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Assessing Online Banking Service Quality on Customers Satisfaction: The case of United Bank S.C.

A Thesis submitted to the College of Business and Economics of Addis Ababa University in partial fulfillment of the requirement for Degree of Executive Master of Business Administration (EMBA)

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Addis Ababa University School of Graduate Studies Declaration

I hereby declare that this Research thesis is prepared by Asrat Arega, entitled: **Assessing Online Banking Service Quality on Customers Satisfaction: The Case of United Bank S.C** is submitted in partial fulfillment of the requirements for the Degree of Executive Master of Business Administration complies with the regulations of the University and meets the accepted standards with respect to its quality.

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Abstract

This study tries to assess the quality of service that United Bank S.C is providing to its Online (Internet) Banking customers and thereby to evaluate their satisfaction level with the bank's service delivery and try to see whether the introduction of Online (Internet) Banking services has significantly contributed in increasing the bank's service quality and customers satisfaction. Since the adoption of Online Banking in Ethiopia, some banks' have gone through various technological advancements and the customers' expectation and demand for quality of service is increasing from time to time. So this research paper tries to address this time gap. The first objective of this research is to evaluate the Online Banking service quality offered by United Bank S.C. by using SERVQUAL model. In this research, survey is conducted to measure the gap between customers' expectations and customers' perception regarding Online Banking service on each service quality dimensions. The second objective is to analyze the correlation between service quality dimensions and customer satisfaction. For this purpose, a questionnaire has been designed based on the SERVQUAL approach (perceptions and expectations), which includes five major categories of service quality dimensions and are subdivided into 21 items. Moreover, additional questions are prepared for measuring the overall customer satisfaction. To analyze this data, gap analysis, regression analysis and correlation analysis are used. The results of this research show that in all aspects, United Bank customers' expectation is higher than their perceptions on the Online (Internet) Banking service quality offered by the bank. It means that in all of the five service quality dimensions, there are negative gaps. Thus the bank failed in all of these dimensions to meet its customers' expectations. Also the research finding reveals that service quality dimensions (Reliability, Responsiveness, Security, Empathy, and Tangibility) has a significant impact on customer's satisfaction of United Bank S.C. The major finding of this hypothesis shows that all the service quality determinants are positively correlated to the customer satisfaction. Therefore the bank has to develop a policy package which helps to improve it Online banking service quality thereby ascertain its customers' satisfaction.

Key Words: *Online Banking, Customers Satisfaction, Service Quality*

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Chapter One

1. Introduction

1.1 Background of the Study

Modern management science philosophy considers customer satisfaction as a baseline standard of performance and a possible standard of excellence for any business organization. Especially, banks due to similar services compete together in order to achieve customer satisfaction. They try to create eases for their customers. E- Banking is a new system that most banks have used to achieve this objective

Banks play an important and active role in the financial and economic development of a country. An effective banking system greatly influences the growth of a country in various sectors of the economy. Practitioners in the banking industry face a large number of complex challenges in the global marketplace. It is crucial for banks to better understand changing customer needs and adopt the latest information technology system in order to compete more effectively with global organizations (Malhotra & Mukherjee, 2004).

Banking industry has realized the significance of customer-centered philosophies and is turning to quality management approaches to help managing their businesses. Many scholars and service marketers have explored consumers' cognitive and affective responses to the perception of service attributes in order to benefit by providing what consumers need in an effective and efficient manner (Ravichandran et al., 2010).

Service quality and customer satisfaction are very important concepts, which must understand by companies that want to grow while keeping their competitive edge. In the modern competitive environments, delivering high service quality is the key for a sustainable competitive advantage. Customer satisfaction has a positive effect on an organization's profitability. Satisfied customers of any business repeat purchase, show brand loyalty, and give positive word of mouth.

Many models have been developed to measure service quality delivered by firms in numerous businesses. It is important to review service quality models because of its relation with customer satisfaction.

Service quality is one of the important attributes of service providers as they regard measuring the service quality from consumers' perspective as a top priority construct. Service quality is an indispensable factor for customer satisfaction, cost reduction, customer loyalty, customer relationship and retention, profitability and so on. Many have suggested that quality results from a comparison of perceived performance with expected performance based on the so-called "disconfirmation theory". Indeed, this notion was the basis for the SERVQUAL model, which views service quality as the gap between the expected level of service and customer perceptions of the level received (Zekiri, 2011).

E-banking is one of the most recent service delivery channels used by the financial organizations. This method was established in the mid-1990s, thereafter becoming more important (Allen & Rai, 1996). It has been widely used in developed countries. However, in developing economies, the spread is much limited. As suggested by Classens, Glaessner, & Klingebiet (2002), developing countries in general have an advantage as they can learn from the experience of advanced economies.

Today, almost all banks in Ethiopia are adopting electronic banking as a means of enhancing service quality of banking. It also increases customer satisfaction in banking services (Shittu, 2010).

The Ethiopian banking industry currently comprises eighteen commercial banks of which two are state owned while the rest are privately owned banks. The private banks joined the industry following the liberalization of the financial sector in 1992 (Rahel, 2015). Despite entry of new players into the industry, there had been little change over the decades in terms of service offerings and service delivery channels deployed. While much of the world embraces online banking system, Ethiopian banks had long been reliant on bricks and mortar/branches to reach out their customers. Innovations in banking technologies dated back to the 1960s and 1970s in the developed economies. By then much of the focus had been on moving away from manual and paper recording to electronic and paperless transactions.

Information technology is becoming an important factor in the development of financial services industry, especially the banking sector. The banking sector is based on sharing

information which itself heavily relies on information and communication technology (ICT) in order to acquire, analyze and deliver data to all relevant users. Hence ICT is crucial not only for information analysis purpose, but also enables the banking sector to differentiate its product (service) from competitors and thereby make it a market leader. In this respect, the banking sector is obliged to continuously innovate and update its service dimension in order to meet the demands and requirements of the individual customer as well as to make the service fast, efficient and profitable. Hence the development of the concept of electronic financial services more commonly known as “E-banking” is essential for the day-to-day transactions to meet the expectations of customers (flexibility of financial services without paying more and make transaction wherever, whenever and however the customer wants) and internal users (employees) through facilitated workflow.

Following a strong demand for better and quality service and new banking products from all directions on the one hand, and a ground-breaking development in information technology, on the other hand, United Bank S.C. is driven to acquire the state-of-the-art technology called Flexcube Core Banking System as a solution to cope-up with this dynamic changes and increasing competition in the industry and winning the customers expectation on service excellence.

Following the liberalization of the financial sector for the private investors, United Bank S.C. is established in 1998 with an initial capital of Birr 25 million by 336 share holders. Currently the bank has 145 branches and 27 sub-branches, 3,213 employees and its customer base reached 450,000. (Annual Report 2015/16)

As at June 30, 2016, the total asset of United Bank S.C. has reached Birr 17.3 billion and its capital has reached Birr 2.07 billion. At the end of the fiscal year June 30, 2016, the Bank has registered Birr 428.54 million gross profits before tax and its earnings per share was 32.44%. (Annual Report 2015/16)

In addition to the traditional banking services rendered through its branches, currently the bank is giving the following multi-channel banking services to its customers

- Debit card service for 107,597 customers of the bank,
- POS and ATM services using its own 69 ATM machines and 90 POS machines

and other banks ATM's

- Internet and Mobile Banking services with a brand name called Hiber-Mobile and Hiber Online banking. A total of 7,317 customers were registered for the Bank's Internet Banking service and a total of 60,450 customers are registered and using the Mobile Banking Service at the end of June 2016. A total of Birr 753 million was transacted during the fiscal year 2015/16 using these e-banking service delivery channels.
- Also the bank is giving International Cards Payment Services for Visa, MasterCard and Union Pay International Card Clubs. (Annual Report 2015/16)

1.2 Statement of the Problem

In the world of competition, service quality is the most important parameter that needs critical attention for an organization to exceed its competitors. This is especially true in the service sector where there is frequent interaction with customers which hold the highest stake in ensuring the organization exceeds its competitors and excel in the service it provides. In winning this competition, it is obvious that customer satisfaction is a critical issue as it is highly correlated with the quality of services provided by competing organizations.

The introduction of electronic banking into the banking sector is to bring service quality and customer satisfaction thereby to enhance the banks' profitability. Unless this technology bring increased customer satisfaction than the traditional brick and mortar branches customer may perceive as the same as different branches rather than a new means of delivery channels. Daniel (1999) and Mols (1998) described that compared to ordinary banking system electronic banking is providing the competitive advantage by lowering the cost and providing best satisfaction of customer needs.

Banks operating in Ethiopia are consequently put into lot of pressures as a result of the increased competition in the industry. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level by the introduction of electronic service delivery channels. Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage.

Since the adoption of Online Banking in the Ethiopian banking industry, some banks have gone through various technological advancements and the customers' expectation and demand for quality of service is increasing from time to time. So this research is tries to address this time gap

Therefore the main interest of this study is to measure the impact of Online (Internet) Banking on the perception of customers concerning the Online Banking service quality provided by United Bank and find out whether the bank's Online (Internet) Banking service met the expectation of its customers under all the service quality dimensions and try to see whether the introduction of Online (Internet) Banking services has significantly contributed in increasing the banks service quality and customers satisfaction.

1.3 Research Questions

This study tried to answer the following research questions

1. What is the level of Online (Internet) banking service quality offered by United Bank S.C when measured by service quality dimensions?
2. What is the relationship between Online banking service quality dimensions and customer satisfaction?
3. Is there a gap between customers' expectation and perception on Online Banking Service Quality?
4. What is the dominant service quality dimension that has a strong relation with customer satisfaction?

1.4 Research Hypothesis

The study has tested the following research Hypotheses

- H1: There is significant difference between United Bank Customer's Perception and Expectation of Reliability dimension
- H2: There is significant difference between United Bank Customer's Perception and Expectation of Responsiveness dimension
- H3: There is significant difference between United Bank Customer's Perception and Expectation of Security dimension
- H4: There is significant difference between United Bank Customer's Perception

and Expectation of Empathy dimension

- H5: There is significant difference between United Bank Customer's Perception and Expectation of Tangibility dimension

1.5 Objectives of the Study

1.5.1 General Objective

The general objective of this study is to assess Online Banking Service Quality and its impact on customer satisfaction.

1.5.2 Specific Objective

The specific objective of the study is:

- To examine the relationship between service quality dimensions and customer satisfaction.
- Identifying the dominant dimension of service quality that drives customers' perceived service quality in United Bank S.C.
- To examine the gap between customers' expectation and perception on Online Banking Service Quality?

1.6 Scope of the Study

There are a number of commercial banks operating in the Ethiopia banking industry. However, this study is conducted on United Bank S.C. This is due to limited financial resources, time and accessible information regarding other Commercial Banks with the given time period. Also the study is limited to Online Banking Service from the various E-banking services delivered by United Bank S.C., which means ATM Banking, Mobile Banking and POS (Point of Sales) are not covered (included) in this research.

1.7 Significance of the Study

This study examined the impact of Online banking services provided by United Bank and its impact on customer satisfaction. It identified the strengths and weaknesses of the Online banking service delivered by the Bank and its effect on customer satisfaction. The significance of the study is to give sufficient information on the Online banking service the bank is currently providing and help it to know areas which need improvement and plan towards it so that its customers enjoy quality service. It also allows the stake holders to have knowledge on where the bank stands in the eyes of

its customer. Moreover, as employees are one of the stake holders, it will help them to evaluate their service deliveries through the eyes of the customer.

