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**ASSESSMENT OF LEVEL OF CUSTOMER SATISFACTION WITH
QUALITY SERVICE IN COMMERCIAL BANK OF ETHIOPIA IN
BAHIR DAR DISTRICT**

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QUALITY SERVICE IN COMMERCIAL BANK ETHIOPIA IN
BAHIRDAR DISTRICT**

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ADDISABABA UNIVERSITY SCHOOL OF GRADUATE STUDIES FACULTY OF
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DECLARATION

I, the under signed, declare that this thesis is my original work, prepared under the guidance of DR, DERIBE ASSEFA. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

NAME

SIGNITURE AND DATE

ENDORSEMENT

This is to certify that this project work, “Assessment of Level Of Customers’ Satisfaction With Quality Service in commercial Bank of Ethiopia in Bahir Dar District”, undertaken by Shewanzaw Merha Antenh for the partial fulfillment of Masters of Public Management and Policy at Addis Ababa University, is an original work and not submitted earlier for any degree either at this University or any other University.

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Signature and date _____

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Acronyms/Abbreviations

CBE	Commercial Bank of Ethiopia
NBE	National Bank of Ethiopia
SERVQUAL	Service Quality
SPSS	Statistical Package for Social Science.
SWIFT	Societal world Inter Financial Transfer
CAD	Cash Against Document
TT	Telegram Transfer (Advance Payment)
LC	Letter of Credit

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Abstract

Today competition is getting intense than before. So that companies need to start paying special attention to their service quality, competitors, development of new technological aspects ever after. Companies should constantly anticipate the customers unlimited needs and expectations and try to address the gap. The aim of this study is to assess customers' satisfaction and the service quality of Commercial Bank of Ethiopia. And to give an insight for the management for areas of improvement. A total of 120 respondents who have used CBE's service were participated in the study from 10 branches. The data has been analyzed using descriptive statistics. From the analysis made, it is found that 80 percent of the respondents are satisfied with the service quality of the bank but still looking for improvement in the cashless banking system of CBE. The five SERVQUAL dimensions (empathy, reliability and assurance) showed good rating but tangibility and responsiveness was found to be the areas that need special attention of the bank management. The overall service quality perceived by the customers is good and need improvement. For the attainment of its vision be the leading company and benchmark in the market in which we operate with levels of profitability and creation of shareholders' value in line with the best industry benchmarks

Key words: Service Quality, Customer Satisfaction, SERVQUAL dimensions, CBE

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CHAPTER ONE

1. Introduction

Banks play a vital role in the economy of the country. They are the main intermediaries between those with excess money (depositors) and those individuals and business with viable projects but requiring money for their investment (creditors) and foreign currency for their importers. Bank have at least the following functions: lending money, depositing others' money transferring money locally or globally and working as paying agent, approving foreign currency for importers and exporters with different mode of payment like TT,LC and CAD and processing, issuing, opening, collecting and settling documents and keeps in safe custody and others.

1.1. Background of the Study

Customer service quality is a crucial source of distinctive competency and often considered as key success factor in sustaining competitive advantage in industries. Service quality has become one of the key driving forces for business sustainability and is vital for firms' accomplishment (Palmer, 2001). Service quality in banking implies consistently anticipating and satisfying the needs and expectations of customers. Parasuraman et al., (1985) and Zeithaml et al.,(1990) noted that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers. Provisions of high quality service results in higher customer satisfaction and enhances customer loyalty. Customers are the sole judge of service quality; an organization can build strong reputation for quality service when it can constantly meet customer service expectations [Berry et al., (1990), Gefan (2002)] defined Service quality as the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get. Similarly, customer satisfaction is crucial in the banking sector because of the special nature of the financial services which are characterized by intensive contacts with customers who have different needs and require customized solutions (Molina et al., 2007). In addition, customer satisfaction is known to be one of the most important and serious issues towards success in today's competitive business environment, as it affects company's' market shares and customer retention (Ooi, et al., 2011).Satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive. Customer satisfaction is a collective outcome of perception,

