks in order to assure that the bank performs error free records.
- 3- Empathy which is caring and personalized attention that the firm provides to its customers has also been found to be important to customers of CBE. It is therefore recommended that CBE to integrate this into the service strategies will help the bank in the service delivery.
- 4- The tangibility of the banks also poor especially the new branches are not fully equipped. Working in this regard it can satisfy customers need as well as recruit and retain customers.

### **1.3 Basic Research Questions**

This study tried to look at the level of customers' satisfaction towards different service quality dimension of Reliability, Responsiveness, tangibility, Empathy, and Assurance of services at Commercial Bank of Ethiopia in case of north Addis Ababa district.

Specifically, this study will try to answer the following questions: -

- 1-What is the perceived level of service quality in commercial bank of Ethiopia North Addis Ababa district?
- 2-What is the perceived overall level of customer satisfaction with the service delivery of Commercial Bank of Ethiopia North Addis Ababa district?

3- What does the score gap between perception and expectation look like?

4- What factors are the determinants of customer satisfaction in CBE?

### **1.4 Objectives of the Study**

The main objective of this study will evaluate customer satisfaction with the quality of services offered by the Commercial Bank of Ethiopia North Addis Ababa district.

The Specific objectives of the study: -

1- To assess the perceived level of service quality (in term of Reliability, Responsiveness, tangibility, Empathy, and Assurance) in Commercial Bank of Ethiopia North Addis Ababa district.

2- To measure the perceived level of customers' satisfaction with the service delivery of Commercial Bank of Ethiopia North Addis Ababa district.

3- To measure the score gap between perceived and expected service quality.

4- To determine the important factor of customer satisfaction in CBE.

### **1.5 Significance of the Study**

This will be very useful to the management of the Commercial Bank of Ethiopia to meet the needs and expectations of their customers and to maintain customer faithfulness or retention.

This paper will provide relevant input about customers' perception of service quality in the Commercial Bank of Ethiopia. Also, this research paper will support the policymakers to revise the policy that is drawn so before in relation to the purpose of Commercial Bank of Ethiopia and help to design a new policy to make the bank more competitive in the market by bringing the desired customer satisfaction. For the future the researcher paper will give information about the level of satisfaction of the customers and its gap that the bank has.

### **1.6 Scope of the study**

Even though there are many banks in Addis Ababa working by providing their product to satisfy the customers, but the scope of this study will focus on customers' satisfaction with the quality of service only from customers' perspective at Commercial Bank of Ethiopia North Addis Ababa district, in the selected branches.



The study was conducted in commercial Bank of Ethiopia North Addis Ababa district, which provides multiple of services in twenty branches; fifteen of them are located in the center of Addis Ababa and the rest five like Sululeta , legedima, leku keta, Burrayo, Dilber, branches found around Addis Ababa and all are belongs to north Addis Ababa district branches. And this study examines perception customers who have current and saving accounts.

### **1.7 Limitation of Study**

This study is geographically limited to commercial bank of Ethiopia north Addis Ababa district, the rationale behind the selection of participants is due to constraints of time to survey most of the outlying branch's respondents are not included

The sampling method was convenience and it might create biasness to administer the questionnaire to respondents. Thus, it may reduce the generalize ability of the finding to the target population in all aspects.

Moreover, Consumers may have different perception towards the service quality of the bank; as such the finding may not represent all the district customers' perceptions. Because of this the findings of this study may not be generalized to other area branches of commercial bank of Ethiopia north Addis Ababa district. Finally, the questionnaires were distributed to the respondents, but it was difficult to collect the data in time because some customers refused to participate in this survey. Moreover, some did not fell properly as well as return the questionnaire.

### **1.8 Definition of Terms**

Service quality –Means the difference between the customer's expectation of service and their perceived service, which consists of five dimensions: responsiveness, reliability, tangibility, empathy and assurance. Or it is the ability of an organization to meet or exceed customer expectations. (Zeithml and Bitner, 2003)

SERVQUAL: An instrument for measuring service quality in terms of the discrepancy between customers expectation regarding service offered and the perception of service received. (Glimore, 2003)

SERVPERF- Model aimed to provide an alternative method of measuring perceived service quality and the significance of the relationships between service qualities,

Reliability – The ability to perform the promised service dependably and accurately. (Mudie and Pirrie, 2006)

Responsiveness – The willingness to help customers and to provide prompt service. (Mudie and Pirrie, 2006)

Assurance – The employees’ knowledge and courtesy, and the ability of the service to inspire trust and confidence. (Mudie and Pirrie, 2006)

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

Tangibles – The appearance of physical facilities, equipment, personnel and communication materials. (Mudie and Pirrie, 2006)

Customers’ satisfaction – Kotler and Keller (2012) defined, Satisfaction as a person’s feelings of pleasure or disappointment that result from comparing a product’s perceived performance (or outcome) to expectations.

## **1.9 Organization of the Research Paper**

The paper will be organized into five chapters. The first chapter deals with introductory part consisting of the introduction, background of the study, statement of the problem, objectives of the study, Basic research questions, Objectives of the study, Significance of the Study, Scope of the study and methodology and ethical consideration of the Study.

The second chapter will be the reviews literature related to the study. In this chapter, various theoretical concepts and that relate to service quality and its measurement and dimension of service quality and issues related to customer satisfaction will be discussed. The third chapter will present the methodology of the study, the fourth chapter the data presentation, analysis and interpretation the fifth chapter focuses on the conclusions of major findings and the possible recommendations.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

This chapter demonstrates the review of related literatures. It includes General concepts of service, characteristics of service, customer satisfaction, determinants of customer satisfaction, customer's perception and expectation of service, factors that influence customer's perception and expectation, Models for customer satisfaction, dimensions of service quality, relationship between service quality and customer's satisfaction, service quality in banking and theoretical frame work of the study.

#### **2.1 General Concept of Service**

A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product (Keller and Kotler, 2006). Similarly, Zeithaml and Bitner, (2004), also defined service as deeds, processes and performances. Both definitions and also other scholars' definitions agree on the intangibility, inseparability, perishable, and variability nature of a service. Moreover, many literatures explain the existence and importance of service in all kinds of organizations. In general Service organizations range in size from huge international corporations like airlines, banking, insurance, communications, hotel chains, and freight transportation to a vast array of locally owned and operated small businesses, including restaurants, laundries, taxis, optometrists, and numerous business-to-business.

Lovelock and Wright, (1999) Currently the service industry is taking the highest portion of the world economy. In terms of industry structure, there is a greater willingness to identify service as commercially important to the extent that even some manufacturers of products have redefined their business as a service. (Iron, 1997) Especially in developed countries the concern customer is more on quality service. They prefer a service that can satisfy them in many ways. In addition to this the technological advancement and an intense competition in the market is providing an opportunity for improvement of marketers/companies offering. Even companies who are primarily engaged in manufacturing products have understood the concept of service and the

impact it has in their marketing activities and overall success. Companies offering often include some service and the service component can be a minor or a major part of the total offering.

According to Keller and Kotler, (2006) offering can be classified in five categories. These are pure tangible goods, tangible good with accompanying service, Hybrid service, major service with accompanying minor goods, and pure service. All the stated kinds of offering provide service. Even pure tangible goods will be associated with some kind of service. Furthermore, service can be classified as equipment-based (automated car washes, vending machines) or people-based (window washing, accounting services).

In most industrialized economies, expenditure on service is growing due to: - Advances in technology that had led to more sophisticated products that require more services. - Growth in per capita income has given rise to a greater percentage of income being spent on luxuries such as restaurant meals, overseas holidays, weekend holidays break. Greater discretionary income also fuels demand for financial services such as personal pensions. - A trend towards outsourcing means that manufacturers are buying services that are outside the firm “score expertise (warehousing, catering). De-regulation has increased level of competition in certain service industries like telecommunication. This has resulted in expansion with more customers availing of services as prices are going down due to competition actions. Simultaneously, companies are advertising more and wooing customers more stridently further fueling demand for services. Due to growth in per capita income, people are buying more goods, which have contributed to making retailing an important service. (kumar and Meenaksh ,2006)

## **2.2 Distinctive Characteristics of Services**

According to Mudie and Pirrie (2006) Services are intangibles, perishable, inseparable from the provider, and highly variable each time it is delivered. These characteristic of services have to be thoroughly understood so that appropriate operations and marketing structures are created to be able to produce and sell services profitably. Services have four distinctive characteristics that greatly affect the design of marketing programs.

### **2.2.1 Intangibility**

This is the most basic and often quoted difference between goods and services. Unlike tangible goods, services cannot generally be seen, tasted, felt, heard or smelled before being consumed. The potential customer is often unable to perceive the service before (and sometimes during and after) the service delivery.

### **2.2.2 Inseparability (or simultaneous production and consumption)**

There is a marked distinction between physical goods and services in terms of the sequence of production and consumption: Whereas goods are first produced, then stored and finally sold and consumed, services are first sold, then produced and consumed simultaneously. The involvement of the customer in the production and delivery of the service means that the service provider must exercise care in what is being produced and how it is produced. The latter task will be of particular significance. How teacher's doctors, bank tellers, lawyers, car mechanics, hairdressers conduct themselves in the presence of the customer may determine the likelihood of repeat business. Therefore, proper selection and training of customer contact personnel is necessary to ensure the delivery of quality.

### **2.2.3. Variability (or heterogeneity)**

An unavoidable consequence of simultaneous production and consumption is variability in performance of a service. The quality of the service may vary depending on who provides it, as well as when and how it is provided. One hotel provides a fast efficient service and another, a short distance away, delivers a slow, inefficient service. Within a particular hotel, one employee is courteous and helpful while another is arrogant and obstructive. Even within one employee there can be variations in performance over the course of a day.

### **2.2.4 Perish Ability (Services cannot store for later sales or use).**

Hotel rooms not occupied, airline seats not purchased and college places not filled cannot be reclaimed. As services are performances they cannot be stored. If demand far exceeds supply it cannot be met, as in manufacturing, by taking goods from a warehouse. Equally, if capacity far

exceeds demand, the revenue and/or value of that service is lost. Fluctuations in demand characterize service organizations and may pose problems where these fluctuations are unpredictable. Strategies need to be developed for producing a better match between supply and demand. (Mudie and Pirrie, 2006) Generally, as a consequence of these characteristics, services marketing must pay particular attention to tangible the services and reducing consumer perceived risk. Furthermore, the process of service delivery also attracts marketing attention because the involvement of the consumer in the process suggests that the nature of delivery may have a significant impact on consumer evaluation of the service. (Ennew and Waite, 2007).