1.8 Organization of the Research Paper

The research paper is organized in to five chapters. The first chapter starts by giving a brief introduction on e-banking, service quality, and background information about United bank S.C. and followed by a brief statement of the problem. It also includes the objectives, research question and hypothesis, significance of the study, as well as the scope and limitation of the study. The second chapter will focus on exploring various literatures on the problem under study to provide definitions to the various concepts as well as explain the theoretical perspectives and conceptual framework. The third chapter presents the methodology of the study. It covers research design, data type and source, sampling method and size, data collection procedures method of data collection and analysis of the study and the forth chapter covers the result of the study. The last chapter will provide summary of findings, the conclusion and recommendation of the study.

Chapter Two

2. Literature Review

This chapter gives an overview of literature and models that are related to the research problem presented in the previous chapter. In this chapter the researcher tries to introduce the concepts of service quality, service quality model, service quality dimensions, E-banking service quality, customer satisfaction and satisfaction formation, the linkage between customer satisfaction and service quality, and Internet banking.

2.1 E-banking

In a globalized market, customers seek and demand world class products and services. In today's global market, the competitive advantage lies in delivering high quality service to the customers. The need to achieve customer satisfaction lies in its ability to deliver better quality products and services to the customers. Therefore, customer satisfaction is considered as a pre-requisite for customer retention, loyalty and convenience which ultimately helps in realizing the goals of profitability, market share, growth, return on investment, productivity etc. Service quality is one of the highly debatable topics in marketing theory.

The concept of electronic banking has been defined in many ways; Daniel (1999) defines electronic banking as the delivery of banks information and services by banks to customers via different delivery plat forms that can be used with different terminal devices such as personal computers and mobile phone with browser or desktop software, telephone or digital television.

Online banking is an improvement over traditional banking system because it has reduced the cost of transaction processing, improve the payment efficiency, financial services and improve the banker-customer relationship. The relationship between e-banking and service quality can be studied with the level of satisfaction. As the customer satisfaction is the function of customer expectation level and service quality level provided by the organization. E-banking plays a pivotal role in giving satisfaction to the customers because e-banking fills the gap between the expected and perceived

service quality. So in order to fill this gap, banks should find ways of making electronic services more accessible and by allowing the customer to verify the accuracy of the e-banking transactions.

There are number of reasons for which customer's satisfaction on e-banking has been improved.

- Customer can withdraw funds, transfer funds anytime, anywhere they want.
- Accessibility has been extended through technological development as it allows customers to do business from their home and office.
- It makes the banking activities and transaction very simple to understand
- There is no requirement of direct control with bank, as services can be operated wherever customer wants.
- It has reduced the waiting time of the customer; no long queue standing is required.
- Availability of employees at all times is not required as these services are provided 24 hours a day, seven days a week.
- Internet based services has enabled the corporate and retail customers to transact from home, office and traveling.
- Online fund transfer enabled the customer to transfer funds from one bank to another or within the same bank at same time.
- Communication, interaction between the bank and customer has been improved due to e-banking.

In general we can say that e-banking has become pre-imminent method of carrying the banking transaction and to increase the customer satisfaction (Mohamood Saha and Steve Clark, 2009).

The fast advancing global information infrastructure (including information technology and computer networks such as the Internet and telecommunications systems) enable the development of electronic commerce at a global level.

Online banking can mean the provision of information about a bank and its services via a home page on the World Wide Web (WWW). More sophisticated e-banking services provide customer access to accounts, the ability to move their money between different accounts, and making payments or applying for loans via e-channels.

E-banking started in the form of PC banking in the early 1990s, through which a user could use a PC and dial up modem to login to their bank's system without connecting to the Internet. Owing to various reasons such as lack of functionality, call costs and so on, this approach didn't quite gain wide acceptance. With the arrival of the Internet, interest in e-banking re-emerged and many banks started offering e-banking in the late 1990s.

In the past the main source of retail banking services distribution was „bricks and mortar“ branches. With the arrival of other channels such as telephone banking and e-banking, the number of branches is steadily declining, a trend also fuelled by mergers and takeovers. Now, most banks choose to deliver their products and services through multiple channels, including the Internet and telephone. Often the main goal of e-banking is to provide most, if not all, of the services offered at a branch. This may include transactions as well as information, advice, administration, and even cross-selling. However, the interactive nature of the Internet not only allows banks to enhance these core services, but also enables banks to communicate more effectively and enrich customers' relationships. When combined with the improving analytical capabilities of data mining, customers' relationships management and other related technologies, the potential for enriching the relationship with customers is huge. In the context of e-banking, many challenges lie ahead in the banking sector.

- First of all banks need to satisfy customers' needs that are complex and difficult to manage.
- Second, they need to face up to increased competition within the sector and from new entrants coming into the market.
- Third, they must continually invest in new products and services in the light of the changes described above.

Central to meeting these challenges is the development of strategies to exploit existing markets and explore new ones using new delivery channels such as the Internet or mobile banking. However these new delivery channels bring their own sets of organizational and external challenges, which need to be managed in order to achieve success.

Technological innovations play a crucial role in banking industry by creating value for banks and customers, that it enables customers to perform banking transactions without

visiting a brick and mortar banking system. On the other hand E-banking has enabled banking institutions to compete more effectively in the global environment by extending their products and services beyond the restriction of time and space. (Turban 2008)

There are several definitions given to E-banking. Some of them are presented as follows:

E-banking is a form of banking service where funds are transferred through an exchange of electronic signal between financial institutions, rather than exchange of cash, cheques or other negotiable instruments.

E-banking is also defined as a variety of platforms such as internet banking (online banking), mobile phone banking and PC (personal computer) banking whereby customers access these services using an intelligent electronic device, like PC, personal digital assistant (PDA), automated teller machine (ATM), point of sale (POS), kiosk or touch tone telephone (Alagheband 2006). E-banking can be broadly classified into four sections which are:

Telephone Banking is a service provided by financial institutions that enables customers of financial institution to perform financial transactions over the telephone, without the need to visit a bank branch.

Mobile banking is used for performing balance checks, account transactions, payments, credit applications and other banking transactions through a mobile device such as a mobile phone or Personal Digital Assistant (PDA).

Online Banking refers to use of personal computer for banking activities at home or any other places which are outside bank branches to access accounts for transactions by subscribing to and dialing into the banks' Internet proprietary software system using password. Basically, PC banking may be categorized into Online Banking or Internet banking.

Card Banking allows customers to withdraw and/or send cash, inquire a balance, get mini statement, do fund transfer, purchase an item using their debit cards over an ATM/POS Terminal 24 hours a day and 7 days a week.

As customers become more sophisticated, therefore, it becomes essential to consider the use of technology to respond to their continuously change. Banking is an industry highly which is highly involved with the customers. Customers in developing economies seems to keep the “technological factors” of services as the yardstick in differentiating good & bad services and the human factor – the employees seem to play a lesser role in discriminating the quality of service for banks. The variation in services offered by the banks develops the excellence for service quality. Banking is no longer regarded as a business dealing with money transaction alone, but it also seem as a business related to information on financial transaction.

Informational technology in form of e-banking plays a significant role in providing better services at lower cost. Several innovative IT based service such as Automated Teller Machine (ATM), Internet banking, Smart cards, Credit Cards, Mobile banking, Phone banking, Anywhere-Anytime banking have provided number of convenient services to the customer So as the service quality improves, the probability of customer satisfaction increases.

2.2 Service Quality

Service is intangible in nature, it cannot be mass produced. It cannot be inventoried and stored after production. Due to the fact that services and consumers of services are inseparable, they cannot be produced until the consumer is ready to consume them. Providing consistent quality is difficult for service because of the characteristic of variability (Clow and Kurtz, 2003). When one puts it in the simplest term; services are deeds, processes and performances (Zeithaml and Bitner, 2004). It is apparent that services are produced not only by service businesses but also are integral to the offering of many manufactured goods producers.

The question arises to measure quality of service or a product. In tangible goods like products, quality can be measured by its durability and number of defects, usage of product, packaging, handling etc. However measuring the quality in intangible is a different one. As services are intangible so they are very difficult to measure. Services have a lot of intangible dimensions like communication, credibility, security, competence, reliability, responsiveness which are qualitative by nature and their value

is subjective. Service quality is an abstract and elusive construct because of 4 unique features of services.

1. Intangibility
2. Heterogeneity
3. Inseparability
4. Perishability

Intangibility: - is considered to be a key characteristic of services and the most important difference between goods and services, from which all other differences emerge (Zeithaml et al., 1985). In comparison to goods that possess physical properties that can be tasted, touched, felt, and seen prior to the consumer's purchase decision, services lack such properties and so they cannot be sensed prior to the purchase. Services are performances rather than objects or things. Thus, they are intangible (Zeithaml et al, 1985).

Heterogeneity: - reflects the potential for high variability in the output of services (Zeithaml et al., 1985). This is particularly problematic when the service is labor-intensive as its performance and quality vary depending on the producer. Moreover, different quality can be delivered by the same producer depending on the customer, the time and some other factors (Zeithaml et al., 1985). The potential for high variability in service quality emphasizes the need for careful selection, training, and rewarding of staff in service organizations in order to increase consistency and reliability. Evaluation systems should be developed that allow customers to report on their experiences with staff (Zeithaml et al., 1985).

Inseparability: - involves the simultaneous production and consumption which characterizes most services. While goods are first produced, then sold and finally consumed, services are often sold, produced and consumed simultaneously (Zeithaml et al., 1985). Also, the service provider is involved in the production process and plays a very important role for the satisfaction of the customer. This notion of the inseparability of production and consumption promoted the idea of relationship

marketing in services as managing the interaction between the customer and the provider is very important for effective marketing.

Perishability: - means that services cannot be inventoried and saved for use in the future (Zeithaml et al., 1985). If a service is not used when available, then the service capacity is lost. Sometimes demand exceeds maximum available supply or demand exceeds optimum supply level. Some of the possible strategies to match supply and demand include different pricing according to the peak period, developing non-peak demand, developing reservation systems and complementary services, utilizing part-time employees or third-parties, sharing capacity, preparing in advance for expansion, etc. (Zeithaml et al., 1985).

According to (Reid and Sanders, 2010), there is no sole definition for quality. For some quality is Performance to standards while for others it is meeting or satisfying the customer's needs. The Quality of a product or service is the fitness of that product or service for meeting or exceeding its intended use as required by the customer (Anil Kumar and Suresh, 2009). Ram Naresh Roy defined quality as the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.

The definition of quality depends on the point of view of the people defining it. Most consumers have a difficult time defining quality, but they know it when they see it. Some definitions of Quality according to Reid and Sanders:

Conformance to specifications: How well a product or service meets the targets and tolerances determined by its designers

Fitness for use: A definition of quality that evaluates how well the product performs for its intended use.

Value for price paid: Quality defined in terms of product or service usefulness for the price paid.

Support services: Quality defined in terms of the support provided after the product or service is purchased.

Psychological criteria: a way of defining quality that focuses on judgmental evaluations of what constitutes product or service excellence.

The most extensive research in to service quality is strongly user oriented. Zeithmal and Berry (1990) cited in Lovelock and Wirtz (2004) identified criteria consumers use in evaluating service quality. In subsequent research, they found a high degree of correlation among several of these variables and so consolidated them into five broad dimensions.

- 1. Tangibility:** the appearance of physical facilities, equipment, personnel and communication materials. The customer perceives that all the tangible aspects of the service are fit for the task and is customer friendly.
- 2. Reliability:** the ability to perform the promised service dependably and accurately.
- 3. Responsiveness:** the willingness to help customers and provide prompt service. The customer's perception with regard to the service provider responds quickly and accurately to his or her specific needs and demand.
- 4. Security:** It is the freedom from danger, risk or doubt
- 5. Empathy:** providing caring and individualized attention for customers to make them feel they are receiving caring services and individualized attention.

2.3 Measuring Service Quality

Service providers must understand two attributes of service quality. Firstly, the quality is defined by the customer and not by the product seller. Secondly, customers evaluate service quality by comparing their expectations to their perception of how the service is performed. In this process, there is no guarantee that expectations will be reasonable, nor there is any assurance that a customer's perception of performance will be based on more than a single experience. However to deliver better quality services to the customers, it is required that services must be standardized and for standardizing the quality of a service, the delivery of the service must be substituted with machines wherever possible.