evaluation and psychological reactions to the consumption experience with a product/service (Hansemark and Albinson. (2004). Here customers' perception takes the major share towards customers' satisfaction because satisfaction is the result of what is perceived towards the specific service. For example, if the quality of service delivered is beyond expectation then customers will be delighted and if customer's perception is equal or under their expectation level with the delivered service quality the customers will be satisfied and dissatisfied respectively. Customer satisfaction leads to repeat purchases, loyalty and to customer retention (Zairi, 2000). However, dissatisfied customers may try to reduce the dissonance by abandoning or returning the product, or they may try to reduce the dissonance by seeking information that might Service quality is an important antecedent of customer satisfaction which is the result of the customer's perception and the quality of the service and it is a significant predictor of customer satisfaction using SERVQUAL instruments. Service quality and customer satisfaction have been identified as key elements of the service-profit chain (Heskett et al., 1997). As the perceived service quality is the key driver of perceived value, one of the determinants of success of a firm is how the customers perceive the resulting service quality, (Collart, 2000). It is the perceived value, which determines customer satisfaction. Many firms including banking industry begin to track customers' satisfaction through measuring level of service quality perceived by their customers. Customer satisfaction or dissatisfaction is considered to be the result of a comparison between the pre-use expectations that a customer has about the product or service and the post-use perception of product or service performance. Excellent service quality is vital to business profitability and survival, Newman and Cowling (1996). Thus, from the finding of Newman and Cowling, the researcher understands that if service quality is going down in the organization and doesn't meet the expectation of its customers, it will have negative effects on the organization's profitability. Thus, this study, therefore, will assess customers' satisfaction on the service quality of Commercial Bank of Ethiopia in Bahir Dar.

1.1.1. Banking History in Ethiopia and Profile of the Study Bank

Banking is one of the oldest professions in human history, it also flourished with civilizations. Since humans started using money bank services were in use throughout history. Modern banking as we know it today was established in Italy and Greece in the 15th century.

A broader definition of a bank is any financial institution that receives, collects, transfers, pays, exchanges, lends, invests, or safeguards money for its customers. This broader definition includes many other financial institutions that are not usually thought of as banks but which nevertheless provide one or more of these broadly defined banking services. These institutions include finance companies, investment companies, investment banks, insurance companies, pension funds, security brokers and dealers, mortgage companies, and real estate investment trusts (Encarta, 2009). CBE has been playing a conspicuous role in economic development of the country for 75 year presence in all directions of the country. Despite the flourishing of private commercial banks, the CBE has remained in the lead in terms of assets, deposits, capital, and customer base and branch network.

1.2. Statement of the Problem

The unique characteristics of service contribute to the complexities involved in assessing and managing service quality. Quality can be several things at the same time and may have various meanings, depending on the person. This complicates both the consumer's assessment of service quality and the provider's ability to control it. Most services involve a direct contact between the customers and the service provider. This means that, in addition to task proficiency, interpersonal skills like courtesy, friendliness, tolerance and pleasantness are important dimensions of quality, particularly in high contact service where frontline employees are the key to customer satisfactions (Mersha and Abdlakha,1990). The financial services, particularly banks, compete in the market place with generally undifferentiated products; therefore service quality becomes a primary Competitive weapon (Stafford, 1996).Satisfaction and dissatisfaction information are important because understanding them leads to the right improvements that can create satisfied customers who reward the company with loyalty, repeat business, and positive referrals. Creating satisfied customers includes prompt and effective response and solutions to their needs and desires as well as building and maintaining good relationships. A business can achieve success only by understanding and fulfilling the needs of customers. From a total quality perspective, all strategic decisions a company makes are "customer-driven." In other words, the company must show constant sensitivity to emerging customer and market requirements. According to the study by Collart (2000), one of the determinants of success of a firm is how the customers perceive the resulting service quality, as this is the key driver of perceived value. It is the perceived value

which determines customer satisfaction. Many firms including banking industries begin to track their customers' satisfaction through measuring their level of service quality perceived by their customers. According to this model, the five dimensions of service quality are: Tangibility, Reliability, Responsiveness, Assurance and Empathy. Modern banks are playing lots of new roles and making life of common consumer as well as business men easy. In the past decade, the banking sector has undergone radical changes, resulting in a market place, which is characterized by intense competition, little growth in primary demand and increased deregulation. The government of Ethiopia increased deregulation, in order to encourage the investors to participate in the banking sectors, as a result the number of bank has been increased which further raises the competition and difficulty among the banks. In this competitive environment, each bank wants to attract new potential customers and retain the existing ones to ensure its survival and keep its own competitiveness in the market. This can be achieved through providing quality services to customers. Failure to do so will lead to bankruptcy or will make organizations out of competition. Several studies have been done on service quality and customers' satisfaction which results to measure the satisfaction level of the customers on service organization in Ethiopia and all the studies used SERVQUAL to measure the service quality.