### **2.3 The ‘7 Ps’ of services**

As cited by Mudie and Pirrie, (2006), marketing activity is normally structured around the „4 Ps“ – product, price, promotion and place. However, the distinctive characteristic of services requires the addition of three more Ps – people, physical evidence and process. As the additional three Ps

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

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

### **2.4 Managing the Marketing Mix for Quality**

As per Kotler and Armstrong (2006), Service quality is the extent to which a service meets customers’ requirements. Service quality management is the process of attempting to ensure that the gap between consumer expectations and the perceived delivery is as well as possible. There are a number of important dimensions to this task. Firstly, the marketing mix formulation and its communication to potential customers must be as realistic as possible. Exaggerated claims merely lead to high expectations which an organization may not be able to deliver and thus the service is likely to be perceived as being of a poor quality. Secondly, non-marketer dominated factors such as word-of-mouth information traditions, etc., also need to be considered as, once again, their presence may have the effect of raising expectations.

Finally, service companies must recognize that the relationship between customers' perceptions and expectations is dynamic. Merely maintaining customers' level of perceived is insufficient if their expectations have been raised over time. Marketing mix management is therefore concerned with closing the quality gap over time, either by improving the service offer, or restraining customer's expectations. Quality affects all aspect of the marketing mix-decisions about service specification cannot be taken in isolation from decisions concerning other elements of the mix. All can affect the level of customer expectations and the perceived standard of service delivery. Service quality does not come about by chance-organizations need to develop strategies for ensuring that they deliver consistent and high quality services.

## **2.5 Service Encounters or “Moments of Truth”**

From the customer's point of view, the most vivid impression of service occurs in the service encounter or “Moments of Truth” when a customer interacts with the service firm. For example, among the service encounters a hotel customer experiences are checking in to the hotel, being taken to a room by a bell person, eating a restaurant meal, requesting a wake-up call, and checking out. You could think of the linking of these moments of truth as a service encounter cascade. It is in these encounters that customers receive a snapshot of organization's service quality and encounter contributes to the customer's overall satisfaction and willingness to do business with the organization again.

From organization's point of view each encounter thus represents an opportunity to prove its potential as quality service provider and to increase customer loyalty. Service encounters and that negative experience in any one of them can lead to a negative over all evaluation. Mistakes or problems that occur in the early levels of the service cascade are particularly critical because a failure at one point results in greater risk for dissatisfaction to each ensuing level.

From the customer's perspective, interaction can take a number of forms; dependent up on two principal factors. Firstly, the importance of the encounter is influenced by whether it is the customer who is the recipient of the service, or whether it is the customer's possessions. Secondly, the nature of the encounter is influenced by the extent to which tangible elements are present within the service offer. Good service providers rely on standard operating procedures

for problems that come up from time to time. The service provider's reward structure must give employees positive reinforcement for solving problems and pleasing customers.

Finally, if customers' complaints lead to corrective measures, the company should tell the customer about the improvements. The customer will feel to be a part of the improvement team. The service provider should make timely telephone responses, asking the customer for even more feedback, and letting the company know how his suggestions might be implemented. Then customers feel pleased and connected to the company. (Zeithaml and Bitner, 2003)

## **2.6 Customers satisfaction**

According to Kotler and Keller, (2006) satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance (or outcome) to expectations. If the performance falls short of expectations, the customer is dissatisfied. If it matches expectations, the customer is satisfied. If it exceeds expectations, the customer is highly satisfied or delighted. Customer assessments of product performance depend on many factors, especially the type of loyalty relationship the customer has with the brand. Consumers often form more favorable perceptions of a product with a brand they already feel positive about. As per, Zeithaml and Bitner, (2003) Customer satisfaction is influenced by specific product or service features and by perception of quality. Satisfaction also influenced by customer's emotional response, their attributions, and their perceptions of equity.

1. Product and service feature: Customer satisfaction with product or service is influenced significantly by the customer's evaluation of a product or service features. For a service such as a resort hotel, important features might include the pool area, access to golf facilities, restaurants, room comfort and privacy, helpfulness and courtesy of staff, room price and so forth. Research has shown that customers of service will make tradeoffs among different service features (for example, price level versus quality versus friendliness of personnel versus level of customization), depending on the type of service being evaluated and the criticality of the service.

2. Customer emotions: Customer's emotion can also affect their perceptions of satisfaction with product and service. These emotions can be stable, pre-existing emotions for example, and mood



state or life satisfaction. Positive emotions such as happiness, pleasure elation, and a sense of warm-heartedness enhanced customer's satisfaction with the rafting trip. In turn, negative emotions such as sadness, sorrow, regress, and anger led to diminished customer satisfaction.

3. Attributions for service success or failure: Attributions-the perceived cause of events-influence perceptions of satisfaction as well. When they have been surprised by an outcome (the service is either much better or much worse than expected), consumers tend to look for the reasons, and their assessments of the reasons can influence their satisfaction.

4. Perception of equity or fairness: Customer satisfaction also influenced by perception of equity and fairness. Customers ask themselves: Have I been treated fairly compared with other customers? Did other customers get better treatment, better prices, or better quality services? Was I treated well in exchange for what I paid and the effort I expended? Notions of fairness are central to customer's perceptions of satisfaction and products and services.

5. Other consumers, family members, and coworkers: In addition to product and service features and one's own individual feelings and beliefs, consumer satisfaction is often influenced by other people.

## **2.7 Service Quality**

As per Lovelock and Wright (1999) defined service quality as customers 'long-term, cognitive evaluations of a firm's service delivery is „conformance to customer specifications“ that is, it is the customer's definition of quality that matters, not that of management. In the marketplace, quality must ultimately be evaluated from the customer's perspective. Customers can articulate how well a product and/or service meets their expectations, a perceptual judgment they cannot make about how well the product and/or service conforms to specifications.

Thus, Service quality can be defined as the collective effect of service performances which determine the degree of satisfaction of a user of the service. In other words, quality is the customer's perception of a delivered service. By service-quality management, we refer to the monitoring and maintenance of end-to-end services for specific customers or classes of customers. Practitioners and writers in the popular press tend to use the term satisfaction and

quality interchangeably, but researchers have attempted to be more precise about meanings and measurement of the two concepts, resulting in considerable debate.

Although they have something in common, satisfaction is generally viewed as a broader concept; whereas service quality focuses specifically on dimensions of service. Based on this view, perceived service quality is a component of customer satisfaction. Service quality, which is the main issue in this paper, is a focused evaluation that reflects the customer's perception of elements of service such as interaction quality, physical environment quality, and outcome quality. These elements are in turn evaluated based on the specific service quality dimensions: reliability, Assurance, Responsiveness, Empathy and Tangibles. Satisfaction, on the other hand, is more inclusive: it is influenced by perception of service quality, product quality, and price as well as situational factors and personal factors. (Zeithaml and Bitner, 2004).

## **2.8 Underlying Principles of Service Quality**

According to Clow and Kurtz (2003) receiving a high level of service is important to consumers but understanding how to evaluate the service quality received is more difficult. Two consumers receiving what appears to be the exact same service from a company may evaluate the quality of the service differently. One consumer may feel the service was good while the other may feel the service was performed poorly. When discussing service quality, the three underlying principles that should be kept in mind are:

1. Service quality is more difficult for the consumer to evaluate than quality of a good.
2. Service quality is based on consumers' perception of the outcome of the service and their evaluation of the process by which the service was performed.
3. Service quality perceptions result from a comparison of what the consumer expected prior to the service and the perceived level of service received. The process used by consumers in evaluating service differs from the process used for goods. Services tend to be high in experience and credence qualities while goods tend to be high in search qualities. Search qualities are attributes that contribute that consumers can evaluate only during or after the consumption process. Credence qualities are attributes that consumers have difficulty evaluating even after consumption is complete. Experience qualities are qualities of a good or service that will be

evaluated only after the service has been consumed or during the process of consumption. (Clow and Kurtz, 2003)

## **2.9 Expectations and Perceptions of A Service**

As cited by Mudie and Pirrie, (2006), before, during (if appropriate) and after consumption of a service two feelings are prominent, namely expectations and perceptions. Expectations are usually formed prior to usage of a service but may also occur where a customer is actively involved in the delivery of a service. They reflect inclinations or beliefs as to what will or should happen.

Perceptions can also develop during a service, but invariably materialize after usage. They represent the customer's evaluation of the service, particularly in relation to expectations. Where perceptions match or exceed expectations the customer is said to be satisfied in accordance with the first law of service:  $\text{Satisfaction} = \text{Perception} - \text{Expectation}$  Satisfaction can arise where perception exceeds a modest level of customer expectations. Where customers seek quality, expectations will be set much higher. So measuring the customer's perception and expectations is vitally important. According to Zeithamal and Bitner (2004), to say that expectations are reference points against which service delivery is compared is only a beginning. The level of expectation can vary widely depending on the point the customer holds. Although everyone has an intuitive sense of what expectation are, service marketers need a far more thorough and clear definition of expectations in order to comprehend, measure, and manage them. Because the idea of customer expectations is so critical to evaluation of service quality, we start our discussion by talking about the levels of expectations. Expected service: levels of expectations Customers hold different types of expectation about service. The highest can be termed desired service: the level the customer hopes to receive- the "wished for" level of performance.

Desired service: - is a blend of what the customer believes "can be" and "should be." The expectation reflects the hopes and wishes of these consumers; For example, you will engage the services of your college's placement office when you are ready to graduate. Without these hopes and wishes and the belief that they may be fulfilled they would probably not go to this service what are your expectations of the service? In all likelihood you want the office to find you a job the right job-in the right place for the right salary because that is what you hope and wish for.

However, economy may constrain the availability of ideal job openings in companies. And not all companies you may be interested in have a relationship with your placement Office.

In this situation and in general, customers hope to achieve their service desires but recognize that this is not always possible. We call the threshold level of acceptable service adequate service-the level of service the customer will accept". In the economic slowdown, many college graduates trained for high-skilled jobs may accept entry-level positions at any office or internships for no pay. Their hopes and desires were still high, but they recognized that they could not attain those desires in the market that existed at the time. Their standard of adequate service was lower than their desired service. Adequate service level represents the "minimum tolerable expectation" the bottom level of performance acceptable to the customer. (Zeithamal and Bitner, 2004)

Figure 2.1 shows these two expectation standard as the upper and lower boundaries for customer expectations. This figure portrays the idea that customer's asses service performance on the basis of two standard boundaries: what they desire and what they deem acceptable.

The adequate service expectation level, on other hand, may vary for different firms within a categories or subcategory.