Measuring service quality in the service sector particularly in the banking sector is more difficult than measuring the quality of manufactured goods. The service sector as a whole is very heterogeneous and what is heterogeneous may hold true for one service and may not hold for another service sector.

The concept of customer satisfaction and service quality is interrelated with each other. Moreover satisfaction of customer depends upon service quality and service quality is increasingly offered as a strategy by marketers to position themselves more effectively in the market place (Cronin and Taylor 2004). Due to the era of e-banking quality of service has been improved a lot as compare to traditional banking services. Internet banking, Mobile banking, automated teller machine, electronic fund transfer has totally changed the way of providing services by the banks. However some banks like in private sector are providing it in a very efficient way while others are making efforts to adopt it.

2.4 Customer Satisfaction

Satisfaction is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under or over-fulfillment (Oliver 2010). Zeithaml and Bitner (2000) defined customer satisfaction as the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations.

Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is also defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products or its services (ratings) exceeds specified satisfaction goals.

2.5 Satisfaction Formation

The disconfirmation theory emerges as the primary foundation for satisfaction models. According to this theory, satisfaction is determined by the discrepancy between perceived performance and cognitive standards such as expectation and desires. Customer expectation can be defined as customer's pre-trial beliefs about a product. Expectations are viewed as predictions made by consumers about what is likely to happen during impending transaction or exchange (Zeithaml and Berry, 1988). Perceived performance is defined as customer's perception of how product performance fulfills their needs, wants and desire. Perceived quality is the consumer's judgment about an entity's overall excellence or superiority (Zeithaml, 1988).

Disconfirmation is defined as consumer subjective judgments resulting from comparing their expectations and their perceptions of performance received.

Oliver (2010) described the process by which satisfaction judgments are reached in the expectancy-disconfirmation framework. Buyers form expectations of the specific product or service before purchase and perceived quality level which is influenced by expectations.

2.6 Measuring Customer Satisfaction

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

Most researchers found that service quality is the antecedent of customer satisfaction (Parasuraman et al., 1988). Quality customer service and satisfaction are recognized as the most important factors for bank customer acquisition and retention. Service quality is considered as one of the critical success factors that influence the competitiveness of an organization. A bank can differentiate itself from competitors by providing high quality service. Service quality is one of the most attractive areas for researchers over the last decade in the retail banking sector (Johnston, 1997).

Zeithaml et al (2000) developed SERVQUAL for measuring e- service quality. They identified 11 dimensions: access, ease of navigation, efficiency, flexibility, reliability, personalization, security/privacy, responsiveness, assurance/trust, site aesthetics, and price knowledge.

Extensive study on service quality conducted by researchers have proposed that service quality can be measured using the SERVQUAL instrument (Parasuraman, Berry & Zeithaml 1985, 1988). The attributes of initial SERVQUAL model were tangibles, reliability, responsiveness,

competency, courtesy, assurance, credibility, security, access, and understanding. Later these ten dimensions are reduced into five by using a factor analysis (Parasuraman et al, 1988). These five dimensions are tangibles, reliability, responsiveness, assurance and Empathy. The SERVQUAL instrument provides the computed disconfirmation approach whereby the difference between a customer's expectation and the actual performance is calculated

2.7 Service Quality versus Customer Satisfaction

Due to the dynamic nature of expectation, evaluations change over time from person to person and from culture to culture. What is considered quality service or the things that satisfy customers today may be different tomorrow. Customers perceive services in terms of the quality of the service and how satisfied they are overall with their experiences. (Zeithaml and Bitner, 2013). The reason for the focus on quality of service and customer satisfaction is the belief that organizations can differentiate themselves by means of providing better service quality and overall customer satisfaction.

2.8 Empirical Literature Review

Some related studies are conducted by different researchers in different parts of the world. However, there are limited numbers of studies conducted in Ethiopia on e-banking technology. Specifically (Gardachew, 2010) conducted a research on the opportunities and challenges of e-banking in Ethiopia. The study was focused on analyzing the status of electronic banking in Ethiopia and investigates the main challenges and opportunities of implementing e-banking system. The author conducted a survey on the existing operating style of banks and identifies some challenges of using e-banking system, such as, lack of suitable legal and regulatory frameworks for e-commerce and e- payments, political instability in neighboring countries, high rates of illiteracy and absence of financial networks that links different banks.

The study of (Bultum, 2014) aims to identify factors that affect adoption of e-banking in the Ethiopian banking industry. The study was conducted based on the data gathered from four banks in Ethiopia; three private banks (Dashen Bank, Zemen Bank and Wegagen Bank) and one state owned bank (Commercial Bank of Ethiopia). A mixed research approach was used to answer the research questions that emerge through the review of existing literature and the experiences of the researcher in respect of the e-banking system in Ethiopia. The study statistically analyzes data obtained from the survey questionnaire. A research framework developed based on technology-organization environment model (TOE) developed by

Tornatzky and Fleischer. The result of the study indicated that, the major barriers Ethiopian banking industry faces in the adoption of electronic banking are: security risk, lack of trust, lack of legal and regulatory frame work, lack of ICT infrastructure and absence of competition between local and foreign banks. The study suggests a series of measures which could be taken by the banking industry and by government to address various challenges identified. These measures include establishing a clear set of legal framework on the use of technology in banking industry, supporting banking industry by investing on ICT infrastructure and banks needs to be focused on technological innovation competition rather than traditional bases of retail bank competition.

Rahel (2015) cited the study undertaken by Senait (2007) on prospects and challenges of E-banking, focused on prospects and challenges of E-banking in Ethiopia from the banks perspective and aims to gain a deep understanding of the factors influencing the adoption of E-banking by banks operating in Ethiopia. She used a model of perceived influential factors and tested using questionnaire and a sample drawn from Ethiopian banks“ officials who believed to have exposure to the subject matter. In her study she mentioned determinant factors of E-banking in Ethiopia include technological and infrastructural requirement, customers“ attitude, capacity of existing banks, capacity of regulatory and supervisory organs in relation to authorization and security and risk management capacity of banks. She also revealed benefits of E-banking which includes reduction of transaction cost, perfect information about customer, increased profitability, variety of products enhancing cross selling, customer loyalty and wider geographical reach. And the risks involved includes strategic risk, compliance risk, and total reliability risk. Thus she concluded the factors tested for the risks involved towards E-banking and the determinant factors of E-banking are found to be effective and recognized as the challenges of e-banking for its successful adoption in Ethiopian market.

Milion (2013) conducted a study on the impact of e-banking on customer satisfaction in two privet banks in Gondar city. The researcher employed descriptive and inferential statistics in analyzing this study and it was limited to customers of two privet banks only. The results of the study implied that majority of users of e-banking are the young, the educated, salaried and students, business men and women are not actively using the service of e-banking, e-banking currently provided for saving and current accounts holders only, e- banking reduced frequency of bank hall for banking service, reduced waiting time for customers, there are customers who don“t know the fee charged for being e-banking users , the bank customers satisfaction

increased after being e-banking users, enabled customers to control their account movements and there is high opportunity to expand e-banking service in the city.

A study conducted towards effective implementation of E-banking in Nigeria by (Pedro 2012), focused on issues of E-banking as well as strategies that may help to strengthen customer-bank relations for a better public service delivery and to close the design-reality gaps and thus improve E-banking project success rate in Nigeria. The study concluded, for an effective E-banking, the strategic response should be built on institutional, technological, data systems' awareness and commitment, human legislative and leadership. The design-reality gap challenge associated with E-banking initiatives, western E-banking models and systems should be addressed by customizing the match between Nigerian reality and the design. Thus it will certainly reduce the failure rate and increase the success of E-banking initiatives.

The study of (AlaEddin & Hasan, 2011) on e-banking functionality and outcomes of customer satisfaction in Jordanian commercial banks, it aims to explore the adoption of e-banking functionality and investigates the impact of e-banking on the outcomes of customer satisfaction. A purposive sampling technique was employed to recruit 179 customers representing the desired range of demographic characteristics (e.g. gender, age, and computer use), previous internet experience levels and product-related knowledge. The research showed that adoption of e-banking (accessibility, convenience, security, privacy, content, design, speed, fees and charges) had a positive effect on Jordanian Commercial Bank customers' satisfaction

Jannatul (2009) in his study of e-banking & customer satisfaction which focus on understanding the impact of variables of e-banking, on customer satisfaction in Bangladesh, five service quality dimensions namely reliability, responsiveness, assurance, empathy, and tangibles are established based on the SERVQUAL model and the literature review. These variables are tested in e-banking to explore the relationship between service quality and the customer satisfaction. Data were gathered through survey interview by a structured questionnaire with 250 customers. The study shows that these factors are the core service quality dimensions for customer satisfaction in e-banking. It also explores that reliability, responsiveness, and assurance have more contribution to satisfy the customers of e-banking in Bangladesh.

As Online (Internet) Banking is a recent development for the Ethiopian Banking industry, most of the research works conducted in this area focus on evaluating the challenges and opportunities of adopting E-banking in Ethiopia (Gardachew, 2010). Even if there are some researches were conducted on assessing the Impact of E-banking service quality on Customers Satisfaction, (Sentayehu, 2015, Gradachew, 2010, Milion 2013, Bultuma, 2013), these researches were done at the very earlier stage that some Banks started rendering the service and it was a new product to the customers. Since then some banks“ have gone through various technological advancements and the customers“ expectation and demand on quality of service is increasing from time to time. So this research is expected to address this time gap and give special focus on Online (Internet) Banking Service Quality and its impact on Customers Satisfaction rather than aggregating all E-banking services together

2.9 Conceptual framework

Service quality is one of the important attributes of service providers as they regard measuring the service quality from consumers“ perspective as a top priority construct. Service quality is an indispensable factor for customer satisfaction, cost reduction, customer loyalty, customer relationship and retention, profitability and so on. Many have suggested that quality results from a comparison of perceived performance with expected performance based on the so-called “disconfirmation theory”. Indeed, this notion was the basis for the SERVQUAL model, which views service quality as the gap between the expected level of service and customer perceptions of the level received. Berry, Parasuraman and Zeithaml (1988) are the creators of this instrument that is used to measure the customer perceptions of service quality (Islam, 2012). Therefore, the evaluation of service quality results from comparing the perception about received services with prior expectations.

The conceptual frameworks are presented here below in Figure 1 adopted from Lim, Tang and Jackson (1999) and Figure 2 adopted from Qadri UA (2015). Based on these frameworks, the researcher tried to see the relationship between Service Quality dimensions, Customer“s Satisfaction and the gap between Customer“s Perception and Expectation on Online Banking Service Quality. The relevant hypotheses are formulated as follows.