Thus, identifying these gaps strive the researcher to assess customers' satisfaction and the service quality of the bank and give an insight for the management about customers' satisfaction on the service quality of the bank. Some of the problems for both quality of service quality and customer satisfaction use of weak like unstable internet and network connections, power interruption, lack of trained manpower, lack of foreign currency for importers and investors and low accessibility of ATM machines so on. The reason for the researcher to conduct this study is the high level of problems related to commercial bank service quality and customer satisfaction in CBE at Bahir Dar district. The problem here is: are customers really enjoying efficient and effective services? Therefore, the main problem of this study will be: How satisfied are customers with the service quality in Commercial Bank of Ethiopia in Bahir dar? Related to this problem, experimental support implies that customers' support for and response to a particular product depend on their level of understanding of what the product can do and what they stand to benefit there from (Balachandher et al., 2001). In this relation, it is relevant to find out the perception of customers on its service delivery of Commercial Bank of Ethiopia. In line with this the problem statement this study will try to identify how employees treat their customers,

employees willingness and ability to help their customers to provide prompt and promised service ,it intends to identify knowledge and courtesy of employees and services offered by the CBE at Bahir Dar district and it also try to evaluate complaints feedback handling time and technique .

1.3. Research Questions

1.3.1. Basic research questions

This study tried to look at the level of customers' satisfaction towards different service quality dimension interims of (Reliability, Responsiveness, tangibility, Empathy and Assurance) of services at Commercial Bank of Ethiopia, and the study tried to answer the following questions

1. To what extent customers are satisfied with service quality of Commercial Bank of Ethiopia in Bahir dar District?
2. How are the five service quality dimensions ranked by CBE customers?
3. Does Commercial Bank of Ethiopia handle its complaints feedback properly and on time?

1.4. Objectives of the Study

The main objective of this study is to evaluate customer satisfaction with the quality of services offered by the Commercial Bank of Ethiopia in Bahirdar. Specifically, the objectives for this study are:

To assess the level of customer satisfaction/dissatisfaction regarding service quality of Commercial Bank of Ethiopia in Bahirdar, to measure customers' satisfaction level towards service quality measurement of Reliability, Responsiveness, Tangibility, Empathy and Assurance and perception on service quality and to recommend different constructive suggestions to enhance the service quality and customer satisfaction for commercial bank of Ethiopia.

1.5. Significance of the Study

The research provides some insight about service quality of Commercial Bank of Ethiopia in Bahir Dar. And the satisfaction level of customers towards the bank service with respect to the various services that the bank rendered. It can also be a good indicator for managers to identify the gap between management's perception of service quality and that of their customers and taking actions to close the gaps. It is also intended to help the company management to consider the level of service quality as per the view point of customers so that based upon customers' feedbacks the managers might to divert their attention to this valuable essential function of the business and to attract new potential customers and enable them retain the existing customers. The study has also the following importance:

The findings of this research will help the bank's management to understand the role of good quality service, it will provide literature for the bank industry under customer service quality, it will helps to other researchers who want to conduct further study on the subject in the future and it will provide solution for Commercial Bank of Ethiopia in Bahir Dar city service quality problems and it may give an insight for the management what they should do in the future.

1.6. Scope/Delimitation/ of the Study

This study will focus on quality of service and customer satisfaction in CBE at Bahir Dar district. Quality of service specifically assess on 10 branches' of CBE in Bahir Dar. Specifically, saving account, credit facility (loan account), current account, foreign remittance, trade service, internet banking and card banking services will be the area of interest. Quality of service specifically assess from Intangibility, Perishable, Inseparability and Variability dimensions. Whereas customer satisfaction will measure using different variables: Customer expectation, service standard and service provision...etc.

1.7. Limitation of the Study

Due to time and resource constraints, the study will not include CBE branches and offices outside of Bahir Dar city. The respondents for the study will limit to 10 branches of CBE located in Bahir Dar city. Moreover, Lack of up-to-date literature in the area, lack of adequate recording system and the respondents will not interest to fill and return the questioner. Despite the

limitations the researcher faces the above stated problems the study will conduct by using the second alternative possible, while maintain the quality of research kept.

1.8. Organization of the Study

The study report will be organized in to five chapters. The first chapter dealt with Background of the Study, Statement of the problem, and Objective of the study, Significance of the study and delimitation of the study.