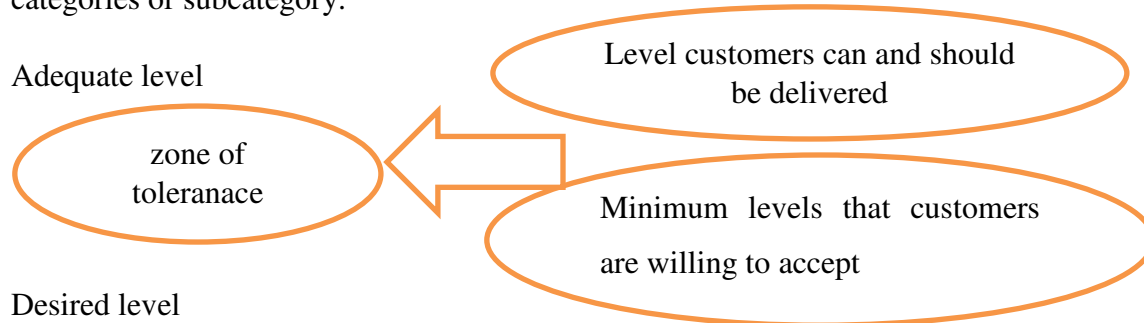


Figure 2.1 dual customer expectations adopted from Clow and Kurtz "Service marketing

## 2.10 The Zone of Tolerance

Zone of Tolerance is extent to which customers recognize and are willing to accept, this variation is called the zone of tolerance. If service has drops below adequate service, the minimum level considered will be undermined. If service performance is higher than the Zone of Tolerance Level customers can and should be delivered Minimum levels that customers are willing to accept zone of tolerance at the top end where performance exceeds desired service customers will be very pleased and probably quite surprised as well (Zeithamal and Bitner, 2004)

In addition to this another aspect of variability in the range of reasonable services is that different customers possess different tolerance zones. Some customers have narrow zones of tolerance, requiring a tighter range of service from providers, whereas other customers allow a greater range of service. For example, very busy customers would likely always be pressed for time, desire short wait times in general, and also hold a constrained range for the length of acceptable wait times. When it comes to meeting plumbers or repair personnel at their homes for appliance problems, customers who work outside the home have a more restricted window of acceptable time duration for that appointment than do customers who work in their homes or do not work at all. In summary, we can express the boundaries of customer expectation of service with two different levels of expectations: desired service and adequate service. The desired service level is less subject to change than the adequate service level. A zone of tolerance separates these two levels. This zone of tolerance varies across customers and expands or contracts with the same customer. Customer expectations are uncontrollable. (Zeithamal and Bitner 2004)

## **2.11 Factors that influence customer's perception and expectation**

According to Zeithamal and Bitner (2004), because expectations play such a critical role in customer evaluation of services, marketers need to have a control over these factors as well, but many of the forces that influence customer expectation are uncontrollable. Furthermore, when consumers are interested in purchasing service, they are likely to seek or take in information from several different sources. For example, they may call a store, ask a friend, or deliberately track newspaper advertisements to find the needed service at the lowest price. They may also receive service information by watching television or hearing an unsolicited comment from a colleague about a service that was performed well.

In addition to these active and passive types of external search for information, consumers may conduct an internal search by reviewing the information held in memory about the service. The author also cited those factors that determine customers' perception and expectation of quality service are: A. Explicit service promises B. Implicit service promises, C. Word-of-mouth communications, and D. Past experience. A. Explicit service promises: - are personal and non-personal statements about the service made by the organization to customers. The statements are

personal when they are two standard boundaries: what they desire and what they deem acceptable.

The adequate service expectation level, on the other hand, may vary for different firms within a category or subcategory. Repair personnel at their homes for appliance problems, customers who work outside the home have a more restricted window of acceptable time duration for that appointment than do customers who work in their homes or do not work at all. Communicated by salespeople or service or repair personnel; they are non-personal When they come from advertising, brochures, and other written publications.

Explicit service promises are one of the few influences on expectations that are completely the control of the service provider. Promising exactly, they will ultimately be delivered would seem a logical and appropriate way to manage customer expectations and ensure that reality first the promises. All types of explicit service promises have a direct effect on desired service expectation. If the sales visit portrays a banking service that is available 24 hours a day, customer's desires for that service (as well as the service of competitors) will shaped by this promise. Explicit service promises influence the level of both desired service and prediction service.

B. Implicit service promises: - are service-related cues other than explicit promises the lead to inferences about what the service should and will be like. These quality cues are dominated by price and the Tangibles associated with the service. In general, the higher the price and the more impressive the tangibles, the more a customer will expect from the service.

C. Word-of-mouth communication: - The importance of word-of-mouth communication in shaping expectations of service is well documented. These personal and sometimes non personal statements made by parties other than the organization convey to customers what the service will be like and influence both predicted and desired service. Word of mouth tends to be very important in services that are difficult to evaluate before purchase and direct experience of them. Experts (including consumer reports, friends, and family) are also word-of-mouth sources that can affect the levels of desired and predicted service.

D. Past experience: - Past experience, the customer's previous exposure to service that is relevant to the focal service, is another force in shaping predictions and desires. The service relevant for

prediction can be previous exposure to the focal firm's service. For example, you probably compare each stay in a particular hotel with all previous stay in that hotel. (Zeithamal and Bitner 2004)

## **2.12 Meeting Customer Expectations**

As per kumar and Meenakshi (2006) it is important to understand and meet customer expectations. A company should have a clear picture of the criteria that customers will use to evaluate whether his expectations are having been met or not. The company should recognize that customers of service value not only the outcome of the service encounters but also the experience of taking part in. The following criteria are used by customers when evaluating outcome and experience of service encounter:

1. Access: Is the service provided at convenient locations and at convenient times, with little waiting period in availing the service? A customer can travel to distant locations to get service if the service is urgent, critical and it is not available locally.
2. Reliability: Is the service consistent and dependable? The service provider should be able to deliver the promised service each time the customer decides to avail of it. Service professionals should be competent in their basic task, and should also demonstrate proper behavior.
3. Credibility: Can customers trust the service company and its staff? In most service, customers and service professionals come in frequent contact and customers are in position to form an opinion about service professionals. Service providers have very little hope of maintaining a facade of being a good place when they are not what the customers expect and what they get should math closely in services. Credibility of the service provider becomes very important when the business is dependent on repeat customers. Service providers will build credibility by being consistent in providing good services.
4. Security: Can the services be used without risky? The company should demonstrate that it understands customer concerns about their security and that it has adequate safeguards in place to prevent any misshape from happening.
5. Understanding customers: Does it appear that the service provider understands customer expectations? If the company understands the expectations and also has the capability to serve

them, the customer is satisfied with the service outcome. It is very dangerous to engage with a customer when the provider knows that he cannot serve the customer effectively. Such customers will spread malicious stories about the company, running its credibility. But if the company is not able to gauge the customers' expectations, it is actually in wilderness.

6. Responsiveness: How quickly do service staffs respond to customer problems, requests and questions? Customers go to a service facility with the sole purpose of availing of the service. So he should be served promptly.

7. Behavior of employees: Do service staff act in a friendly and polite manner? A customer is a guest in the service facility and should be treated as such in all circumstances. But friendly and polite demeanor of service professionals is more than adherence to etiquette. Behavior of the service provider is an integral part of the service offering.

8. Competence: Do service staff have requisite skills and knowledge? The performance of the primary service will depend on the knowledge and competencies of the service providers. It is important that their professional credentials are prominently displayed for customers to see and feel reassured.

9. Communication: Is the service described clearly and accurately? In most cases, a customer travels to the service facility to avail of the service. If the service is appropriately represented and described in the communication emanating from the company, customers may walk in expecting service that the company would not be able to perform. Such customers vent their disappointments, which can damage the company.

10. Physical Evidence: How well managed are the tangible aspect of services? Since most services have high level of intangible elements, it is important that the company provide physical evidence to customers which will assure them that they will be provided a good service. These criteria form a useful checklist for service providers wishing to understand how their customers judge them. (kumar,A and Meenakshi, N,2006)

## **2.13 Measurement of Service Quality**

As cited in Mudie and Pirrie. (2003) Service quality is considered as a multidimensional construct and in the early phase of development Parasuraman et al. (1985) identified ten service



dimensions. In a further refinement these ten were reduced to five dimensions: tangibles, reliability, responsibility, assurance and empathy (Parasuraman et al., 1988). Also Parasuraman et al. (1985,1988) argued that the customer's perception of service quality offering is a function of five dimensions categorized as reliability, Assurance, Tangibles, Empathy, and Responsiveness and suggested SERVQUAL (a service quality measurement tool). SERVQUAL was created to measure service quality and is based on the view that the customer's assessment of service quality is paramount.

It is operationalized in terms of the relationship between expectations and outcomes. In other words, SERVQUAL is based on measuring customer satisfaction in terms of the relationship between expectations (E) and outcomes (O). If the outcome (O) matches expectations (E), then the customer is satisfied. If expectations (E) exceed the outcome (O), then customer dissatisfaction is indicated. If the outcome (O) exceeds expectations (E), then customer „delight“ may be the result.

Parasuraman et al. (1985, 1988) argued for “Performance only” measurement of service quality and proposed a service quality measurement tool called SERVPERF. The development of the SERVPERF model aimed to provide an alternative method of measuring perceived service quality and the significance of the relationships between service quality, customer satisfaction and purchase intentions. The customer's perception of performance counts rather than the „reality“ of performance. In effect, it has been argued that perceptions are reality as far as service quality is concerned (Christopher et al., 1999). Similarly Perceived service quality has been defined as the discrepancy between what the customer feels that a service provider should offer and his or her perception of what the service firm actually offers (Parasuraman et al., 1988).

However, according to Mudie and Pirrie, (2006), a potential problem with this is that the expectation scales will be affected by the actual offer and will not represent customer expectations before they consume the product. In investigating these concepts and the interrelationships between them they argued that:

- a performance-based measure of service quality may be an improved means of measuring the service quality construct
- Service quality is an antecedent of customer satisfaction

□ Consumer satisfaction has a significant effect on purchase intentions and service quality has less effect on purchase intentions than consumer satisfaction. As a result, they presented a performance-based measurement, SERVPERF.

## **2.14 Dimensions of Service Quality**

As cited in Mudie and Pirrie, (2003), the five dimensions of service quality are: tangibility, reliability, Responsiveness, Assurance and Empathy.

Reliability – The ability to perform the promised service dependably and accurately. It is regarded as the most important determinant of perceptions of service quality. This dimension is particularly crucial for services such as railways, buses, banks, building societies, insurance companies, delivery services and trade services, e.g. plumbers, carpet fitters, car repair.