Hypotheses regarding the relationship between customer satisfaction and service quality dimensions

- H1: Reliability dimension has significant impact on Customer Satisfaction.
- H2: Responsiveness dimension has significant impact on Customer Satisfaction.
- H3: Security dimension has significant impact on Customer Satisfaction.
- H4: Empathy dimension has significant impact on Customer Satisfaction
- H5: Tangibility dimension has significant impact on Customer Satisfaction

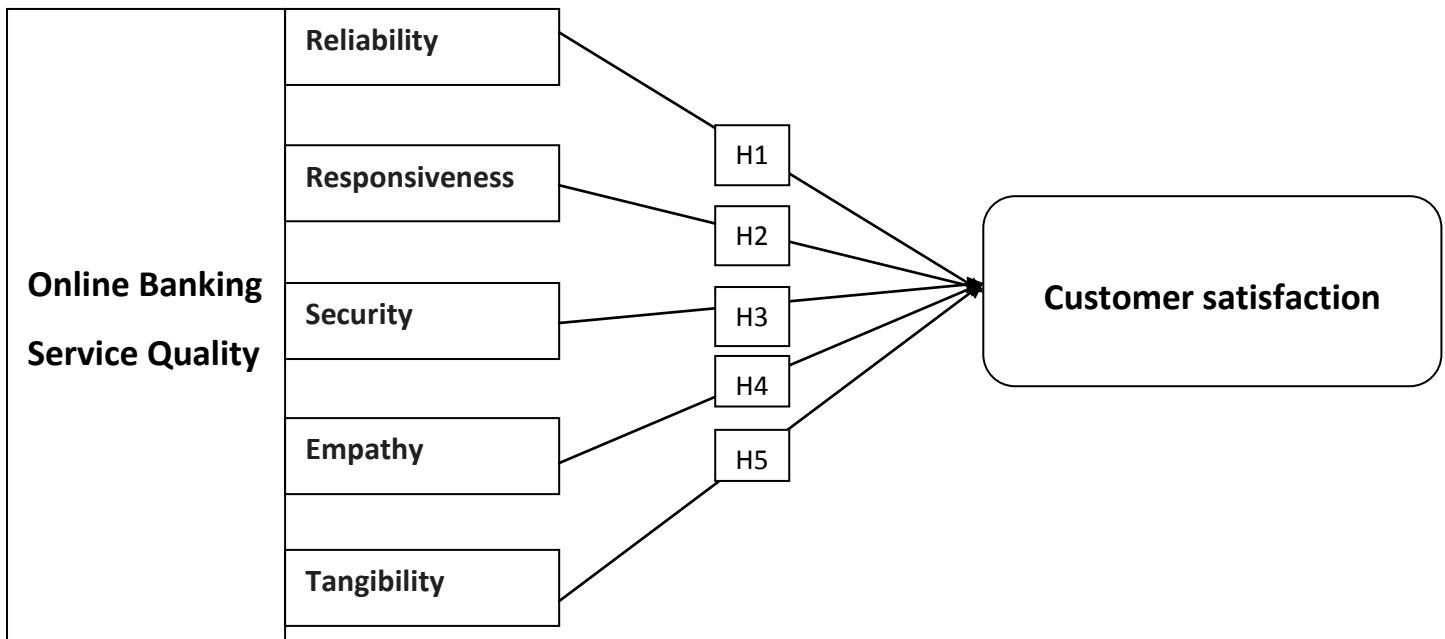


Figure 2.1: Conceptual Framework: Measuring Impact of Online Banking Service Quality dimensions on Customer's Satisfaction

Source: Adopted from Tang and Jackson (1999)

- 1. Tangibility:** the appearance of physical facilities, equipment, personnel and communication materials. The customer perceives that all the tangible aspects of the service are fit for the task and is customer friendly.
- 2. Reliability:** the ability to perform the promised service dependably and accurately.
- 3. Responsiveness:** the willingness to help customers and provide prompt service. The customer's perception with regard to the service provider responds quickly and accurately to his or her specific needs and demand.
- 4. Security:** It is the freedom from danger, risk or doubt
- 5. Empathy:** providing caring and individualized attention for customers to make them feel they are receiving caring services and individualized attention

Hypotheses regarding the gap between customer perception and expectation

- H1: There is significant difference between United Bank Customer's Perception and Expectation of Reliability dimension
- H2: There is significant difference between United Bank Customer's Perception and Expectation of Responsiveness dimension
- H3: There is significant difference between United Bank Customer's Perception and Expectation of Security dimension
- H4: There is significant difference between United Bank Customer's Perception and Expectation of Empathy dimension
- H5: There is significant difference between United Bank Customer's Perception and Expectation of Tangibility dimension

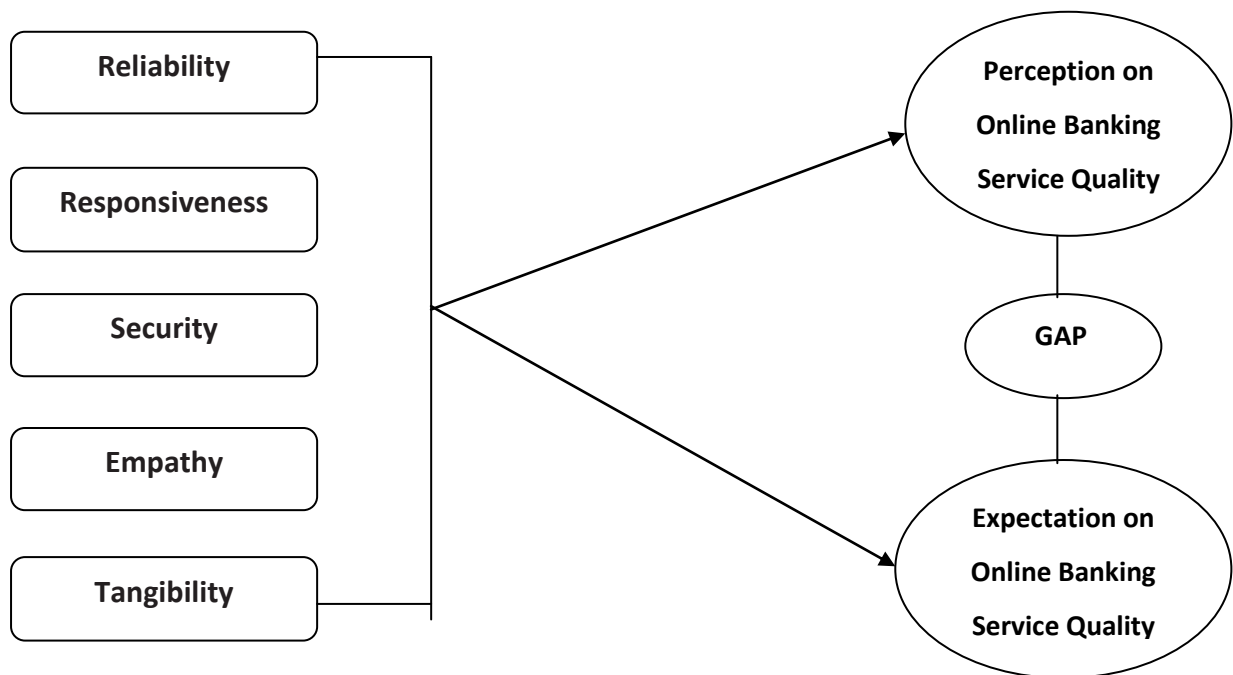


Figure 2.2: Conceptual Framework: Measuring Service Quality Expectation and Perception Using SERVQUAL: A Gap Analysis

Source: Adopted from Qadri UA (2015)

Chapter Three

3. Research Methodology

This chapter presents details of the research design and methodology. This includes research design, data type and source, sampling method and size, procedure for data collection, method of data collection and data analysis, questionnaire design and reliability.

3.1 Research Design

The research is quantitative and data was collected on the service quality dimensions using SERVQUAL model. Explanatory study is used to explain the relationship between the independent variables (service quality dimensions) and the dependent variable (customer satisfaction). The questionnaire was designed in a five scale likert measurement. A 21 item measure was used to indicate the customer's degree of agreement for the 21 customers expectation and perception statements, based on their assessments of the service provided by the bank adopted from SERVQUAL model. The variables are measured using Likert scale with five response categories (strongly agree, agree, neutral, disagree and strongly disagree). The Likert scale method was referred to make the questions interesting to the respondents and to insure maximum response rate. Customer satisfaction was measured with one scale adopted from Lovelock and Wright (1999) with response ranging from „very satisfied“ to „very dissatisfied“

3.2 Data Type and Source

The study based on primary sources of data. Primary data was collected using self administered questionnaires. And the questionnaires are distributed to customers of selected branches of United Bank S.C. located in Addis Ababa.

3.3 Sampling Method and Size

The main focus of this study is to evaluate the Online Banking service quality provided by United Bank S.C. and its impact on Customer Satisfaction using SERVQUAL Model.

Purposive (convenience) sampling method is used to conduct this study. The target population for the study is customers of United Bank S.C. who are registered and actively using Online Banking services.

For selecting the sample size, the following criteria were developed:

- From the 88 branches of the Bank located in Addis Ababa, 32 branches which have grade A and grade B status are selected. As per the bank's branch grading, the branch grading ranges from A to D based on the number of customers, deposit balance, loan balance, and the volume of transactions. As per this classification, grade A and B branches are those which have the highest number of corporate customers and have highest volume of transaction which the researcher consider it as more relevant group for this study.
- From the 32 selected branches, those customers who are registered and actively using the Bank's Online Banking service and have an average of five (5) Online Banking transactions per month during the past one year are selected as a sample group. The researcher has considered this group has a better knowledge and experience on the bank's Online Banking service quality as they are regular users of the service and their response will have a positive contribution for the research output.
- A total of 160 questionnaires were distributed to the selected 32 branch customers, who are active users and have a minimum of five Online Banking transactions per month and 142 workable questionnaires were collected and used for data analysis.

3.4 Method of Data Collection

160 questionnaires were distributed to the selected 32 branches Managers for further distribution to Online banking customers who are registered and actively using this product during the past one year. The filled in questioners were also collected from the respondents by their respective branch Managers and delivered to the researcher.

3.5 Method of Data Analysis

Both descriptive and inferential statistics were used to analyze and interpret the findings. Demographic variables of the respondents and mean scores of the service quality dimensions are interpreted using descriptive statistics where as inferential statistics is used to find out the relationship between service quality dimensions and customer satisfaction using correlation and regression analysis via SPSS Version 20.0

3.6 Questionnaire

The questionnaire is prepared in three parts. The first part of the questionnaire consists of issues related to the demographic data of the respondents. It included the age, gender, and educational background. The second part is concerned with the questions used to assess Online

Banking service quality of United Bank S.C. The research instrument designed is based on the five dimensions of service quality and the 21 service items of the SERVQUAL model developed by Zeithaml, 1985. The developed questionnaire includes five items which correspond to the reliability dimension, three items which correspond to the responsiveness dimension, four items to the security dimension, five items to empathy dimension and four items which correspond to the tangibility dimensions. Respondents were asked to indicate their degree of agreement with each of the items on five point likert scale.

The third part of the questionnaire measures the level of customer satisfaction using a five point Likert scale which ranges from „strongly agree“ to „strongly disagree.“

3.7 Reliability Test

The Cronbach alpha coefficient is an indicator of internal consistency of the scale. A high value of the Cronbach alpha coefficient suggests that the items that make up the scale „hang together“ and measure the same underlying construct. A value of Cronbach alpha above 0.70 can be used as a reasonable test of reliability. To meet the consistency reliability of instrument, the questionnaire was first distributed to 15 respondents and the Cronbach’s alpha for the independent variables (Tangibility, Reliability, Responsiveness, Empathy and Security) was found to be 0.91. Therefore the five dimensions of service quality were found to be high in their internal consistency and thereby in measuring the dimensions of interest.

Chapter Four

4. Data Presentation, Analysis and Interpretation

4.1 Introduction

In this chapter, the data collected has been analyzed and interpreted. The primary focus of this study is to assess the customers' perception toward quality of Online (Internet) banking services at United Bank S.C. The data collected is mainly based on respondents' expectations and perceptions of the various items under the SERVQUAL model. The first part of the questionnaire consists of demographic information of the respondents are presented in tables. The second part of the questionnaire presents the average score for each of the 21 expectation statements, and then the score for each of the 21 perception statements, which is used to calculate the gap score for each of the statements where the Gap Score = Perception – Expectation. The next part deals with importance ranking of the five dimensions of service quality. It is determined by obtaining the average score of a rating scale with a maximum of 5 point for each SERVQUAL dimension. The last section of the chapter deals about regression and correlation between service quality and customer satisfaction. In this analysis SPSS version 20.0 and excel spreadsheets are used to make the necessary calculations. A total of 160 questionnaires are distributed to potential respondents and 142 workable questionnaires are collected and analyzed.