In the second chapter literature review of the topic which includes different perspective of different Authors and various theoretical concepts that relates with service quality and its measurement and dimension of service quality and issues related with quality service will discuss.

The third chapter will dealt with the research design & methodology of the research briefly.

The Fourth chapter will talk about the data analysis part of the research. The techniques use to analyze the data will also part the fourth chapter. Finally, the fifth chapter will cover summary, Conclusion and Recommendation of the research.

Chapter Two

Review of Related Literature

The primary purpose of this chapter is to get the theoretical understanding of the concept of service quality, characteristics of service quality, dimensions of quality, what customer service and satisfaction means, and what Quality management is. The researcher will tell that this part of the research gives a clear insight for readers about the components of service quality management and customers' satisfaction. In addition, in this chapter, literatures that are related and important for this research are reviewed and presented as follows.

2.1. Customer Service

According to Davidow and Uttal (1989) customer service means all features, acts and information that augment the customer's ability to realize the potential value of a core product or service. Customer service is concerned with establishing, maintaining and enhancing relationships between and/or among relevant business parties in order to achieve the objective of the relevant parties Osuagwu (2002). According to W.L. Robert (2005) customer service is defined as the ability of knowledgeable, capable and enthusiastic employees to deliver products and services to their internal and external customers in a manner that satisfies identified and unidentified needs and ultimately result in positive word-of-mouth publicity and return business.

2.2. Service Quality

Though quality is a much studied subject in manufacturing, as well as service sectors, there is no universally accepted definition to define quality. The definition of quality is subjective, personal and changes from person-to-person, place-to-place, organization- to- organization, situation- to- situation and time-to-time. However, "Conformance to Standards" and "Fitness for Use" is the classic definitions of quality, FEATHER (John) and STURGES Paul (2003). Quality research in the goods sector was established long before it was established in the service sector. (Bandyopadhyay (2003, 187-188) claimed that quality in goods sectors is commonly defined as the product's fitness for its intended use, which means how well the products meet the needs and the expectations of its customer. However, understanding quality in the goods sector is inadequate for understanding service quality because of the fundamental difference between the

two terms. Service quality is performance based rather than objects, therefore precise manufacturing specifications concerning uniform quality can rarely be set (Parasuraman, et al., 1985, 42). Service quality is more difficult for consumers to evaluate than product quality; this is due to a lack of tangible evidence associated with the service (Hong and Goo, 2004). However in the above definitions, the concepts of quality were mainly applied to tangible products in the manufacturing sector. Due awakening of consumerism in 1980s, the quality of service as a subject of academic interest caught the attention of marketing professionals and they attempted to define service quality from customers' perspective. Experts like Kotler, Levitt, Grönroos, Garvin, Cronin, Taylor, Teas, Rust, Parasuraman, Zeithaml, and Berry have contributed to the growth of the subject and many models were developed on its measurement. In the past decades, researchers (Carman 1990; Garvin 1983; Parasuraman et al, 1985, 1988) have defined and measured service quality by examining the attributes of service quality, while others (Bitner and Hubbert 1994; Iacobucci, Grayson, and Ostrom, 1994; Oliver, 1993; Oliver and DeSarbo, 1988) focused on the application in services to conceptualize the relationship between service quality and customer satisfaction. Therefore, a combination of the service quality and customer satisfaction literature has formed the foundation of service quality theory (Clemes et al., 2007; as cited in Wei 2010). The conceptualization and measurement of service quality is one of the most debated topics in service marketing literature. Several researchers pointed out that service quality is difficult to measure as it is an elusive and abstract construct (Carman 1990). Parasuraman et al., (1985) argue that service quality involves not only the outcome but also the delivery process. And also, service quality relates to satisfaction but the two are not the same. In addition, different researchers defined service quality in different ways. Lovelock and Wright (1999) define quality as the degree to which a service satisfies customers by meeting their needs, wants and expectations. On the other hand, other researchers like Bitner and Hubbert (1994) describe that the service quality as the customers' overall impression of the relative inferiority or superiority of the organization and its services. It is the evaluation process outcome, in which customers are involved and where a certain experience is always compared to the perceived service received. It cannot be objectively measured according to some technical standards but is subjectively felt by customers and measured relative to customer determined standards as per Kwortnik, 2005. Berry et al., (1990) also defined service quality as the discrepancy between customers' expectations or desire and their perceptions. The previous literature suggests that the evaluation of quality in