Responsiveness – The willingness to help customers and to provide prompt service. This dimension is particularly prevalent where customers have requests, questions, complaints and problems.

Assurance – The employees’ knowledge and courtesy, and the ability of the service to inspire trust and confidence. This dimension may be of particular concern for customers of health, financial and legal services.

Empathy – The caring, individualized attention the service provides its customers. Small service companies are better placed (though not necessarily better at) for treating customers as individuals than their larger, invariably standardized counterparts. However, relationship marketing is designed to offer a more individualistic approach for customers of large organizations.

Tangible- The appearance of physical facilities, equipment, personnel and communication materials. All of these are used in varying degrees to project an image that will find favor with consumers. Tangibles will be of particular significance, where the customer’s physical presence at a service facility is necessary for consumption to occur, e.g. hair salon, hotel and night club.

As discussed above, these dimensions of service are very different from manufacturing and reflect the close interaction that the employees have with the customer in service delivery. Some

researchers have used SERVQUAL entirely to investigate bank service while others have chosen to use a smaller number of attributes to represent each of the five dimensions

## **2.15 The Importance of Service Quality in Banking Industry**

So far, many academic researchers have devoted themselves into studying the quality of banking service. In the research of Shanka,(2012) all service quality dimensions are positively correlated with customer satisfaction indicating quality banking service as a prerequisite for establishing and having a satisfied Customers. Their finding also found a positive relationship between all service quality dimensions and customer satisfaction.

## **2.16 Conceptual Framework of the Study**

As cited in Zeithamal and Bitner (2004), (Parasuraman et al,1988) is the one who came up with the SERVQUAL model also known as the Gaps model, defines quality as the difference between customer's expectation and their perception of the service delivered.

The SERVQUAL instrument provides a method of measuring service quality. SERVQUAL is the most frequently used measure of service quality and is based on five service quality dimensions (tangibles, reliability, responsiveness, assurance and empathy) The relationship between service quality and customer satisfaction has received considerable academic attention in the past few years. Service quality and customer satisfaction has been investigated by many researchers.

For example, Agarwal (2012) found out that banks should continually assess and reassess how customers perceive bank services so as to know whether the bank meets or exceeds or is below the expectations of their customers.

According to Zeithaml and Bitner (2003), satisfaction and service quality are fundamentally different in terms of their underlying causes and outcomes. Although they have certain things in common, satisfaction is generally viewed as a broader concept, whereas service quality assessment focuses specifically on dimensions of service. Service quality is a component of customer satisfaction. Service quality is a focused evaluation that reflects the customer's

perception of elements of service such as interaction quality, physical environment quality, and outcome quality.

These elements are in turn evaluated based on specific quality dimensions: reliability, responsiveness, assurance, empathy and tangibles. Satisfaction, on the other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price so well so situational factors and personal factors.

According to Parasuraman, Zeithaml and Berry (2004), five principal dimensions that customers use to judge service quality include- reliability, responsiveness, assurance, empathy, and tangibles as shown below;

**Reliability:** The ability to perform the promised services both dependably and accurately. Reliable service performed is a customer expectation and means that the service is accomplished on time, in the same manner, and without errors every time.

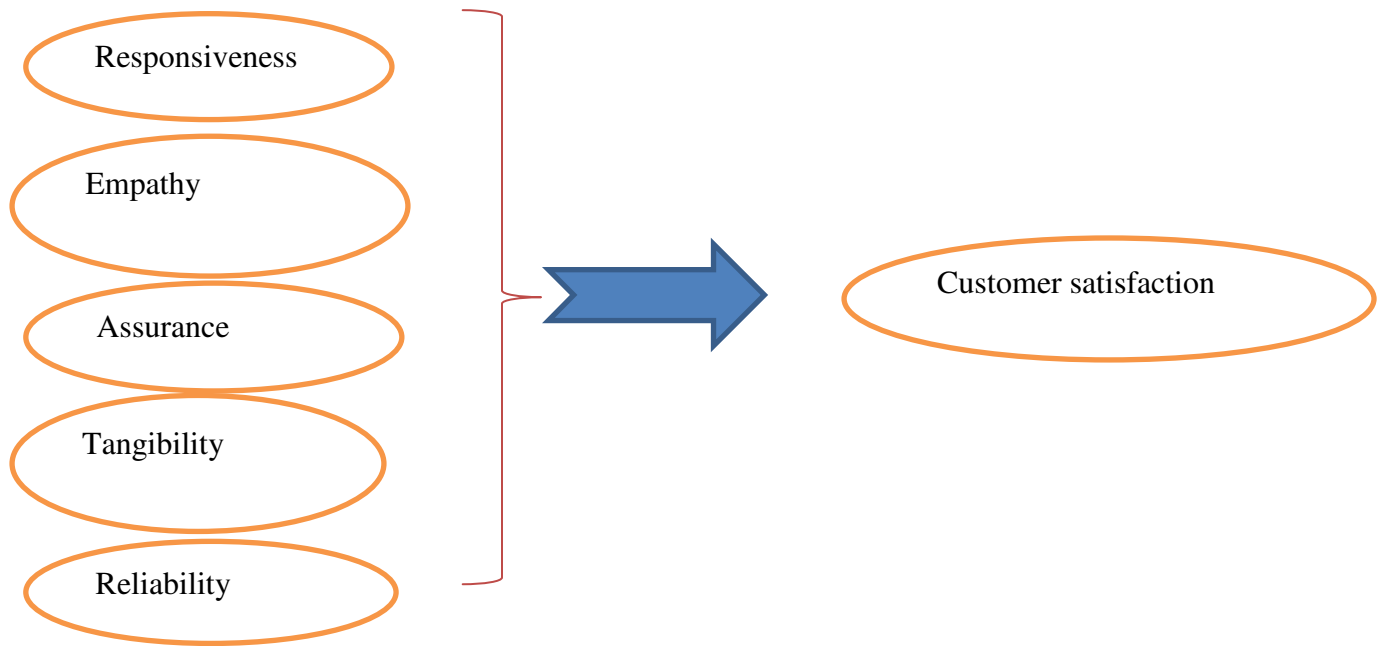
**Responsiveness:** The willingness to help customers and to provide prompt service. Keeping customers waiting particularly for no apparent reason creates unnecessary negative perceptions of quality. If a service failure occurs, the ability to recover quickly and with professionalism can create very positive perceptions of quality.

**Assurance:** The knowledge and courtesy of employees so well so their ability to convey trust and confidence. The assurance dimension includes the following features: competence to perform the service, politeness and respect for the customer, effective communication with the customer, and the general attitude that the server has the customer's best interests at heart.

**Empathy:** The provision of caring, individualized attention to customers. Empathy includes the following features: approachability, sensitivity and effort to understand the customer's needs.

**Tangibles:** The appearance of physical facilities, equipment, personnel, and communication materials. The condition of the physical surroundings is tangible evidence of the care and attentions to detail that are exhibited by the service provider. This assessment dimension also can extend to the conduct of other customers in the service.

Figure xx (Number): Conceptual Framework



Source: Fah.L, Kandasamy. S, 2011

## **CHAPTER THREE**

### **Research Design & Methodology**

The study was conducted in commercial Bank of Ethiopia north Addis Ababa district, which provides multiple of services in twenty branches; fifteen of them are located in the center of Addis Ababa and the rest five like Sululeta , legedima, leku keta, Burrayo, Dilber, branches found around Addis Ababa and all are belongs to north Addis Ababa district branches . The studied bank provides a banking service including deposit, credit, transfer, foreign currency provisions and others to its customers. In this part of the study the researcher tried to clarify, the research design, research approach, sources of data, sampling technique, data collection method, instruments and methods of data analysis.

#### **3.1. Research Design**

The researcher used Descriptive research design. Descriptive research design is selected because the method is particularly appropriate when the research objective include the determination of the degree to which certain variables are related to actual phenomena (Hair et al 2000) as such information can provide decision makers with evidence that can lead to a course of action. And the relationship among variables and investigate research objective and research question both descriptive and inferential statistic have been utilized in this study. Through the use of such statistical tools as regression analysis, descriptive statistics and correlation to assess customer's satisfaction on service quality of CBE.

#### **3.2 Research Approach**

The researcher used quantitative research methods in this study in order to understand the service quality and customer satisfaction in Commercial Bank of Ethiopia north Addis Ababa district. According to C.R. Kothari, (2004) Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity. The purpose of quantitative research is to gather, analyze, and measure statistical data. In a quantitative research approach a number of objects are selected and studied in order to increase the ability to draw general conclusions. Based on this, the researcher used questionnaire (quantitative

approach) to know customers' satisfaction about the Commercial Bank of Ethiopia north Addis Ababa district service quality on their perceptions.

### **3.3 Source of data**

The study used both primary and secondary data sources. The primary data for the research was collected from participants through structured questionnaires. A questionnaire was prepared to get idea about the customer's perception on the service quality of Commercial Bank of Ethiopia north Addis Ababa district and as well as for understanding the importance and satisfaction of each service quality dimensions. The secondary data was collected from journals, books, websites, and articles.

### **3.4 Target Population and Sample of the study**

#### **3.4.1 Target Population**

The target populations of this study are customers of Commercial Bank of Ethiopia north Addis Ababa district. The district has One hundred two branches. From the total number of customers, those who have current and saving account in the three branches (Genete Tsige, asko, Titu Butyl, Sebarababur, Bela,Dejach webe,Gedam Sefer, Abune Petros, Mehal ketema, Arada Giorgis,Sidist killo, Yared, Addisu Gebeya, Piassa, Atse Minilik ,Sululuta,Legedima,Lekuketa, Burrayu and Dilber) of the bank were considered as a unit of analysis. Customers who do not have an account in the bank will not be included in the study. The researcher believes that customers, who have an account, know and experience the service of the organization and evaluate the service delivery of the bank than others. Sampling units will be from the target population elements available for selection during the sampling process.

#### **3.4.2 Sampling Techniques**

According to C.R. Kothari, 2004, Sampling methods are classified into probability and non-probability techniques; Probability sampling: allows the chance of an element being selected to be quantified (ideally equal). In this sampling procedure, units of the population are selected by chance and every unit has a fixed probabilistic opportunity of being selected. It requires a precisely defined population and a sampling frame. This method encompasses four common types include: (1) simple random sampling, (2) stratified sampling, (3) cluster sampling, and (4)

systematic sampling. For this study lottery system or Simple random sampling were employed to select twenty branches of Commercial Bank of Ethiopia north Addis Ababa district from the all one hundred two branches. On the other hand to get the respondent of the user of the bank the student researcher uses convenience (accidental) non probability sampling methods.