4.2 Demographic Information of the Respondents

The study sought to establish the gender, age brackets, level of education, occupation, and year of customer relationship with the bank, types of deposit account and types of electronic banking services used by customers.

The study found that gender of the respondents was 62.7% males and 37.3% females respectively. This implies that both genders were involved in the study and thus the finding of the study did not suffer from gender bias.

The study requested the respondents to indicate their age category, the findings revealed that 9.9% of the respondents were aged below 25 years, 51.4% of the of the respondent indicated they were aged between 26 to 35 years, 36.6% of the respondents indicated were aged between 36 to 50 years, whereas the remaining 2.1% of the respondents indicated that they were aged above 50 years. This is an indication that respondents were well distributed in terms of their age bracket. The age bracket implies that the respondents were comprised of

heterogeneous groups; which in turn enabled the researcher to get varied responses across the sample units" fairly distributed. Hence, again the study did not suffer from age bias.

The study also requested the respondents to indicate their highest level of education and from the findings it was recognized that 17.6% of the respondent indicated their highest level as high school complete, 12.7% of the respondent indicated their highest level as college diploma, 40.8% of the respondent indicated their highest level as first degree, 26.1% of the respondent indicated their highest level as master"s degree and the remaining 2.8% of the respondents indicated their highest level of education as third degree. It is identified that most of the respondents included in the study had Bachelor"s Degree. The qualification matrix has shown that the respondents have knowhow with the subject matter addressed in this study. As far as occupation is concerned, the respondents were a mix of Employed (40.1%), Business person (24.6) and Students (35.2%) and there were no respondents from unemployed category in the sample respondents under consideration.

The researcher requested respondents to indicate the number of service years they have been customer relationship with United Bank S.C. The study revealed that 48.6% of the respondents had customer for a period above 5 years, 33.8% of the respondent indicated that they had customer for a period raging between 3 to 5 years, and the rest 17.6% of the respondents had served 1 to 3 years. This implies that majority of the respondents have ample knowledge and which in turn added recognized value for this study. The researcher requested respondents to indicate the type of deposit account currently using and the result revealed that 57.5% of respondents had used both current and saving account, 31.7% of respondent had used saving account, and remaining 10.8% of respondents had used checking (current) account.

Finally, the researcher requested respondents to indicate the type of electronic banking service currently use and the result revealed that 83.8% (119) of respondents have used ATM, 58.5 % (83) of respondent had used POS, 85.2% (121) of respondents have used mobile banking and the 97.9% (139) of respondents have used Online (Internet) banking.

All the respondents profile discussed briefly above is summarized and presented in the Table 4.1 as follows: -

Table 4.1 General profile of the respondents

	Frequency	Percent (%)
Gender		
Male	89	62.7
Female	53	37.3
Age		
Below 25 Years	14	9.9
Between 26-35 years	73	51.4
Between 36-50 years	52	36.6
Above 50 Years	3	2.1
Educational Qualification		
High school graduate	25	17.6
Collage Diploma	18	12.7
BA/BSC Degree	58	40.8
Masters Degree	37	26.1
PhD	4	2.8
Occupational Status		
Employed	57	40.1
Student	50	35.2
Business Man/Woman	35	24.6
Unemployed	-	-
Year of Customer		
Above 5 years	69	48.6
3-5 years	48	33.8
1-3 years	25	17.6
Less than 1 years	-	-
Deposit Account		
Checking (Current) Account	26	10.8
Saving Account	76	31.7
Both C/A and S/A	138	57.5
Electronic Banking Service		
ATM	119	83.8
POS	83	58.5
Mobile Banking	121	85.2
Online (Internet) Banking	139	97.9

Source: Questionnaires and SPSS output (2016)

4.3 Reliability Coefficient Discussion

The internal consistency of the modified SERVQUAL items was assessed by computing the total reliability scale. The total reliability scale for the study is 0.91, this value is substantial considering the fact that the highest reliability that can be obtained is 1.0 and this is an indication that the items of the five dimensions of SERVQUAL model are accepted for analysis. The reliability coefficient for each dimension is depicted here below:

Table 4.2: Reliability Coefficient (Cronbach's alpha)

	Number of Items	Cronbach's Alpha if Dimensions Deleted		Cronbach's Alpha if Item Deleted		Item
		Expectation	Perception	Expectation	Perception	
Reliability	5	.788	.748	.909	.908	REL1
				.909	.904	REL2
				.907	.909	REL3
				.909	.903	REL4
				.908	.907	REL5
Responsiveness	3	.782	.732	.907	.905	RES6
				.908	.903	RES7
				.908	.905	RES8
Security	4	.780	.774	.907	.905	SEC9
				.907	.904	SEC10
				.907	.905	SEC11
				.907	.908	SEC12
Empathy	5	.775	.757	.907	.908	EMP13
				.908	.906	EMP14
				.908	.907	EMP15
				.909	.903	EMP16
				.908	.906	EMP17
Tangibility	4	.783	.747	.907	.908	TAN18
				.908	.907	TAN19
				.908	.907	TAN20
				.910	.905	TAN21

Source: Questionnaires and SPSS output (2016)

Table 4.2 above shows the reliability scale for all five dimensions and also, the reliability scale for each dimension calculated when each item is deleted from the dimension in order to see if the deleted item is genuine or not. In case Cronbach's alpha for a dimension increases when an item is deleted it shows that item is not genuine in that dimension, here the deleted Cronbach's Alpha (α) is less than the overall Cronbach's Alpha (α). To measure the consistency of the Questionnaires, the reliability analysis was done using Cronbach's Alpha (α), the most common measure of scale reliability test. As indicated above in Table 2 above the value for Cronbach's Alpha (α) for all variables which exceed 0.70 the accepted value for Cronbach's Alpha (α) (Field, 2009), meaning these dimensions comprising of various items

show a true measure of service quality or in other words in short, the responses generated for all of the variables used in this research was reliable enough for data analysis.

4.4 Descriptive Statistics of SERVQUAL Dimensions of United Bank S.C

Parasuraman (1988) proposed that customers' perception of service quality is based on the comparison of the expectation of customers (what they feel service providers should offer) with their perceptions of the performance of the service provider. In this paper the gap score analysis enables to find out how consumers perceive Online (Internet) banking service quality in United Bank S.C and helps to identify which dimensions of service quality they are satisfied with. According to Parasuraman et al., (1985) the higher (more positive) the perception (P) minus expectation (E) score, the higher the perceived service quality and thereby leading to a higher level of customer satisfaction. In this regard, the gap scores are calculated based on the difference between the consumers' perceptions and expectations of services offered by United Bank S.C. For each dimension, the SERVQUAL scale provides a score for customer expectations (E) and a score for customer perceptions (P) of service quality. The differences between the two scores on each dimension are called gap scores. The key to optimizing service quality is to maximize these gap scores.

4.4.1 Reliability Dimension

Reliability dimension of a corporate entity is the ability to perform the promised service dependably and accurately, in this study, the researcher deals with the promise of executing a task, solving customer's problems and taking sincere interest in the problems solving and others. Reliability service quality gap score analysis is depicted here below:

Table 4.3: Service Reliability Dimension

Perception Evaluation Statement	Perception Mean	Perception Std. Deviation	Expectation Evaluation Statement	Expectation Mean	Expectation Std. Deviation	Service quality Gap score
Online (Internet) Banking performs the service right at first time.	3.049	1.2623	Online (Internet) Banking should perform the service right at first time.	4.437	0.646	-1.387
Online (Internet) Banking delivers the service exactly as promised.	3.014	0.9147	Online (Internet) Banking should deliver the service exactly as promised.	4.585	0.495	-1.570
Online (Internet) Banking service provides information that exactly fit your needs.	2.852	1.0242	Online (Internet) Banking service should provide information that exactly fit your needs.	4.585	0.536	-1.732
Online (Internet) Banking service completes a task accurately.	2.711	0.9935	Online (Internet) Banking service should complete a task accurately.	4.570	0.497	-1.859
I can trust Online (Internet) Banking service of United Bank	2.859	1.1945	Online (Internet) Banking service should be trustworthy	4.613	0.594	-1.754
Average Perception	2.901	0.8105	Average Expectation	4.620	0.487	-1.718
Average gap score of Reliability Dimension						-1.661

Source: Questionnaires and SPSS output (2016)

Reliability is the ability to perform the promised service dependably, accurately and consistently (Hinson, 2006). This means that the firm performs the service right the first time. It also means that the firm honors its promises. Reliability of service designates the bank's capability to deliver the promised service at the very beginning. The customers showed overall expectations in this dimension at a mean of 4.620. Their perceptions showed a mean of 2.901. It can be concluded from the results obtained that, customers of United Bank S.C do not think that their overall expectations are fulfilled with this dimension. In other words, the reliability dimension has an overall gap score of -1.661 which indicates that the bank fails to meet customer's expectation on this dimension.

Therefore, Service delivery was unsatisfactory to the customers in terms of service quality dimension on reliability. This finding is in total agreement with Hussar (2000) who stated that the increasing rate of technology growth, has affected the expectations of customers from their service providers thereby affecting service quality.

4.4.2 Responsiveness Dimension

Responsiveness dimension of a corporate entity is the willingness to help customers and provide prompt service. The customer's perception with regard to the service provider responds quickly and accurately to his or her specific needs and demand. Responsiveness service quality gap score analysis is depicted here below:

Table 4.4: Service Responsiveness Dimension

Perception Evaluation Statement	Perception Mean	Perception Std. Deviation	Expectation Evaluation Statement	Expectation Mean	Expectation Std. Deviation	Service quality Gap score
Online (Internet) banking service is prompt in responding to your inquires/requests.	2.83	.915	Online (Internet) Banking service should be prompt in responding to your inquires/requests.	4.61	.630	-1.770
The Bank has knowledgeable staffs to solve Online (Internet) Banking service problems.	2.74	.950	The Bank should have knowledgeable staffs to solve Online (Internet) Banking service problems.	4.63	.526	-1.890
Online customer support is fast.	2.65	1.032	Online customer support should be fast.	4.74	.515	-2.080
Average Perception	2.65	.827	Average Expectation	4.70	.476	-2.05
Average gap score of Responsiveness dimension						-1.913

Source: Questionnaires and SPSS output (2016)

Johnston (1997) describes responsiveness as the speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service to respond promptly to customer service requests, with minimal waiting and queuing time. Fitzsimmons (2001) argues that when the customer is kept waiting for no apparent reason creates unnecessary negative perceptions of quality. Conversely, the ability for the bank to recover quickly when service fails and exhibit professionalism will also create very positive perceptions of quality.

This dimension touched on subjects as information about the request by customers being responded promptly, knowledgeable staffs to solve Online (Internet) Banking service problems and fast online customer support. Findings from the study indicated that, United Bank S.C customers showed overall expectations in this dimension at a mean of 4.700 while their perceptions showed a mean of 2.650. Again, the results indicated that, United Bank S.C customers do not think that their overall expectations are fulfilled within this dimension. In other words, the responsiveness dimension has an overall gap score of -1.913 which indicates that the bank fails to meet customer's expectation on this dimension.

4.4.3 Security Dimension

Generally, security concept refers to the capability of protecting from possible fears. But in Internet Banking it means the capability of the online firm to protect the information and transaction of the consumer from being stolen (hacked). Apparent controls of the security show that up to what extent the website of the businesses is able to protect from possible threats and is thought to be secure (Hua, 2009).