services is more difficult than goods and that delivering quality services is increasingly recognized as the key to success for service providers (Cronin and Taylor, 1992 as cited in Wei 2010). But, perceived service quality has confirmed to be a complex concept to understand as per (Brady and Cronin, 2001, pp.34). Therefore, Rust and Oliver (1994) propose that it is essential for companies to develop the awareness of customers' perceptions of service quality. In the same taken the team of Parasuraman, Zeithaml and Berry (hereafter PZB) 1990 had conducted several research studies to define service quality and identify the criteria that customers use while evaluating the service quality in service organizations. They define service quality as "the extent of discrepancy between customers' expectations or desires and their perception of what is delivered" .In other words, it is the comparison of what customers expect before the use of product/ service with their experience of what is delivered. This definition has been widely quoted and referred in service marketing literature and the researcher chooses this definition as more appropriate for this research.

2.3. Total Quality Management

Total quality management (TQM) is different from the old concept of quality because its focus is on serving customers, identifying the causes of quality problems, and building quality into the production process. According to Heizer and Render (2006) TQM stress a commitment by management to have a continuing companywide drive towards excellence in all aspects of products and service that are important to the customer. Heizer and Render(2006) have also developed seven concepts for effective Quality Improvement (QI) program by modifying the 14 points developed by Deming as follow: (1) Continuous Improvement,(2) Six Sigma,(3)Employee empowerment, (4) Benchmarking, (5) Just-in-Time,(6) Taguchi concept, and (7) Knowledge of TQM.

Gurus of Quality Management

The concept of quality has existed for many years, though it's meaning has changed and evolved over time. In the early twentieth century, quality management meant inspecting products to ensure that they met specifications. In the 1940s, during World War II, quality became more statistical in nature. Statistical sampling techniques were used to evaluate quality, and quality control charts were used to monitor the production process. In the 1960s, with the help of so-

called “quality gurus,” the concept took on a broader meaning. Quality began to be viewed as something that encompassed the entire organization, not only the production process. Since all functions were responsible for product quality and all shared the costs of poor quality, quality was seen as a concept that affected the entire organization. Quality gurus have put forth several approaches to improve company performance. These approaches are embodied in a set of quality management practices, known as total quality.

2.4. Characteristics of Services

According to Bitner et al., (1993) service has four characteristics: intangibility, Inseparability, heterogeneity and perishability.

1. Intangibility: The idea of services being activities, benefits or satisfactions which are offered for sale, or are provided in connection with the sale of goods. The degree of tangibility has been suggested as a means of differentiating tangible products with services (Levitt, 1981). Most of the time, services are explained as being intangible since their outcome is considered to be an action rather than a physical product (Johns, 1999). (Darby and Karni, 1973 and Zeithaml, 1981) highlight the fact that the degree of tangibility has implications for the ease with which consumers can evaluate services and products. Other researchers propose that intangibility cannot be used to differentiate clearly services with all products. (Bowen 1990 and Wyckham, Fitzroy and Mandry 1975) suggest that the intangible-tangible concept is difficult for people to grasp. Bowen (1990) provides empirical evidence to support this view feel that the importance of intangibility is over- emphasized.

2. Inseparability: is taken to reflect the simultaneous delivery and consumption of services and it is believed to enable consumers to affect or shape the performance and quality of the service (Grönroos, 1978; Zeithaml, 1981 as cited in Wolak et al., 1998).

3. Heterogeneity of Services: reflects the potential for high variability in service delivery. This is a particular problem for services with high labor content, as the service performance is delivered by different people and the performance of people can vary from day to day and from time to time (Rathmell, 1966). Heterogeneity to offer the opportunity to provide a degree of flexibility and customization of the service. Heterogeneity can be introduced as a benefit and point of differentiation as per Wyckham et al., (1975).

4. Perishability of Services: services cannot be stored and carried forward to a future time period (Rathmell, 1966; Donnelly, 1976; and Zeithaml et al., 1985 as cited in Wolak et al., 1998). Services are “time dependent” and “time important” which make them very perishable. Hartman and Lindgren (1993) also claim that the issue of perishability is primarily the concern of the service producer and that the consumer only becomes aware of the issue when there is insufficient supply and they have to wait for the service.