### **3.4.3 Sample Size**

The target population of this study was customers of Commercial Bank of Ethiopia north Addis Ababa district who have current and saving accounts in the bank. According to the information from the planning officers as at June 2017, branches Genete Tsige has (3547) , asko has (26765), Titu Butyl has (10116), Sebarababur has (16148), Bela has (3814), Dejach webe has (15215), Gedam Sefer has (6742), Abune Petros has (3088), Mehal ketema has (48947), Arada Giorgis has (92666), Sidist killo has (33724), Yared has (20040), Addisu Gebeya has (27754), Piassa has (8410), Atse Minilik has (2747), Sululuta has (15683), Legedima has (5860), Lekuketa has (9490), Burrayu has (26242) and Dilber has (3122) of the in total 380125.

As cited in Glenn, 2012, there are several approaches to determining the sample size, these include using a census for small populations, imitating a sample size of similar studies, using published tables, and applying formulas to calculate a sample size. To determine the samples size for the selected branch the researcher used one of non-probability sampling technique, quota sampling (proportional). According to Catherine (2007), Quota sampling is a non-probability version of stratified sampling. The distinguishing feature of a quota sample is that guidelines are set to ensure that the sample represents certain characteristics in proportion to their prevalence in the population. Based on this the researcher

Determine the samples number proportionally according to each branches customer number. Accordingly the samples for Genete Tsige, Asko, Titu Butyl, Sebarababur, Bela, Dejach webe, Gedam Sefer, Abune Petros, Mehal ketema, Arada Giorgis, Sidist killo, Yared, Addisu Gebeya, Piassa, Atse Minilik, Sululuta, Legedima, Lekuketa Burrayu, and Dilber. 4, 24, 9, 15, 4, 14, 6, 3, 45, 85, 31, 18, 26, 8, 3, 14, 5, 9, 24, 3 respectively. Selection of respondents will be by convenience sampling (non-probability sampling); Questionnaires were distributed to customers who were in the bank during the data collection time. The method of calculation is presented as follows:



NAME THE BRANCHES	NUMBER OF CUSTOMERS	%OUT OF THE TOTAL POPULATION	NUMBER OF RESPONDENTS OUT OF THE TOTAL SAMPLE SIZE
Genete tsige	3547	0.0093	4
Asko	26765	0.0704	24
Titu butil	10116	0.02661	9
Sebara babur	16148	0.0424	15
bela	3814	0.0100	3
Dejach wube	15215	0.0400	14
Gedam sefir	6742	0.0177	6
Abune petros	3088	0.0081	3
Mehal ketema	48947	0.1287	45
Arada giorgis	92666	0.2437	85
Sadist killo	33724	0.0887	31
yared	20040	0.0527	18
Addisu gebeya	27754	0.0730	26
piassa	8410	0.0221	8
Atie minilik	2747	0.0072	3
sululuta	15683	0.0412	14
legedima	5860	0.0154	5
Leku keta	9490	0.0249	8
burayu	26242	0.0690	24
Dill ber	3122	0.0081	3
total	380125		350

### **3.5 Methods of data collection**

The questioner has 26- items which were administered by the respondents personally and to be evaluated on a five-point Likert scale ranging from “1” being strongly disagree to “5” being strongly agree for the 22 items. And for the 23to 26th question is expressing their feeling being very dissatisfied to very satisfy and to some of them also give their suggestions about how the bank improve its service.

The questionnaire was divided into to two parts the first part was relating to demographic profile of respondents, the second part was about the perception towards service quality dimensions of Commercial Bank of Ethiopia north Addis Ababa district. The original version of the questionnaire was prepared in English. However, in order to avoid respondent’s failure to fill the questionnaire due to language problem, the questionnaire was translated into local language, Amharic too few of them. Finally, the researcher went personally to the targeted locations and distributed a total of 350 questionnaires and 314 working questioners were collected. Among the distributed questioners 12 of them were not returned and 24 questioners were not filled properly, and the data was collected over a time frame of 23 days.

### **3.6. Method of Data Analysis**

The data that was gathered through primary and secondary method will summarized using descriptive statistics through tables, frequency distribution and percentages, mean and standard deviation. Mean score is used identify the highest and the lowest of the variables. To examine the relationship between customer satisfaction and each of the five dimensions Pearson’s Correlation will used. Moreover, multiple regressions were used to identify the most important factors of SERVEPERF dimensions that contribute to customer’s satisfaction or to find out which variables have the greatest influence on customer satisfaction. Accordingly, the data will have interpreted and concluded, and then valid recommendations will have forwarded.

### **3.7 Research Ethics**

Before starting to the study, the student researcher provides formal letter to each branch manager to ask permission to reach the respondents. The purpose of the study was disclosed in the introductory part of the questionnaire. And in order to keep the confidentiality of the data given

by respondents, the respondents were not required to write their name and assured that their responses will be treated in strict confidentiality. Furthermore, the questionnaires were distributed only to voluntary participants. Lastly all secondary sources were quoted to keep the rights of ownership.

### **3.8 Data Analysis Methods**

To analyze the collected data of this study the student researcher will use both Qualitative and Quantitative method of data analysis. Qualitative for the interview and Quantitative for the questioners will have been for the staffs and customers. To make the analysis more understandable the use of tables has been implied.

## **CHAPTER FOUR**

### **Data Analysis and Interpretation**

#### **4.1 Introduction**

This chapter contains the reliability test, respondents profile, service quality dimension analysis, and overall customer's satisfaction analysis, association analysis between customer's satisfaction and service quality dimensions and numerous regression analyses. And the analysis, interpretation is from the information collected through questionnaires. A total of 350 questionnaires were managed and 314 working questionnaires were collected from randomly selected customers of Commercial Bank of Ethiopia north Addis Ababa district. The data collected from the twenty branches (Genete Tsige, Asko, Titu Butyl, Sebarababur, Bela, Dejach webe, Gedam Sefer, Abune Petros, Mehal ketema, Arada Giorgis, Sidistkillo, Yared, Addisu Gebeya, Piassa, Atse Minilik, Sululuta, Legedima, Lekuketa, Burrayu and Dilber) was analyzed using descriptive as well as inferential statistics and the result are presented and interpreted in the following sections

#### **4.2. Reliability Test**

The study used cronbach's alpha, to measure or assess the internal consistency of the research instrument. As, Nunnally (1978), cited in Eze et al (2008) suggested that, scales with 0.60 Alpha coefficients and above are considered acceptable. As shown in table 4.1.1 below the Cronbach's alpha coefficients for service quality items ranges from .599 to .897 this are greater than the minimum value suggested by Nunnally(1978). And the overall cronbach'alpha coefficient for all items is .868. Therefore, the scales used in this study demonstrate high reliability as well as it indicates the acceptability of the scale for further analysis.

**Table 4.1.1** result of reliability statistics

	Cronbach's Alpha	cronbach Alpha based on standardized item	No of items
Tangibility	.835	.599	4
Assurance	.827	.838	4
Empathy	.797	.639	5
Reliability	.795	.674	5
Responsiveness	.786	.897	4
Total result of all independent variables'	.868		22

Source: Survey, 2018

### 4.3. Profile of Respondents

This section summarizes the demographic characteristics of respondents, which includes gender, age, educational level, type of account, occupation of respondents and number of years as a customer .The purpose of the demographic analysis in this research is to describe the characteristics of the sample respondents accordingly, and the following tables provide the demographic profile of the respondents.

**Table 4.1.2:** Age and Gender characteristics of the respondents

measure	Characteristics	Frequency	Percentage
Age	18-30	79	25
	31-40	145	46
	41-50	54	18
	51-60	36	11
	total	314	100
Gender	Male	242	77
	Female	72	23

Source: Survey, 2018

As indicated in table 4.1.1 among the total distributed questionnaire, 25% of the respondents were found to be in the age category of 18-30 years. The rest of the respondents which composes of 46% are in the age category of 31-40 years. 18% in the age categories of 41-50, and 51-60 and above are 11%. This data indicated that most of the respondents categorized under age group of 31-40 among all of the customers of the studied bank are matured enough to respond the question more than the other age group in the survey.

With regard to gender it is also presented in table no 4.1.1; accordingly, the numbers of male respondents were 76.5%. Also the female respondents were 23.5%. This shows that most of the customers of the banks are male.

**Table 4.1.3: Educational Level of Respondents Measures Characteristics Frequency Percentage.**

characteristics	measure	Frequency	Percentage
Education level	High school	49	15.60
	TVT	35	11.14
	diploma	55	17.51
	degree	86	27.38
	masters	89	28.34
	total	314	100

Source: Survey, 2018

#### Educational Level

As shown in table no 4.1.2 the majority of the respondents were grouped under the educational level of customers who have masters, covering 28.34% of the total respondents, followed by degree 27.38%. The rest of the respondents were categorized under the educational level of diploma, TVT and High school which covers 17.51%, 11.14% and 15.60% of respondents respectively. This shows that most of the customers of the bank are educated and can explain the service quality of the bank in the better way.

**Table 4.1.4:** Type of business that respondents are engaged in.

characteristics	measure	Frequency	Percentage
Type of business respondents	Sole proprietor	72	22.92
	partnership	76	24.20
	Private limited company	77	24.52
	Corporation	89	28.34
	other	314	100

Source: Survey, 2018

Measures Characteristics Frequency Percentage

Source: Survey findings, 2018 as table 4.1.3 indicates more of the respondent's types of business were grouped under the Corporation, which are covering 28.34% from the total respondents. The rest of the respondents were categorized under partnership, Private limited company and Sole proprietor, which covers 24.20% 24.52% and 22.92% of respondents respectively. Thus, the majority of respondent's type of business was grouped under Corporation. This type of customers of the bank uses most of the products of the bank could respond the questions by identifying the problems.

**Table 4.1.5:** Number of Years Maintain Within the Bank

Measures	Characteristics	Frequency	Percentage
Customers stay in the bank (duration)	1-3	86	27.38
	4-6	93	29.61
	7-9	53	16.87
	Above ten years	82	26.11
	total	314	100

Source: Survey, 2018

**Table: 4.1.6** Status of Respondent in the Bank.

Status of respondent	Business owners	81	25.80
	Individual customers	233	74.20

Source: Survey, 2018

**Table: 4.1.7** Type of Account the Sample Branch

Measures	Characteristics	Frequency	Percentage
Type of account	Current account	81	25.80
	Saving account	233	74.20
	total	314	100

Source: Survey findings, 2018

According to table no 4.1.6 the majority of the respondent's duration in the banks has been from 4-6 year which covers 29.61% from the total respondents. The rest of the respondents 1-3 years covering 27.38% respondents and 26.11 % respondents have duration with the bank above ten years. From 7-9 years cover 16.87% of respondent. Thus customer's year in the bank 4-6 groups have good understanding about the service and product that is provided by the bank and can replay the question in the proper manner.