Table 4.5: Service Security Dimension

Perception Evaluation Statement	Perception Mean	Perception Std. Deviation	Expectation Evaluation Statement	Expectation Mean	Expectation Std. Deviation	Service quality Gap score
Online (Internet) banking service keeps accurate records of my account transaction.	2.97	1.024	Online (Internet) Banking service should keep accurate records of my transactions.	4.65	.818	-1.68
Online (Internet) banking service provides security for my transaction data and privacy.	2.73	1.123	Online (Internet) Banking service should provide security for my transaction data and privacy.	4.73	.504	-2
Online (Internet) Banking service site is safe.	2.81	.914	Online (Internet) banking service site should be safe.	4.71	.602	-1.9
The overall Online Banking system is secured.	3.04	.882	The overall Online Banking system should be secured.	4.74	.555	-1.7
Average Perception	3.03	.780	Average Perception	4.63	.527	-1.60
Average gap score of Security Dimension						-1.820

Source: Questionnaires and SPSS output (2016)

The customers show overall expectations in this dimension at a mean of 4.630 while their perceptions showed 3.03 mean. The result obtained designates that, customers of United Bank S.C do not think their overall expectations are fulfilled within this dimension. In other words, the security dimension has an overall gap score of -1.820 which indicates that the bank fails to meet customer's expectation on security dimension.

4.4.4 Empathy Dimension

Empathy entails caring and provision of individualized attention to customers by personnel of the firm (Zeithaml et al., 2006). In this respect, the customer feels unique and special. The caring individualized attention that the firm provides its customers including accessibility, communication and understanding the customer. Service empathy characterizes both the service provider willingness and capability to respond to individual customer desires. In his study, (Zaim, 2010) find out that tangibility, reliability and empathy are important factors for customer satisfaction. Empathy service quality gap score analysis is depicted here below:

Table 4.6: Service Empathy Dimension

Perception Evaluation Statement	Perception Mean	Perception Std. Deviation	Expectation Evaluation Statement	Expectation Mean	Expectation Std. Deviation	Service quality Gap score
Employees in the Bank are not too busy to respond to your request.	3.13	1.026	Employees in the Bank should not be too busy to respond to your request.	4.50	.897	-1.37
The employees of the Bank understand your specific needs.	3.06	.969	The employees of the Bank should understand your specific needs.	4.64	.634	-1.58
When you have a problem, the Bank shows a sincere interest in solving it.	2.99	.982	When you have a problem, the Bank should show a sincere interest in solving it.	4.74	.528	-1.75
Employees in the Bank are always willing to help you.	2.85	.967	Employees in the Bank should always be willing to help you.	4.73	.490	-1.88
Online Banking service is available 24/7	2.81	.914	Online Banking service should be available 24/7	4.61	.742	-1.8
Average Perception	2.97	.780	Average Expectation	4.66	.518	-1.69
Average gap score of Empathy Dimension						-1.676

Source: Questionnaires and SPSS output (2016)

The customers show overall expectations in this dimension at a mean of 4.660 while their perceptions showed 2.970 mean. The result obtained designates that, customers of United Bank S.C do not think their overall expectations are fulfilled within this dimension. In other words, the empathy dimension has an overall gap score of -1.676 which indicates that the bank fails to meet customer's expectation on empathy dimension.

4.4.5 Tangibility Dimension

Tangibles are about physical facilities, equipment, personnel and communication materials of a service delivery organization. Grönroos, (2007) mentioned that service quality can be divided into two parts, functional quality and technical quality. Tangibles can be connected to the functional quality (Grönroos, 2007). Tangible service quality gap score analysis is depicted here below:

Table 4.7: Service Tangibility Dimension

Perception Evaluation Statement	Perception Mean	Perception Std. Deviation	Expectation Evaluation Statement	Expectation Mean	Expectation Std. Deviation	Service quality Gap score
The Bank's physical features are visually appealing.	2.81	1.110	The Bank's physical features should be visually appealing.	4.44	.919	-1.63
The Bank has modern looking equipment.	3.11	1.122	The Bank should have modern looking equipment.	4.66	.594	-1.56
Employees in the Bank are neat in their appearance.	2.85	1.136	Employees in the Bank should be neat in their appearance.	4.60	.725	-1.75
Materials associated with the services are visually appealing.	2.80	1.053	Materials associated with the services should be visually appealing.	4.47	.897	-1.67
Average Perception	3.03	.780	Average Perception	4.63	.527	-1.60
Average gap score of Tangibility Dimension						-1.653

Source: Questionnaires and SPSS output (2016)

Customers of United Bank S.C showed overall expectations in this dimension is at a mean of 4.63 and their perception about this dimension also showed a mean of 3.03. This depicts that, the customers do not think that United Bank S.C fulfills their expectations about use of modern looking equipment and good looking appearance of the employees. In other words, the tangibility dimension has an overall gap score of -1.653 which indicates that the bank fails to meet customer's expectation on tangibility dimension.

In general, customers are not satisfied with any dimension of service quality. All the dimensions show a gap between expectations and perceptions of service delivery and this therefore means that United Bank S.C need to make improvements in all dimensions in order to close gaps that could lead to increased customer satisfaction.

4.5 Hypothesis Testing of Customer's Expectation and Perception on Service Quality (Paired Sample T-Test)

4.5.1 Reliability Dimension

There is significant difference between United Bank S.C customers' expectations and perceptions of the reliability dimension. Thus, H0 and H1 hypotheses are set as follows:

- H0: There is no significant difference between United Bank customers' expectations and perceptions of the reliability dimension.

- H1: There are significant differences between United Bank customers' expectations and perceptions of the reliability dimension.

To test first sub-hypothesis, paired-samples T-Test was used. As can be seen in Table 4.8, the calculated significance level is almost zero is less than 0.05 of error level. Thus hypothesis H0 is rejected and hypothesis H1 is verified. So we can say with 95% confidence that there are significant differences between United Bank S.C. customers' expectations and perceptions of the reliability dimension.

Table 4.8: Paired Samples Test for first Sub-hypothesis testing

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval				
					Lower	Upper			
Pair 1	Reliability (Expectation) - Reliability (Perception)	1.718	.902	.076	1.569	1.868	22.699	141	.000

Source: Questionnaires and SPSS output (2016)

4.5.2 Responsiveness Dimension

There are significant differences between United Bank S.C. customers' expectations and perceptions of the responsiveness dimension. Thus, H0 and H1 hypotheses are set as follows:

- H0: There is no significant difference between United Bank customers' expectations and perceptions of the responsiveness dimension.
- H1: There is significant difference between United Bank customers' expectations and perceptions of the responsiveness dimension.

To test second sub-hypothesis, paired-samples T-Test was used. As can be seen in Table 4.9, the calculated significance level is almost zero is less than 0.05 of error level. Thus hypothesis H0 is rejected and hypothesis H1 is verified. So we can say with 95% confidence that there are significant differences between United Bank S.C customers' expectations and perceptions of the responsiveness dimension.

Table 4.9: Paired Samples Test for second Sub-hypothesis testing

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of				
					Lower	Upper			
Pair 2	Responsiveness (Expectation) - Responsiveness (Perception)	2.049	.910	.076	1.898	2.200	26.848	141	.000

Source: Questionnaires and SPSS output (2016)

4.5.3 Security Dimension

There are significant differences between UNB customers' expectations and perceptions of the security dimension. Thus, H0 and H1 hypotheses are set as follows:

- H0: There is no significant difference between United Bank customers' expectations and perceptions of the security dimension.-
- H1: There is significant difference between United Bank customers' expectations and perceptions of the security dimension.

To test third Sub-hypothesis, paired-samples T-Test was used. As can be seen in Table 4.10, the calculated significance level is almost zero is less than 0.05 of error level. Thus hypothesis H0 is rejected and hypothesis H1 is verified. So we can say with 95% confidence that there are significant differences between UNB customers' expectations and perceptions of the security dimension.

Table 4.10: Paired Samples Test for third Sub-hypothesis testing

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of				
					Lower	Upper			
Pair 3	Security (Expectation) - Security (Perception)	1.83802817	1.09568673	0.09194799	1.6562533	2.01980304	19.9898683	141	0.00

Source: Questionnaires and SPSS output (2016)

4.5.4 Empathy Dimension

There are significant differences between UNB customers' expectations and perceptions of the empathy dimension. Thus, H0 and H1 hypotheses are set as follows:

- H0: There is no significant difference between United Bank customers' expectations and perceptions of the empathy dimension.-

- H1: There is significant difference between United Bank customers' expectations and perceptions of the empathy dimension.

To test third Sub-hypothesis, paired-samples T-Test was used. As can be seen in Table 4.11, the calculated significance level is almost zero is less than 0.05 of error level. Thus hypothesis H0 is rejected and hypothesis H1 is verified. So we can say with 95% confidence that there are significant differences between United Bank S.C customers' expectations and perceptions of the empathy dimension.

Table 4.11: Paired Samples Test for fourth Sub-hypothesis testing

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of				
					Lower	Upper			
Pair 4	Empathy (Expectation)- Empathy (Perception)	1.690	.877	.074	1.545	1.836	22.974	141	.000

Source: Questionnaires and SPSS output (2016)

4.5.5 Tangibility Dimension

There are significant differences between United Bank customers' expectations and perceptions of the tangibility dimension. Thus, H0 and H1 hypotheses are set as follows:

- H0: There is no significant difference between United Bank S.C customers' expectations and perceptions of the tangibility dimension.
- H1: There is significant difference between United Bank customers' expectations and perceptions of the tangibility dimension.

To test third Sub-hypothesis, paired-samples T-Test was used. As can be seen in Table 4.12, the calculated significance level is almost zero is less than 0.05 of error level. Thus hypothesis H0 is rejected and hypothesis H1 is verified. So we can say with 95% confidence that there are significant differences between UNB customers' expectations and perceptions of the tangibility dimension.

Table 4.12: Paired Samples Test for fifth Sub-hypothesis testing

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of				
					Lower	Upper			
Pair 5	Tangibility (Expectation)- Tangibility (Expectation)	1.599	.859	.072	1.456	1.741	22.168	141	.000

Source: Questionnaires and SPSS output (2016)

4.6 Hypothesis Testing of Online Banking Service Quality on Customer Satisfaction

4.6.1 Diagnosis Tests

Before applying regression analysis to test impact of Online Banking service quality on customer satisfaction, some tests were conducted in order to ensure the appropriateness of data as follows

4.6.1.1 Multicollinearity Test

In this section the correlation between customer satisfaction on Online Banking and explanatory variables; Reliability, Responsiveness, Security, Empathy, and Tangibility have been presented and analyzed. A correlation matrix is used to ensure the correlation between explanatory variables.