2.5. Service quality Dimensions

Service's unique characteristics of intangibility, heterogeneity, and inseparability lead them to possess high levels of experience and credence properties, which, in turn, make them more difficult to evaluate than tangible goods (Bitner 1990; Zeithaml 1981). Identification of the determinants of service quality is necessary in order to be able to specify measure, control and improve customer perceived service quality. The SERVQUAL is a concise multiple-item scale with good reliability and validity that researcher can use to better understand the service expectations and perceptions of consumers and, as a result, improve service. SERVQUAL was also selected since it is important when it is used occasionally to track the service quality trends, and when it is used in combination with other forms of service quality instrument identify ten determinants for measuring service quality which are tangibility, reliability, responsiveness, communication, access, competence, courtesy, credibility, security, and understanding/knowledge of customers. Later “these ten dimensions were further purified and developed into five dimensions i.e. tangibility, reliability, responsiveness, assurance and empathy to measure service quality, SERVQUAL (Parasuraman et al., 1988). These five dimensions identified as follows:

- I. Tangibility:** refers to physical facilities, equipment, and appearance of personnel. Jabnoun and Alt amimi, (2003) indicated that customers choose tangibility factor of service quality in the banking industry. Bank could build customer relationships by delivering added tangible and intangibility elements of the core products. According to Ananth et al. (2011) tangibility is measured by modern looking equipment, physical facility, employees are well dressed and materials are visually appealing.

- II. Reliability:** means ability to perform the promised service dependency and accurately. Reliability is a significant factor of product quality in addition to good personal service, staff attitude, knowledge and skills (Walker, 1990). It is found that service reliability is the service “core” to most customers and managers should use every opportunity to build a “do-it-right-first” attitude (Berry et al., 1990).
- III. Responsiveness:** means willingness to help customers and provide prompt service. Customers are very sensitive to employees' working environment in service organizations (Brown and Mitchell, 1993).It involves timeliness of services (Parasuraman et al., 1985).It is also involves understanding needs and wants of the customers, convenient operating hours, individual attention given by the staff, attention to problems and customers’ safety in their transaction (Kumar et al., 2009).
- IV. Assurance:** It indicates knowledge and courtesy of employees and their ability to inspire trust and confidence. (Parasuraman et al., 1988) found that assurance is an important factor of service quality next to reliability and responsiveness towards customer satisfaction.
- V. Empathy:** refers to caring, individualized attention the firm provides its customers (ibid). Jabnoun and Al-Tamimi, (2003) found that bank customers believed empathy as an essential factor of service quality. It is suggested that employees' commitment to deliver quality services, skillfully handling of conflicts and efficient delivery of services resulted in satisfied customers for long term benefits (Nelson and Chan, 2005).

2.6. Customer Perception

The other item that is highly correlated with customer satisfaction is perception. Perception is the process by which people select, organize, and interpret information, to form a meaningful picture of the world (Kotler & Armstrong, 2010). Customers perceive the quality of the service in these two dimensions, what they get and how they get it (Gronroos, 1982). Perceived quality is considered as good when the expectation becomes realistic. The perception level should be higher than the expectation level to create the positive perception and satisfaction. If the difference between expectation and perception is very significant, it can be said that the customers are satisfied highly. In the moderate level, the gap becomes zero which refers that the expectation level and perception level are the same. On the contrary, if the expectation becomes

higher than the perception, the negative results come to show that the customers are not satisfied and the company should improve their service more than before (Gronroos, 1990).

2.7. Relation between Customers' perception and Customer Satisfaction

The principal purpose of a business is to create satisfied customers Drucker (1954). Increasing customer satisfaction has been found to lead to higher future profitability (Anderson, Fornell, and Lehmann 1994), lower costs related to defective goods and services increased buyer willingness to pay price premiums, provide referrals, and use more of the product (Reichheld 1996; Anderson and Mittal 2000), and higher levels of customer retention and loyalty. Increasing loyalty, in turn, has been found to lead to increases in future revenue and reductions in the cost of future transactions (Anderson, Fornell, and Lehmann 1994). A firm's future profitability depends on satisfying customers in the present – retained customers should be viewed as revenue producing assets for the firm (Anderson and Sullivan 1993; Reichheld 1996; Anderson and Mittal 2000 as cited in Malthouse et al., 2003). Empirical studies have found evidence that improved customer satisfaction need not entail higher costs, in fact, improved customer satisfaction may lower costs due to a reduction in defective goods, product re-work, etc. (Fornell 1992; Anderson, Fornell, and Rust 1997 as cited in Malthouse et al., 2003). Customer satisfaction and retention that are bought through price promotions, rebates, switching barriers, and other such means are unlikely to have the same long-run impact on profitability as when such attitudes and behaviors are won through superior products and services (Anderson and Mittal 2000). Furthermore, Lin (2003) defined customer satisfaction as the outcome of a cognitive and affective evaluation of the comparison between expected and actually perceived performance, which is based on how customers appraise delivery of goods or services. Jamal and Kamal (2002) describes customer satisfaction as “a feeling or attitude of a customer towards a product or service after it has been used.” Therefore, any business, service or manufacturing industry's main motive is increasing profit from time to time and all the industries know that profit is generated only and only if they can satisfy their customer. Customer's satisfaction is the positive result of conformance to a specific service/product of their customers' perception. Hence customer satisfaction is the positive end result of customers' perception.