Regarding business Status in table 4.1.5, of 233 i.e. 74.20% respondents are individual customers and the rest 81 which is 25.80% are business owners. This type of customers uses most of the products of the bank and could respond the questions by identifying the problems.

According to table 4.1.6 type of accounts 74.20 % respondents have Saving account and 25.80% respondents have current account from this most of the respondents maintain saving account.



Thus saving account holder customers are visiting the bank frequently and could suggest on the total quality service of the bank.

#### 4.4. Service Quality Dimensions Analysis

The Mean scores have been computed for all the five service quality dimensions that are tangibles, reliability, responsiveness, empathy, assurance, by equally weighting the mean scores of all the items under each dimension. Respondents were asked to rate their perception on a five-point Likert scale ranging from 1 being strongly disagree to 5 strongly agree for their overall perception on the service quality dimensions. And for overall satisfaction on the service quality of Commercial Bank of Ethiopia north Addis Ababa district the scale ranges from 1 being very dissatisfied to 5 very satisfied.

The translation of level ranking is analyzed based on the following criteria of customers' satisfaction designed by Best (1977: 174) cited in SIVESAN, S, (2012). The score between 1.00-1.80 mean lowest satisfaction (Lowest), The score between 1.81-2.61 mean low satisfaction (Low), The score between 2.62-3.41 mean average satisfaction (Average or Medium), The score between 3.42-4.21 means good satisfaction (High), The score between 4.22-5.00 mean very good satisfaction (Highest). The result is presented in table 4.2.1 below.

**Table 4.2.1** Mean score of service quality dimensions

Source: Survey report from respondents, 2018

#### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
assurance	314	1.50	5.00	3.8185	.83724
tangibility	314	2.50	5.00	3.7627	.59838
empathy	314	2.00	4.80	3.7064	.64824

responsibility	314	1.75	5.00	3.6814	.89728
reliability	314	2.20	5.00	3.5510	.67791
Overall , corporate customer satisfaction of the Bank	314	1	5	3.77	.971
Valid N (list wise)	314				

The maximum and minimum responses are 5 and 1 respectively, for all variables stated in the above table. The mean value shows more than average of all dimensions. While, standard deviation shows that how diverse are the responses of customers for a given construct. For instance, high Standard Deviation means that the data are wide spread, which means that customers give variety of opinion and the low standard deviation means that customers express close opinion. Comparison of means of dimensions indicates that assurance (3.8185), tangibles (3.7627) empathy (3.7064) responsiveness (3.6814) reliability (3.5510), Thus as it is shown from the result of the mean scores, customers satisfaction towards the service quality Commercial Bank of Ethiopia north Addis Ababa district on all the five dimensions range from 3.8185 to 3.5510.

It indicates that quality of service being offered by Commercial Bank of Ethiopia north Addis Ababa district is perceived by its customers as satisfactory, since all the dimension of service quality is above average as well as positive. Additionally, the mean score of Overall satisfaction with the Service Quality is 3.77(SD =.971) which is above average or satisfactory too. In general, according to the information from the above table customers are satisfied.

## 4.5 Descriptive Analysis of overall Customer Satisfaction

**Table 4.3.1:** customers overall satisfaction with the service of the bank

	Frequency	Valid Percent
Very dissatisfied	16	5.1
Dissatisfied	16	5.1
Neutral	47	15.0
Satisfied	179	57.0
Very satisfied	56	17.8
Total	314	100.0

Source: Survey report from respondents, 2018

Table no 4.3.1 represents the outcome of the analysis of customer's satisfaction with the service quality of the Commercial Bank of Ethiopia north Addis Ababa district on their perception. As the result of the descriptive data analysis in table 4.3.1 indicates that, 5.1% of respondents reported that: they are very dissatisfied with the services quality of in the north Addis district, also 5.1% found to be dissatisfied, and 15% of the responded as neutral. And the rest 57% and 17.8% rated as satisfied and very satisfied respectively. Thus, it indicates as the percentage of customers who are satisfied with the service is more than those who are dissatisfied with the service.

## 4.6. Correlation Analysis between service quality dimensions and Customers' satisfaction

Correlation analysis is one of the most widely used in research, it is often used to determine a relationship between two different variables, if so how significant or how strong is the association between variables. The correlation coefficient  $r$  is statistical value used to measure the degree or strength of this type of relationship (Taylor, 1990).

In the researcher's case the correlation analysis result was performed to see the relationship between SERVQUAL dimensions and customer's satisfaction in Commercial Bank of Ethiopia north Addis Ababa, district. Therefore, the correlation analysis indicates the relationship between Reliability, Empathy, Assurance, Responsiveness and Tangibility with customer satisfaction.

To interpret the strengths of relationships between variables, the guidelines suggested by Taylor (1990), were followed. His classification of the correlation coefficient ( $r$ ) is as follows:  $\leq 0.35$  is considered to represent low or weak correlation;  $0.36 - 0.67$  is modest or moderate correlation;  $0.68-0.89$  is strong or high correlation and a correlation with  $r$  coefficient  $\geq 0.90$  is very high correlation. Again, if the correlation result lies between  $-1$  and  $0$ , the two variables are negatively related. However, the result is interpreted and discussed using this criterion in each dimension.

**Table 4.4.1** correlation between Reliability, Responsibility, empathy, Tangibility, assurance and Customer Satisfaction.

		<i>reliability</i>	<i>responsiveness</i>	<i>empathy</i>	<i>tangibility</i>	<i>assurance</i>	<i>Overall, I'm Satisfied With the Service of the Bank</i>
<i>reliability</i>	<i>Pearson rrelation</i>	1	.716**	.536**	.513**	.437**	.337**
	<i>Sig. (2-tailed)</i>		.000	.000	.000	.000	.000
	<i>N</i>	314	314	314	314	314	314
<i>responsiveness</i>	<i>Pearson Correlation</i>	.716**	1	.706**	.399**	.498**	.469**
	<i>Sig. (2-tailed)</i>	.000		.000	.000	.000	.000
	<i>N</i>	314	314	314	314	314	306
<i>empathy</i>	<i>Pearson Correlation</i>	.536**	.706**	1	.424**	.545**	.480**
	<i>Sig. (2-tailed)</i>	.000	.000		.000	.000	.000
	<i>N</i>	314	306	314	314	314	314
<i>tangibility</i>	<i>Pearson Correlation</i>	.513**	.399**	.424**	1	.492**	.540**
	<i>Sig. (2-tailed)</i>	.000	.000	.000		.000	.000
	<i>N</i>	314	306	314	314	314	314
<i>assurance</i>	<i>Pearson Correlation</i>	.437**	.498**	.545**	.492**	1	.523**
	<i>Sig. (2-tailed)</i>	.000	.000	.000	.000		.000
	<i>N</i>	314	306	314	314	314	314
<i>Overall, I'm Satisfied with the Service of the Bank</i>	<i>Pearson Correlation</i>	.337**	.469**	.480**	.540**	.523**	1
	<i>Sig. (2-tailed)</i>	.000	.000	.000	.000	.000	
	<i>N</i>	314	314	314	314	314	314

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

Source: Survey report from data analysis through spss, 2018

The relationship between overall customer satisfaction and reliability, responsiveness, empathy, tangibility and assurance are tried to explain. The correlation result is 0.540 this indicates that the

Two variables are significant and positively related. In addition, the  $r=.540^{**}$  value also implies as customer satisfaction in Commercial Bank of Ethiopia north Addis Ababa, district moderate correlation with tangibility dimension.

The other point is the correlation between the reliability as independent variable and customer satisfaction as dependent variable. As it is already shown table 4.4.1 the two variables have significantly positive relationship. This implies that the two variables influence each other's positively. In addition, the  $r=.337^{**}$  value indicates that reliability of the bank maintains weak or low correlation with the customer satisfaction in the context of Commercial Bank of Ethiopia north Addis Ababa, district.

Table no 4.3.2 also indicate the relationship between the responsiveness as independent variable and the customer satisfaction as dependent variable. As it is already shown, the two variables have significantly positive relationships. This implies that, the two variables influence each other positively. In addition, the  $r=.469^{*}$  value also implies as customer satisfaction in the service quality of Commercial Bank of Ethiopia north Addis Ababa district has a moderate correlation with responsiveness.

The relationship between assurance as independent variable and customer satisfaction as dependent variable reliability, responsiveness, empathy, tangibility, assurance and the correlation result for these two variables is  $.523^{**}$ , this implies the two variables are also positively related. In addition, the  $r=.523^{**}$  indicates that assurance maintains moderate correlation relationship with the customer satisfaction in context of Commercial Bank of Ethiopia north Addis Ababa, district branches.

The relationship between empathy and customers satisfaction is also shown on the correlation result of the two variables, empathy and customer satisfaction is  $.480^{**}$ , this implies that the two variables are significant and positively related. In addition, the  $r=.480^{**}$  Value indicates that empathy maintains moderate relationship with the customer satisfaction in the context of Commercial Bank of Ethiopia north Addis Ababa district.

Altogether, as the correlation among the five dimensions indicates that, there has been statistically significant positive correlation with customer's satisfaction. The strongest correlation has been observed between tangibility and assurance as it is compared to the other r values, but

they indicate moderate relationships ( $r = .540$  and  $.523$  respectively). And it is followed by empathy and responsiveness ( $.480$  and  $.469$ ) and lastly, reliability ( $.337$ ).

## **4.7. Relationships Among Variables**

The dependent variable is customer satisfaction and independent variables are those five service quality dimensions (assurance, tangibility, empathy, responsiveness, and reliability). The “\*\*” sign shows the correlation result between the variables. Thus, up on the Pearson correlation analysis obtained from the variables in the above correlation tables, with the significant level is  $0.01$  ( $P, 0.01$ ) and sample size ( $N$ ) 314, the hypothesis is examined below one by one, to assure whether there is correlation (relationship) between service quality dimensions and customers’ satisfaction in Commercial Bank of Ethiopia north Addis Ababa, district. The relationship testing is as follows:

### **4.7.1 Tangibility with Customer Satisfaction**

There is a correlation between tangibility and customers’ satisfaction of Commercial Bank of Ethiopia north Addis Ababa, district. In the above analysis, it can be seen that the correlation of tangibility is  $0.540^{**}$  and the significant level is  $0.01$  ( $p.01$ ). The analysis shows that the p-value is  $0.000$ , which is less than  $0.01$ . Therefore, the hypothesis is supported, and concluded that there is medium positive ( $r=.376$ ) relationships between tangibility and customers’ satisfaction of Commercial Bank of Ethiopia north Addis Ababa, district.