Table 4.13: Correlation Matrix (Only Independent Variables)

		Reliability	Responsiveness	Security	Empathy	Tangibility
Reliability	Pearson Correlation	1				
	Sig. (2-tailed)					
Responsiveness	Pearson Correlation	.432**	1			
	Sig. (2-tailed)	.000				
Security	Pearson Correlation	.348**	.570**	1		
	Sig. (2-tailed)	.000	.000			
Empathy	Pearson Correlation	.373**	.464**	.545**	1	
	Sig. (2-tailed)	.000	.000	.000		
Tangibility	Pearson Correlation	.430**	.416**	.450**	.530**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	142	142	142	142	142

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

Source: Questionnaires and SPSS output (2016)

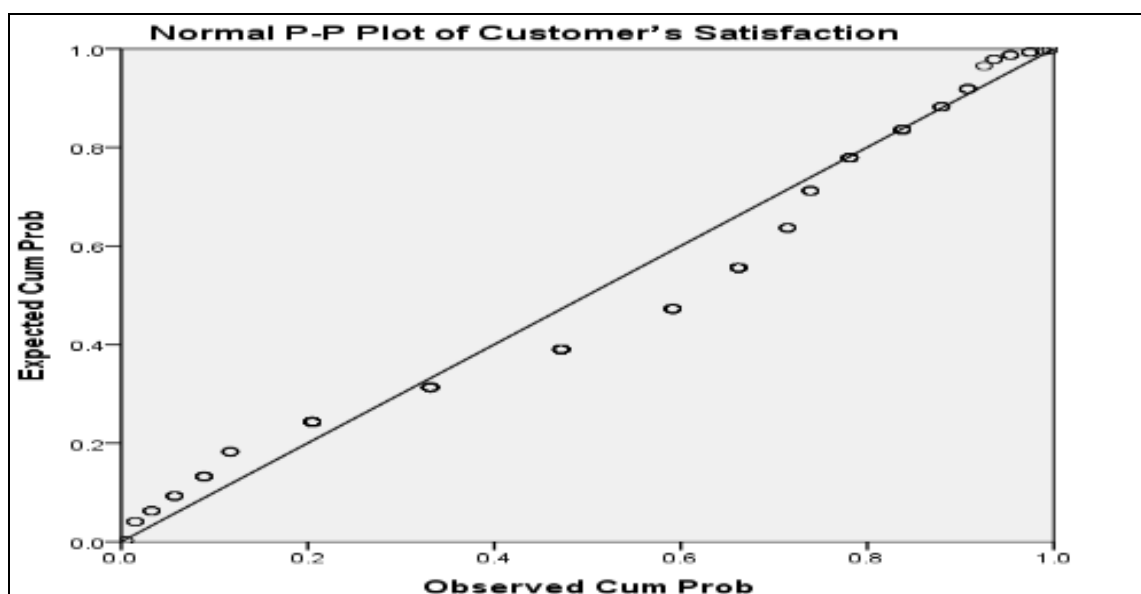
According to Lewis-Beck (1993) suggestion in order to find out the multicollinearity problem, the bivariate correlations among the independent variables should be examined and the existence of correlation of about 0.8 or larger indicates a problem of multicollinearity. Hair et al (2006) argued that correlation coefficient below 0.9 may not cause serious multicollinearity problem

The results in the above correlation matrix Table 13 shows that the highest correlation of 0.57 which is between responsiveness and security. Since there is no correlation above 0.8 according to Cooper and Schendlar (2009) it can be concluded in this study that there is no problem of multicollinearity, thus enhanced the reliability for regression analysis. Therefore, it can be concluded that in this study that there is no problem of multicollinearity or the results showed that the problem of multicollinearity did not exist between variables in the SERVQUAL model. Hence all the variables were retained for use in the estimations.

4.6.1.2 Linearity Test

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

Figure 4.1: Normal Point Plot of Standardized Residual



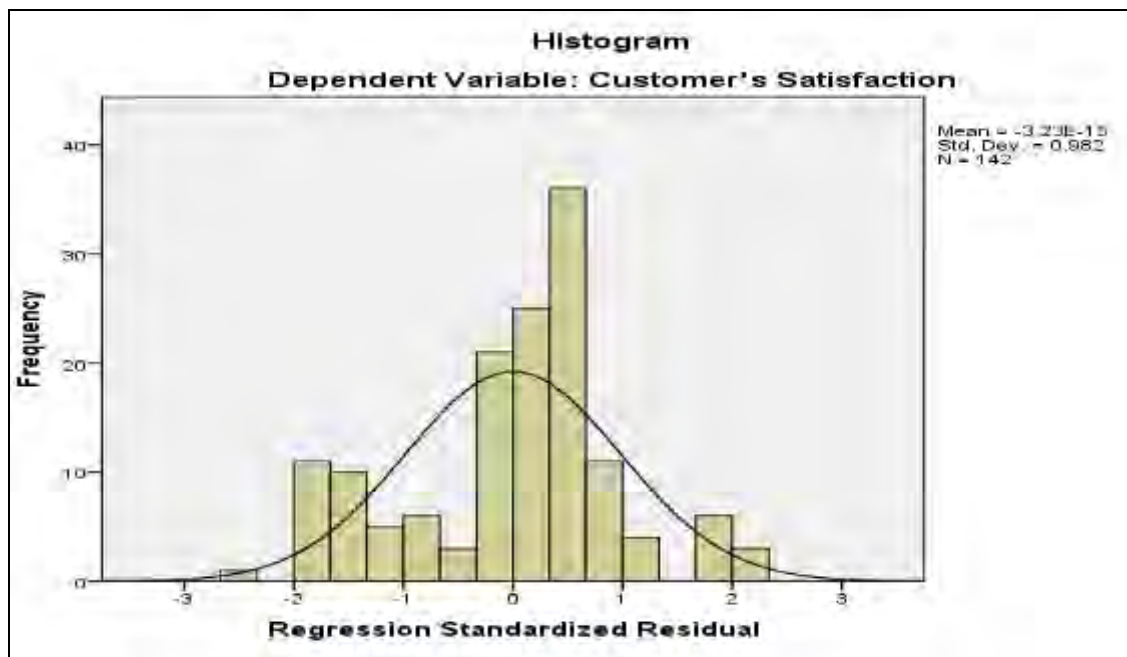
Source: Questionnaires and SPSS output (2016)

The scatter plot of residuals shows no large difference in the spread of the residuals as you look from left to right on Figure 3. This result suggests the relationship we are trying to predict is linear. Similarly, the above figure shows the normal distribution of residuals around its mean of zero. Hence the normality assumption is fulfilled as required based on the above figure, it is possible to conclude that the inferences that the researcher will make about the population parameter from the sample is somewhat valid.

4.6.1.3 Normality Test

Figure 4 shows the frequency distribution of the standardized residuals compared to a normal distribution. As you can see, although there are some residuals (e.g., those occurring around 0) that are relatively far away from the curve, many of the residuals are fairly close. Moreover, the histogram is bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed. Thus, no violations of the assumption normally distributed error term.

Figure 4.2: Frequency Distribution of Standardized Residual



Source: *Questionnaires and SPSS output (2016)*

Thus, from an examination of the information presented in all the three tests the researcher conclude that there are no significant data problems that would lead to say the assumptions of classical linear regression have been seriously violated.

4.6.2 Correlation analysis between Customer Satisfaction on Online Banking and Explanatory Variable

Service quality gaps are calculated using the SERVQUAL approach by subtracting customers' perceptions (P) from customers' expectations (E) as $G = P - E$. The next purpose of this study is to perform Pearson correlation test of gaps of dimensions to highlight the correlation of service quality dimensions. The results of this test are presented in Table 4.14.

Table 4.14: Correlation Matrix (with dependent Variables)

		Customer's Satisfaction	Reliability	Responsiveness	Security	Empathy	Tangibility
Customer's Satisfaction	Pearson Correlation	1					
Reliability	Pearson Correlation	.671**	1				
	Sig. (2-tailed)	.000					
Responsiveness	Pearson Correlation	.692**	.432**	1			
	Sig. (2-tailed)	.000	.000				
Security	Pearson Correlation	.602**	.348**	.570**	1		
	Sig. (2-tailed)	.000	.000	.000			
Empathy	Pearson Correlation	.595**	.373**	.464**	.545**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
Tangibility	Pearson Correlation	.625**	.430**	.416**	.450**	.530**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	142	142	142	142	142	142

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

Source: Questionnaires and SPSS output (2016)

Responsiveness and customer satisfaction has highest correlation coefficient which is 0.692 at 0.01 level of significance. This result shows that responsiveness of United Bank S.C. in service delivery have significant relationship with the level of satisfaction on Online Banking. Reliability and customer satisfaction has the second highest correlation coefficient (0.671) next to responsiveness at 0.01 level of significant. Tangibility, Security and Empathy have correlation coefficient of 0.625, 0.602 and 0.595 respectively at 0.01 level of significance.

4.6.3 Regression Analysis

On the basis of the five service quality dimensions considered on the Conceptual Framework of this research paper, five hypotheses have been formulated. It has been investigated that whether these dimensions have a significant impact on the customer's satisfaction of the Online (Internet) banking users or not.

- H1: Reliability dimension has significant impact on customer satisfaction.
- H2: Responsiveness dimension has significant impact on customer satisfaction.
- H3: Security dimension has significant impact on customer satisfaction.
- H4: Empathy dimension has significant impact on customer satisfaction
- H5: Tangibility dimension has significant impact on customer satisfaction

The hypotheses formulated above have been tested empirically by employing regression model. The regression model is as follows:

Operational model: the operational linear regression model used to find the statistically significant service quality on the customer satisfaction in the case United Bank S.C is depicted here below:

$$CSoOB = \alpha_i + \beta_1 * REL + \beta_2 * RES + \beta_3 * SEC + \beta_4 * EMP + \beta_5 * TAN \dots \dots \quad (4.1)$$

Where: CsoOB represents Customer's Satisfaction on Online Banking services of United Bank S.C (dependent variable) and explanatory variables include; reliability (REL), responsiveness (RES), security (SEC), empathy (EMP, and tangibility (TAN). The error term contains the extraneous variables aside from independent variables that determine the value of the dependent variable (CsoOB) for a specific observation. Regression results have been shown in below Tables.

4.6.3.1 Overall regression model and its ANOVA

A. Regression model Summary

The regression is summarized as follows:

Table 4.15: Regression model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.863 ^a	.744	.735	.49246

a. Predictors: (Constant), Tangibility, Responsiveness, Reliability, Empathy, Security

b. Dependent Variable: Customer's Satisfaction

Source: Questionnaires and SPSS output (2016)

R-square is measured the goodness of fit of the explanatory variables in explaining the variations in customer's satisfaction measures of explanatory variables reliability (REL), responsiveness (RES), security (SEC), empathy (EMP), and tangibility (TAN). As clearly described in Table 4.15 adjusted R-square value for the regression model was 0.735, this indicates the explanatory variables in this study explain about 73.5 percent of the variation in the level of customer satisfaction. The remaining 26.5 percent of the variation in the level of customer satisfaction of United Bank S.C are explained by other variables which are not included in the model. Therefore, Online Banking service quality dimensions are good explanatory variables of the satisfaction level of customers at United Bank S.C.

B. Regression-ANOVA Table

The regression ANOVA table is summarized as follows:

Table 4.16: Regression-ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	95.876	5	19.175	79.068	.000 ^b
	Residual	32.982	136	.243		
	Total	128.858	141			

a. Dependent Variable: Customer's Satisfaction

b. Predictors: (Constant), Tangibility, Responsiveness, Reliability, Empathy, Security

Source: Questionnaires and SPSS output (2016)

From the ANOVA test in Table 4.16 it shows the Sig. value 0.01 is greater than the calculated Sig. value 0.000. It reflects there was a statistically significant correlation between

dependent variable and independent variables at 1% significant level. Which means the explanatory variables; Reliability, Responsiveness, Security, Empathy and Tangibility have great contribution to improve Online banking customer's satisfaction level. But it does not mean that all these factors of Online Banking service quality dimensions have equally significant correlation with customer satisfaction level. The results of the linear regression analysis signal that there is variation in the effect of Online Banking service quality dimensions on customer satisfaction. Beside the F statistics (79.068) which is used to measure the overall test of significance of the model was presented, and null hypothesis can be clearly rejected since the p-value is 0.000 which is sufficiently low, the model is well fitted at 1 percent level of significance.

C. Regression Coefficient Analysis of the Model

Table 4.17: Regression Coefficient Analysis of the Model

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	4.217	.117			35.985	.000
	Reliability	.367	.054	.346		6.816	.000
	Responsiveness	.333	.059	.317		5.617	.000
	Security	.115	.051	.131		2.267	.025
	Empathy	.145	.062	.133		2.336	.021
	Tangibility	.240	.061	.215		3.942	.000

a. Dependent Variable: Customer's Satisfaction

Source: *Questionnaires and SPSS output (2016)*

The regression results have indicated that the impact of five dimensions of Internet (Online) banking service quality on the customer's satisfaction in the United Bank S.C. In the study, it has been epitomized that out of the five dimensions; three dimensions have significantly influenced customer satisfaction. Reliability ($\beta = .367$, $p = .000$); Responsiveness ($\beta = .333$, $p = .000$); and Tangibility ($\beta = .240$, $p = .000$); have been found to be significant at 1 percent level of significance. From the customers' point of view, reliability, responsiveness and tangibility are the most important dimensions in the context of using the Online (Internet) banking facilities.