2.8. Distinction between Service Quality and Customer satisfaction

The literature on services has made a distinction between service quality and customer satisfaction (Bitner, 1990; Bolton & Drew, 1991; Parasuraman et al., 1988). This differentiation is important for firms to concentrate on enhancing their capability to satisfy customers through providing high service quality. The position of scholars is that service quality involves an attitude and is an evaluation over several service encounters over time. It is also thought to be an overall assessment about a service category or an organization. In support of this, respondents in Parasuraman et al., (1988)'s study demonstrated satisfaction with specific service encounters but were not happy with the service quality of the firm. Conversely, recent thoughts on customer satisfaction is summarized in the following definition of satisfaction by Oliver (1981) as a psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience. Furthermore, definitions by other scholars (Howard & Sheth 1969; Hunt, 1979 as cited in Harr, 2008) Support the thinking that it relates to a specific service encounter. Moreover, Oliver (1981) distinguished customer satisfaction from service quality in his definition of attitude as the consumer's relatively enduring affective orientation for a product, store, or process while satisfaction is the emotional reaction following a disconfirmation experience which acts on the base attitude level and is consumption-specific Therefore, service quality is "more stable and is situational oriented (Oliver, 1981, p. 42). The two constructs are related in that service encounters of customer satisfaction over time result in perceptions of service quality (Oliver, 1981;Parasuraman et al., 1988).There is also a lot of argument regarding whether customer satisfaction is the antecedent of service quality or the outcome of service quality. Initially, scholars take the position that satisfaction is an antecedent of service quality since to reach an overall attitude (service quality) implies an accumulation of satisfactory encounters (Bitner, 1990; Bolton & Drew, 1991). However, other scholars take the opposite view that service quality is the antecedent of customer satisfaction (Cronin & Taylor, 1992; Ekinici, 2004; Rust & Oliver, 1994; Swan & Bowers, 1998 as cited in Harr, 2008).Empirical research by Cronin & Taylor (1992) showed that service quality has a significant effect on customer satisfaction. Similarly, recent studies by (González & Brea, 2005; & Ekinici 2004 using recursive structural models provided empirical support that service quality results in customer satisfaction. According to Zeithaml et al., (2006), customer

satisfaction is a broader concept than service quality which focuses specifically on dimensions of service. Satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, Hansemark and Albinson (2004). Regarding the fulfillment of some needs, goals or desire customer satisfaction is a collective outcome of perception, evaluation and psychological reactions to the consumption experience with a product/service (Yi, 1990). Here customers' perception takes the major share towards customers' satisfaction because their satisfaction is the result of their perception towards the specific service. For example, if the quality of service delivered is beyond their expectation then the customers will be delighted and if customer's perception is equal to their expectation level or under their expectation with the delivered service quality the customers will be satisfied and dissatisfied respectively. Customer satisfaction leads to repeat purchases, loyalty and to customer retention (Zairi, 2000). However, dissatisfied customers may try to reduce the dissonance by abandoning or returning the product, or they may try to reduce the dissonance seeking information that might confirm its high value (Kotler,2000).By seeking information that might confirm its high value (Kotler, 2000).

Conceptual framework on factors that contribute for how customers satisfaction or dissatisfaction.