### **4.7.2 Assurance with Customer Satisfaction**

There is a relationship (correlation) between assurance and customers’ satisfaction of Commercial Bank of Ethiopia north Addis Ababa, district. As in the table 4.3.2 analysis, the correlation of assurance is  $0.523^{**}$  and the significant level is  $0.01$  ( $p.01$ ). The analysis shows that the p-value is  $0.000$ , which is less than  $0.01$ . Therefore, the hypothesis is supported, and concluded that there is a medium positive ( $r=.523$ ) relationships between assurance and customers’ satisfaction of Commercial Bank of Ethiopia north Addis Ababa, district.

### **4.7.3 Empathy with Customer Satisfaction**

There is a correlation between empathy and customers' satisfaction of Commercial Bank of Ethiopia north Addis Ababa, district. In the above analysis, it can be seen that the correlation  $\rho$  of empathy is 0.480\*\* and the significant level is 0.01(p.01). The analysis shows that the p-value is 0.000, which is less than 0.01. Therefore, the relationship testing is supported, and concluded that there is a medium positive ( $r=0.480$ ) relationships between empathy and customers' satisfaction of Commercial Bank of Ethiopia north Addis Ababa, district.

### **4.7.4 Responsiveness with Customer Satisfaction**

There is a positive correlation between responsiveness and customers' satisfaction of Commercial Bank of Ethiopia north Addis Ababa, district. In the above analysis, it can be seen that the correlation of responsiveness is 0.469\*\* and the significant level is 0.01(p.01). The analysis shows that the p-value is 0.000, which is less than 0.01. Therefore, the relationship testing is supported, and concluded that there is a medium positive ( $r=0.469$ ) relationships between responsiveness and customers' satisfaction of Commercial Bank of Ethiopia north Addis Ababa, district.

### **4.7.5 Reliabilities with Customer Satisfaction**

There is a correlation between reliability and customers' satisfaction of Commercial Bank of Ethiopia north Addis Ababa, district. In the above table 4.5.2 analysis, it can be seen that the correlation of reliability is 0.337\*\* and the significant level is 0.01(p.01). The analysis shows that the p-value is 0.000, which is less than 0.01. Therefore, the relationship testing is supported, and concluded that there is a low positive ( $r=0.337$ ) relationships between reliabilities and customers' satisfaction of Commercial Bank of Ethiopia north Addis Ababa, district.

In summary from all these tests, the study confirmed that the five dimensions are positive relationship with district customer satisfaction, therefore, the result reflects that in the district customer satisfaction is affected by five dimensions variables. From which satisfaction has higher correlation with tangibility (.540\*\*) and assurance (0.523\*\*) followed by empathy and responsiveness (.480\*\*, .469\*\*). And lower correlation value is with reliability (0.337) dimensions of service quality which has quite small correlation with customer satisfaction



(.337\*\*). To summarize, according to their relationship the following table shows the overall of relationships testing.

**Table 4.6.1:** summary of correlation statistics

Relationship testing	Independent variables	Correlation value	Dependent variables	Result
R1	Tangibility	0.540**	Customers Satisfaction	Moderate
R2	Assurance	0.523**	Customers Satisfaction	Moderate
R3	Empathy	0.480**	Customers Satisfaction	Moderate
R4	Responsiveness	0.469**	Customers Satisfaction	Moderate
R5	Reliability	0.337**	Customers Satisfaction	Weak

This table shows that variables that were tested by correlation statistical tests, which are five dimensions, have significant relationship with corporate customer satisfaction. Therefore, the five relationships testing that assumed earlier to accomplish the study were supported by all dimensions.

## 4.8 Multiple regression analysis

a. Dependent Variable: Overall, I'm Satisfied

with the Service of the Bank

b. All requested variables entered.

**Table 4.6.2 multiple regression summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.659 <sup>a</sup>	.435	.425	.741

Source: Survey report from respondents a. Predictors: (Constant), empathy total, responsiveness total, reliability total, tangibility total, assurance total

R, the multiple correlation coefficients, is the linear correlation between the observed and model-predicted values of the dependent variable. Its large value indicates the strength of the relationship. From the table above, R Square (0.435) the coefficient of determination shows that about 43.5 percent of the variation in overall service quality is explained by the model. Or which means 43.5 percent of the variance in customers satisfaction is influenced by the five variables that are tangibles, reliability, responsiveness, empathy, assurance. The other factors that explain the remaining 56.6% of the customer satisfaction are flexibility the ability or willingness to change the service according to circumstances, pricing, quality products, employee satisfaction, bank policy that is credit policy and foreign currency provision policy, complaint handling, accessibility, information technology, organizational culture, assumption and values. Similarly, ANOVA table provides similar information with the model summary (table 4.7.2). Depending on the ANOVA table, overall significance/acceptability of the model from a statistical perspective can be determined. As the significance value of F statistics shows a value (.000), which is less than  $p < 0.05$  the model is significant, which means that the variation explained by the model is not due to chance.

The interpretation of the sum of square column of the table is similar with the results of R square. It displays information about how much of the variation in customer's satisfaction is accounted by the predictor variables and how much is not. ANOVA test was also conducted as shown in the table 4.7.3 below

a. Predictors: (Constant), reliability, assurance, tangibility, empathy, responsibility

**Table 4.6.3 ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	126.843	5	25.369	46.147	.000 <sup>b</sup>
	Residual	164.922	300	.550		
	Total	291.765	305			

a. Dependent Variable: Overall, I'm Satisfied with the Service of the Bank

b. Predictors: (Constant), reliability, assurance, tangibility, empathy, responsibility

Analysis: F value is 46.147 at significant level of 0.000

**Table 4.6.4 Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.229	.319		-.718	.473
	assurance	.271	.065	.232	4.191	.000
	tangibility	.620	.088	.380	7.025	.000
	empathy	.188	.099	.123	1.900	.058
	responsibility	.304	.081	.279	3.756	.000
	reliability	-.332	.097	-.229	-3.428	.001

a. Dependent Variable: Overall, corporate customer satisfaction in the Bank

As it is stated above, multiple Linear Regression analysis has been carried out to show the most important dimension that contribute the most in customer's satisfaction among the five

dimensions in Commercial Bank of Ethiopia north Addis Ababa, district. Based on Table above, (model summary) the R square for this research was 0.435, with adjusted R square (0.425), It means that those five service quality dimensions are contributing to the Customer satisfaction in Commercial Bank of Ethiopia north Addis Ababa, district by 43.5% and remaining 56.5 % can be attributed by other factors which are not studied, because they are beyond the scope of study. Of the five SERVPERF dimensions, two contributed the most on customers' satisfaction; in order of their importance-

- Tangibility (Beta = 0.620)
- Responsiveness (Beta = 0.304)
- Assurance (Beta = 0.271)
- Empathy (Beta = 0.188)

Further, as the results of the regression analysis highlighted or indicated the most important dimension that contribute more to customer's satisfaction, tangibility ( $\beta = 0.620$ ) carries the heaviest weight in explaining customer satisfaction followed by responsiveness with  $\beta$  value of 0.304. Lastly assurance and empathy are with  $\beta$  value of (0.271, 0.188 respectively). These results show that one unit increase in tangibility would lead to 0.620 unit (or 62%) increase in customer satisfaction provided that other variables being held constant. Similarly, one unit increase in responsiveness would lead to 30.4 % increase in customer satisfaction provided that other variables remain constant. Lastly one unit increase in assurance, empathy would lead to .271 unit and .188unit (or 27.1%, 18.8%) increase in customer satisfaction provided that other variables remain constant. Therefore, higher performance on the most significance dimension i.e. tangibility and responsiveness may be helpful in providing enhanced quality of service. If the dimension likes reliability, empathy and assurance may not significantly impact on customers satisfaction perceptions in the current study. Meanwhile the Pearson correlation result of tables Table 4.4.1 revealed a significant and positive correlation between overall customer satisfaction and all of service quality dimensions, while the regression result in table above shows that only responsiveness tangibility assurance and empathy have significant contribution to customer satisfaction because their significant values were less than 0.05 ( $p < 0.05$ ) except reliability

As we have seen from the research result there is no big customer's complaint with regard to the operation of the bank except Loan and foreign currency provision. In the overall assessments, these are the critical resources that every commercial bank, operating in the country, experienced

since some years back. The current shortage of foreign currency supply has been of grave concern to importing companies and individuals in country.

A foreign currency shortage occurs when a country lacks a sufficient supply of FCY for use in international trade. One way to accumulate FCY is for a country to export more goods than it imports. However, Ethiopia is net importers, and therefore do not naturally accumulate enough FCY through its balance of payments. The FCY shortage is so critical that opening a Letter of Credit (LC) takes long time, and even then, there is no guarantee that the requested amount of foreign currency will be availed shortly.

On the information that the student researcher gets from top management of the studied bank through interviewed there are two basic factors that aggravate the current shortage of foreign currency. These are global economic slowdown and Ethiopia's mega projects consuming huge loads of hard currency. In line with the country's development endeavors, the National Bank of Ethiopia (NBE) has a policy of prioritizing provision of foreign exchange for selected goods and services based on a designated priority, which decrease other imports. Besides, the country needs FCY for import of fuel, edible oil, wheat, medicines, fertilizers, capital goods etc. These are the major and critical items that bank (CBE) gives priority.

In this connection, the commercial bank of Ethiopia is exerting its utmost efforts to support the country's development endeavor by playing a crucial role in financial intermediation through resource mobilization both in FCY and local currency. On the other hand, banks accept and safeguard money owned by other individuals and entities and lending out this money in order to earn a profit. CBE provide loans and advances to customers who are engaged in all types of sectors, but due to the current mismatch between credit demand and availability of resources, the bank give priority to some sectors in view of the bank's strategic directions and national interest. The bank gives priority for the following sectors to be beneficiaries of credit products; export, manufacturing, agriculture, and infrastructure sectors.

Accordingly, with such limited resources, the bank may not able to provide or avail all FCY and credit facility demands. CBE, therefore, lend money for the construction of public projects. However, these projects should have been financed by Development bank of Ethiopia.

Development Bank is a financial institution, created by a government, which provides financing for the purposes of economic development of the country. However, the Development bank of Ethiopia doesn't fulfill the need of the government. On the hand, CBE has big capacity that can fulfill the need of the government. It is natural that whenever there are scarce resources, we have to prioritize the available resource to use in a right way. The demanded for credit facilities are greater than quantity supplied i.e. saving deposits. With this available deposit, CBE can provide funds for the above-mentioned sectors and government projects. The above-mentioned sectors could be either private or government owned business entities.