Furthermore, as shown in Table 4.17, based on the standardized beta estimates, reliability ($\beta = .367$) has emerged as the most important dimension which has highest impact on the customer satisfaction, followed by responsiveness ($\beta = .333$) and tangibility ($\beta = .240$).

Therefore, the results of regression analysis show that all of the factors are significant at the 95% confidence level. As is seen in the above table, all significant values are ≤ 0.05 . Therefore, it could be stated that all the factors addressed had an effect on customer satisfaction. The Beta values indicate that the impact of the reliability factor on customer satisfaction is higher than those of other factors. While a rise in the reliability factor by 1 standard deviation will increase Customer Satisfaction by 0.346, T values also indicate that the strongest effect comes from the reliability ($t = 6.816$) factor.

It has been further found that the remaining dimensions i.e. security and empathy are the two dimensions which have significant impact on the customer satisfaction at 5 percent significant level security ($\beta = .115$, $p = .025$); empathy ($\beta = .145$, $p = .021$).

Therefore, the researcher has found that all service quality dimensions have a positive and significant impact on customer satisfaction, which implies that United Bank shall rework on Online Banking service quality in all dimensions to improve customer satisfactions since all business required to ensure customer satisfaction and to establish long-term relations with customers. All hypotheses are accepted, which implies that service quality has significant impact on customer satisfaction. The bank addressed in this study should make improvements in all of the factors and increase service quality in order to improve customer satisfaction.

Chapter Five

5. Summery, Conclusion and Recommendations

This chapter outlines the summary and conclusions of the study in accordance with the study results. It also gives an insight on the recommendations as well as suggestions for future studies.

5.1 Summery

This study aims to assess the quality of service that United Bank S.C is providing to Online (Internet) Banking customers and thereby to evaluate their satisfaction level with the bank's service delivery. The first aim of this research was to evaluate the Online banking service quality offered to customers of United Bank S.C by using SERVQUAL model. In this research, survey is conducted to measure the gap between customers' expectations and customers' perception regarding Online Banking service on each service quality dimensions.

The second aim of this study was to analyze the correlation between service quality dimensions and customer satisfaction. For this purpose, a questionnaire has been designed based on the SERVQUAL approach (perceptions and expectations), which includes five major categories of service quality dimensions and are subdivided into 21 items. Moreover, additional question are prepared for measuring the overall customer satisfaction. To analyze this data, SPSS version 20.0 was used.

To test those objectives, two main hypotheses were formulated. The first research hypothesis is, there is no significant difference between customer's expectation and perception of service quality dimensions (Reliability, Responsiveness, Security, Empathy, and Tangibility) of United Bank S.C. To test this research hypothesis, Paired-Samples T-Test is used. The results of this research show that in all aspects, United Bank customers' expectation is higher than their perceptions on the Online (Internet) Banking service quality offered by the bank. It means that in all of the five dimensions of service quality, there are negative gaps. Thus the bank failed in all of these dimensions to meet its customers' expectations.

The second hypothesis is service quality dimensions (Reliability, Responsiveness, Security, Empathy, and Tangibility) has a significant impact on customer's satisfaction of United Bank S.C. The major finding of this hypothesis shows that all the service quality determinants are

positively correlated to the customer satisfaction and were significant at 0.01 significance level. The bank should make improvements in all service quality dimensions in order to improve customer satisfaction.

5.2 Conclusion and Recommendation

Based on the assessment made by the researcher, in relation to customers' actual experience of the service of the bank and their expectations about the provision of the service and thereby evaluating the overall of customer satisfaction level, the researcher concluded that;

- ❖ The bank has failed to meet its customer's expectation in all the service quality dimensions. In other words, the customer's expectation on Online Banking service quality has exceeded their perceived service quality. There is a negative gap. Here the bank needs to exert its maximum effort on improving the service quality in all service quality dimensions to increase the customers' satisfaction.
- ❖ All the service quality dimensions are positively correlated to customers' satisfaction. This means an improvement in service quality dimensions will have a positive impact on customers' satisfaction.
- ❖ Regarding the relative importance of service quality dimension to customer satisfaction, reliability is found to be the most significant service quality dimension that affects customers' satisfaction, respondents rated responsiveness as the second significant element, tangibility as the third significant element in the banks Online Banking service provision, empathy is the fourth element and surprisingly, security rated as the last significant service quality dimension that affects customer satisfaction.

Considering these findings, the following recommendations are forwarded in order to improve the service quality and boost Online (Internet) Banking customers' satisfaction.

- ❖ The management should keep an eye on staffs' customer handling. Adequate customer service trainings should be given to both operational and support staffs which are designed to achieve the desired service excellence. This will help in minimizing the gap on empathy and responsiveness service quality dimensions.

- ❖ It is very important to periodically evaluate the level of its Online (Internet) banking service quality both in terms of technology and operational capacity. This will allow the bank to measure the efficiency and effectiveness of its Online banking service and will give the chance to take a proactive measure whenever the need arises.
- ❖ The management of the bank needs to establish an online customers' feedback system. This will help to assess the level of customers' satisfaction and continuously improve the service quality based on the customers' feedback.
- ❖ It is advisable for the bank to plan and allocate resources according to relative impact of service quality dimensions on customers' satisfaction. In other words, more attentions and resource should be allocated for improving the service quality dimension that highly affects the customers' satisfaction.

Finally, the researcher recommends that, in the face of high level competition in the banking industry and similarity of products offered by commercial banks, it is very important to develop a policy package which focuses on contentious improvement by giving special attention for staffs training, periodic review of products and services, establishing customer's feedback system and evaluating its technology platform with current technological advancements. By doing so, the bank can improve its service quality, thereby ascertain its customers' satisfaction and win the stiff market competition.

This research is conducted on United Bank S.C. Online Banking customers of the bank's branches located in Addis Ababa and only the five service quality dimensions are taken in to consideration. Future researches could be conducted by adding more variables (service quality dimensions) and by adding more commercial banks operating in the country and providing Online Banking service.

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Annex

Dear Respondents

Thank you for responding to this questionnaire. I am a university student conducting this survey as part of my research project work for partial fulfillment of Executive Masters Degree in Business Administration at Addis Ababa University. This questionnaire consists of three main parts and it may approximately take no more than 15 minutes to complete it.

The purpose of this survey is to examine your opinion about the impact of Online Banking Service Quality on customers' satisfaction. With the results of this survey, I expect to gain a better understanding of how Online Banking service quality have an impact on customers' satisfaction and also to better know the relationship between the five service quality dimensions with customers' satisfaction.

The success of this survey depends on your participation and open responses. I would therefore greatly appreciate your assistance in answering the questionnaire. Please be assured that your responses will be kept strictly confidential and only be used for academic purpose.

If you have any question feel free to contact me using the following telephone no.

Asrat Arega

Mobile No. 0911602315

Thank you

Section I

Demographic data

Please indicated your appropriate response by marking (√) in the boxes provide

1. Gender: Male Female
2. Age: Below 25 years Between 26 - 35 years
 Between 36 -50 Above 50 years
3. Educational level: High School complete Diploma Holder
 First Degree holder Masters Degree PHD
4. Occupation: Employed Unemployed Student
 Business Man/Woman
other _____
5. How many years of customer relationship you have with United Bank S.C.?
 Below 1 year 1- 3 years 3-5 years above 5 years
6. Which type(s) of deposit accounts you have with the United Bank S.C?
 Checking (Current) Account Saving Account Both C/A and S/A
7. Which type(s) of electronic banking service you are currently using at United Bank S.C.?
 ATM POS Mobile Banking Online (Internet) Banking
8. How satisfied you are with the e-banking services provided by United Bank S.C.?
 Very Dissatisfied Dissatisfied Neither Satisfied nor Dissatisfied
 Satisfied Very Satisfied

Section II

Customers' Expectation and Perception on Online (Internet) Banking Service Quality of United Bank S.C.

Key

5 – Strongly Agree

4 – Agree

3 – Neutral

2 – Disagree

1 – Strongly Disagree

Please indicated your appropriate response by marking (√) in the boxes provide

<i>Expectation (How important is this item to you)</i>						<i>Perception (Your level of satisfaction with this item)</i>					
1. Reliability	1	2	3	4	5	Reliability	1	2	3	4	5
1. Online (Internet) Banking should perform the service right at first time.						Online (Internet) Banking performs the service right at first time.					
2. Online (Internet) Banking should deliver the service exactly as promised.						Online (Internet) Banking delivers the service exactly as promised.					
3. Online (Internet) Banking service should provide information that exactly fit your needs.						Online (Internet) Banking service provides information that exactly fit your needs.					
4. Online (Internet) Banking service should complete a task accurately.						Online (Internet) Banking service completes a task accurately.					
5. Online (Internet) Banking service should be trustworthy						I can trust Online (Internet) Banking service of United Bank					

<i>Expectation (How important is this item to you)</i>						<i>Perception (Your level of satisfaction with this item)</i>					
2. Responsiveness	1	2	3	4	5	Responsiveness	1	2	3	4	5
6. Online (Internet) Banking service should be prompt in responding to your inquires/requests.						Online (Internet) banking service is prompt in responding to your inquires/requests.					
7. The Bank should have knowledgeable staffs to solve Online (Internet) Banking service problems.						The Bank has knowledgeable staffs to solve Online (Internet) Banking service problems.					
8. Online customer support should be fast.						Online customer support is fast.					

<i>Expectation (How important is this item to you)</i>						<i>Perception (Your level of satisfaction with this item)</i>					
3. Security						Security					
	1	2	3	4	5		1	2	3	4	5
9. Online (Internet) Banking service should keep accurate records of my transactions.						Online (Internet) banking service keeps accurate records of my account transaction.					
10. Online (Internet) Banking service should provide security for my transaction data and privacy.						Online (Internet) banking service provides security for my transaction data and privacy.					
11. Online (Internet) banking service site should be safe.						Online (Internet) Banking service site is safe.					
12. The overall Online Banking system should be secured.						The overall Online Banking system is secured.					

<i>Expectation (How important is this item to you)</i>						<i>Perception (Your level of satisfaction with this item)</i>					
4. Empathy						Empathy					
	1	2	3	4	5		1	2	3	4	5
13. Employees in the Bank should not be too busy to respond to your request.						Employees in the Bank are not too busy to respond to your request.					
14. The employees of the Bank should understand your specific needs.						The employees of the Bank understand your specific needs.					
15. When you have a problem, the Bank should show a sincere interest in solving it.						When you have a problem, the Bank shows a sincere interest in solving it.					
16. Employees in the Bank should always be willing to help you.						Employees in the Bank are always willing to help you.					
17. Online Banking service should be available 24/7						Online Banking service is available 24/7					

<i>Expectation (How important is this item to you)</i>						<i>Perception (Your level of satisfaction with this item)</i>					
5. Tangibility						Tangibility					
	1	2	3	4	5		1	2	3	4	5
18. The Bank's physical features should be visually appealing.						The Bank's physical features are visually appealing.					
19. The Bank should have modern looking equipment.						The Bank has modern looking equipment.					
20. Employees in the Bank should be neat in their appearance.						Employees in the Bank are neat in their appearance.					
21. Materials associated with the services should be visually appealing.						Materials associated with the services are visually appealing.					

Section III

Customer's Satisfaction on Online Banking services of United Bank S.C.

<i>Customer Satisfaction</i>	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
22. My expectations before the use of Online (Internet) Banking service have been met with my current experience					
23. I find the Online (Internet) Banking application as quite pleasant					
24. I am completely satisfied with the Online(Internet) Banking application of United Bank					
25. The quality of service I get through Online (Internet) Banking is excellent					

Source: Adopted from Zeithaml 1985