As a government bank CBE has been aggressively involved in the construction of infrastructure which pave the ways for economic growth and development that requires a significant amount of FCY and credit facilities. In order to meet the increasing demand of FCY and credit facilities, the CBE has arranged a special credit facility for exporters (such as pre-shipment export credit facility against sales contract at the lowest interest rate and credit facilities without sales contract) to facilitate their export business. On the other hand, to increase the level of the bank's deposit, CBE has arranged prize scheme saving, women and youth save saving at the highest saving interest rate to attract depositors. As a result, the FCY earning and deposit mobilization of the bank and the nation has shown a significant improvement. Therefore, whenever there are sufficient resources like FCY and available deposit, the bank has to bridge the financial requirement of the customer and create at most satisfaction, these are some of the measures taken by the management of the bank to improve service quality and affect positively customer satisfaction.

# CHAPTER FIVE

## CONCLUSION AND RECOMANDATION

### **Introduction**

This chapter includes conclusions and recommendations of the study and implications for further research.

### **5.1 conclusion**

The main aim of this study was to asses" customer's satisfaction towards the service quality of Commercial Bank of Ethiopia north Addis Ababa district. For this, the first three specific objective of the study was to identify the most important dimension of service quality that contributes much towards overall customer satisfaction in CBE north Addis Ababa district, to identify the relationship between service quality and customer satisfaction in commercial bank of Ethiopia north Addis Ababa district and to ass's level of customers' satisfaction.

To achieve the first specific objective the researcher applied descriptive statistics analyses, thus this study finds that the tangibility and responsiveness dimension of the level of service quality in commercial bank of Ethiopia are significant and the most important dimensions or statistically significant at ( $p < 0.05$ ).

However, even though the rest of the dimensions that are assurance, reliability and, empathy is not highly statistically significant in the overall customers satisfaction they still have positive correlation with overall level of customers satisfaction on the service quality of commercial bank of Ethiopia north Addis Ababa district. This requires the business effort to work on these variables too, to satisfy its customers to the acceptable level. In addition, R Square is 0.435 which means 43.5 percent of the variance in service quality is influenced by tangibility, responsiveness, assurance, empathy and reliability. To identify the relationship between the level of service quality and customer satisfaction in commercial bank of Ethiopia north Addis Ababa district Pearson correlation analysis was used. It was found that all five dimensions of service quality are important for customer's satisfaction in commercial bank of Ethiopia north Addis Ababa district.

As it can be seen from the correlation analysis completed, it is evident that all the five service quality dimensions have positive and significant correlation with customer's satisfaction. This result indicates that the customer dwelling emphasis on all service quality dimensions. Thus, it can be concluded that as these attributes increases from the bank, customer satisfaction also increases.

Finally, the finding has shown that mean score of overall satisfaction with the Service Quality is above average or satisfactory. In addition to this the mean scores with regarding to overall customers satisfaction on all dimensions are almost above average, which implies as more of district customers are satisfied with service quality provided by the bank. And, all the relationship test was strongly agreed, customers are satisfied with service quality of the bank.

In addition to this to be able to survive the prevailing intense competition in the banking industry, what CBE as all should attempt to do is to create convenient banking activities for its customers. Such activities include the Automated Teller Machine (ATM), branch expansion, banking via Mobile Phone, internet banking etc. Though these services are virtually duplicated by other banks, what is the focus now is the quality of the service which is provided.

## **5.2 Recommendations**

This study has shown the relationship among the service quality dimensions and customer satisfaction of commercial bank of Ethiopia north Addis Ababa district. Since the study confirm the five dimensions of service quality are positively correlated with the bank customer satisfaction, hence the bank should give strong emphasis to all service quality dimension in maintaining and improving the service quality of the bank. Up on this, the following recommendations are forwarded for CBE, north Addis Ababa district by the researcher:

- In the current study among these service quality dimensions, tangibility shows the highest significance positives correlation and with customer satisfaction followed by responsiveness. The core concept of tangibility is caring, modern looking equipment to satisfy its customers, the staffs are well trained and discipline, the appearance of staffs is neat and attractive also materials that the staffs uses associated with service. So commercial bank of Ethiopia north Addis Ababa district should try to focus the materials and staff's



appearance and train them to become more discipline. Hence focus should be directed to enhancing the performance of front line staff, and emphasis should be placed on selection and training of frontline personnel.

Thus, commercial bank of Ethiopia north Addis Ababa district need to be more marketing oriented, to choose the personnel who interact with the customer, to regularly collect information about customer needs, to ensure customers satisfaction. Generally, to give quality service it demands modern equipment and well trained and discipline staffs.

- Responsiveness is also the other factor that is significant as well as highly correlated in determining customer's satisfaction in the district. It is related with the willingness of employees to help customers and to provide quick service. This dimension is particularly dominant where customers have requests, questions, complaints and problems.

As it is also cited in Parasuraman, Zeithaml and Berry (1988), keeping customers waiting particularly for no apparent reason creates unnecessary negative perceptions of quality. If a service failure occurs, the ability to recover quickly and with professionalism can create very positive perceptions of quality. So, the bank is advised to pay special attention to responsiveness by developing appropriate programs and providing ongoing training on the various attributes of responsiveness to increase employee's responsiveness to improve customer's satisfaction.

Furthermore, the bank should try to extend the operating hours in all branches improve customers satisfaction. Assurance is again other feature of customer's satisfaction in CBE, north Addis Ababa district. So commercial bank of Ethiopia north Addis Ababa district should try to increase the degree of trust and confidence in order to fell customers assured with the overall competence of the service provider.

Reliability also determines customer's satisfaction in CBE north Addis Ababa district. So, in order to satisfy its customers and to make their service distinguishable from competitors, commercial bank of Ethiopia north Addis Ababa district should try to perform the promised services both dependably and accurately on time and without error. Empathy is also being emerged to be as another important factor that determines district customer's satisfaction.

Commercial bank of Ethiopia north Addis Ababa district should provide customer information material such as brochures and also should be well composed, and attractive with frontline personnel providing services based on customers expectation. That means it should be neat, clean, and well dressed and give pleasing look and professionally appearing. It is appropriate that all the components of service quality dimensions should be strictly followed and implemented effectively.

### **5.3. Future research implication**

Customer's perception, expectation and economic growth may be changed rapidly from time to time. Thus, future researcher may use more time, resource and sample size in order to make all-round assessment in this area. Besides that, this study used the five variables that are tangibles, reliability, responsiveness, empathy and assurance, which explain or influence only 43.5 percent of the variance in service quality. Therefore, future researcher may investigate other variables which could influence the service quality.

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# Appendix

## Questionnaire for Customers of Commercial Bank of Ethiopia

### North Addis Ababa District

Dear respondents;

I am a post graduate student at Addis Ababa University Department of public Administration and Development Management Currently, I am conducting a research entitled “*ASSESSMENT OF CUSTOMERS’ SATISFACTION TOWARDS SERVICES QUALITY: THE CASE OF COMMERCIAL BANK OF ETHIOPIAN NORTH Addis Ababa DISTRICT*”. The purpose of the study is to fulfill a thesis requirement for the Masters in public Management and policy (MPMP). Your genuine responses are extremely important for successful completion of my thesis. The information that you provide will be used only for the purpose of the study and will be kept strictly confidential. Finally, I would like to thank you for your cooperation and spending your valuable time for my request.

Note: Please put a “√” mark with the option that reflects your response with the given statement.

#### PART I: personal profile of the respondent

1. Age : 18-30  31-40  41-50  51-60  Above 60
2. Gender : Male  Female
3. Educational level: Below high school  High school completed  Diploma  TVT Certificate  Degree  Master  PhD
4. Marital status: Married  Single  Divorced  Widowed
5. The status of the respondent: Business owners  Individual customers
6. If you are a business owner, what is the business sector you are engaged in: AgricultureIndustryDomestic TradeInternational TradeTransportHotel & TourismBuilding & ConstructionMining and Water Resource other
7. Type of Business Entity : sole proprietor  partnership  Private Limited company (PLC)  Cooperative  Corporation other
8. Duration with the Bank: 1 -3 year  4 -6 years  > 7- 9 years  10 years and above
9. Types of Account Maintained: Current Account  Saving Account

Fixed time Deposit Account  other

10. Purpose of opening account in this bank: Credit  Deposit  Foreign exchange  Monthly salary disbursement of staffs  Money transfer  other

**PART I I: Service Quality Related Questions**

S/N	Dimensions	Scale of Measurement				
		1 strongly disagree	2 Disagree	3 Neutral	4 agree	5 strongly agree
	<b>I. Reliability</b>					
1	The bank Promise to provide certain service at a reasonable time					
2	The bank show genuine interest in solving problems					
3	The bank perform services without any reward from the customer					
4	The bank gives its service to the level on customers expectation					
5	The bank insist on error free services					
	<b>II. Assurance</b>					
6	I trust the employees of the bank					
7	I have no doubt at the time of having any service					
8	Handlings of Employees are very polite					
9	I obtain adequate support from the Bank					
	<b>III. Responsiveness</b>					
10	Staff able to tell customers exactly when services would be performed					
11	Staff give prompt services to customers					
12	Staff always willing to help customers					
13	Staff never too busy to respond to customers					
	<b>IV. Empathy</b>					
14	The bank provides group attention to its customers based on product					
15	Services are convenient to customers					
16	Staff gives customers personalized attention					
17	The bank has convenient operating hours					
18	Staff understand the specific needs of their customers					

	V. Tangibles					
19	Use modern Looking equipment's to satisfy its customers					
20	The staffs are well trained and discipline					
21	The appearance of staff is neat and attractive					
22	Materials that the staffs uses associated with service					

Corporate Customer Satisfaction

1	Over all I am satisfied with the service of the bank.					
2	I would continue with the bank in the future					
3	I would recommend the bank service for others					
4	It is the best bank improved its selves and starts its journey to become world class bank before any other banks.					

23. Are you doing business or have relationship with other banks than commercial bank of Ethiopia Yes  No?  If your answer for question 23 is 'Yes', specify your reasons why you maintained relationship with other banks \_\_\_\_\_

24. Do you satisfy with all kind of service that the bank provides? -----  
\_\_\_\_\_

25. What are your suggestions about the service that the bank provide?  
\_\_\_\_\_

26. Do you have any comment about the service that the bank to improve?  
\_\_\_\_\_

Dear respondents in case if you want more explanation about the above questions:-

You can communicate me through [asefadariebom@gmail.com](mailto:asefadariebom@gmail.com) or 0911883111

Thank You for Your Cooperation!