SERVQUAL Dimensions

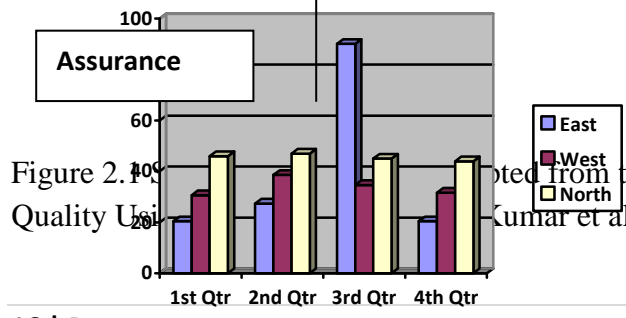
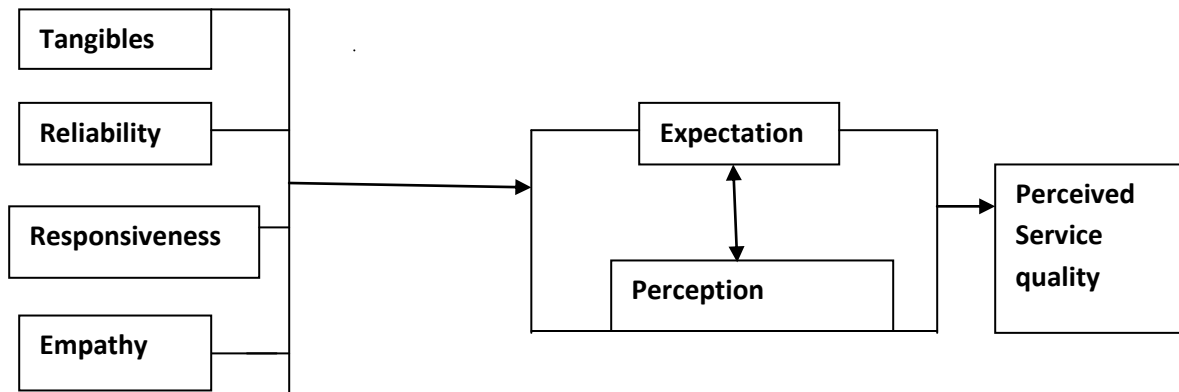


Figure 2. Quality Usage (Adapted from the Journal of Marketing, Measuring Service Quality, Kumar et al., 2009, p.)

Based on Figure 2.1, Parasuraman and his colleagues (1985) identified five gaps that can lead to service quality failures: Parasuraman et al. (1985) proposed service quality to be a function of pre purchase customer expectations, perceived process quality, and perceived output quality. They defined service quality as the gap between customers' expectations of service and their perceptions of the service experience, ultimately deriving the now-standard SERVQUAL multiple-item survey instrument (Parasuraman et al., 1988).

The SERVQUAL scale is a principal instrument for assessing quality (Parasuraman 1988). This instrument has been widely utilized by both managers and academics to assess customer perceptions of service quality for a variety of services (e.g. banks, credit card companies, repair and maintenance companies, and long-distance telephone companies). Based on Parasuraman et al.'s (1988) conceptualization of service quality, the original SERVQUAL instrument included multiple sections that intended to measure Customer expectations for various aspects of service quality, and customer perceptions of the service they actually received from the focal service organization (Parasuraman et al., 1988). In short, the SERVQUAL instrument is based on the gap theory (Parasuraman et al., 1985) and suggests that a consumer's perception of service quality is a function of the difference between his/her expectations about the performance of a general class of service providers and his/her assessment of the actual performance of a specific firm within that class (Cronin, J. J. & Taylor, S.A. , 1992).

Five dimensions; the results of the initial published application of the SERVQUAL instrument indicated that five dimensions of service quality emerged across a variety of services (Parasuraman et al., 1988). These dimensions include tangibles, reliability, responsiveness, assurance, and empathy tangibles are the physical evidence of the service (e.g. physical facilities, appearance of personnel, or tools or equipment used to provide the service), reliability involves consistency of performance and dependability (i.e. a firm performs the service right the first time and honors its promises), responsiveness concerns the willingness or readiness of employees to provide service (e.g. timeliness of service), assurance corresponds to the knowledge and courtesy of employees and their ability to inspire trust and confidence, and, finally, empathy pertains to caring, individualized attention that a firm provides its customers.

2.9. What Is Customer Satisfaction/Dissatisfaction?

Comparing customer expectations with their perceptions is based on what marketers refer to as the expectancy disconfirmation model. Simply stated, if customer perceptions meet expectations, the expectations are said to be confirmed and the customer is satisfied. If perceptions and expectations are not equal, then the expectation is said to be disconfirmed.

Although the term disconfirmation sounds like a negative experience, it is not necessarily so. There are two types of disconfirmations. If actual perceptions were less than what was expected, the result is a negative disconfirmation, which results in customer dissatisfaction and may lead to negative word-of-mouth publicity and/or customer defection. In contrast, a positive disconfirmation exists when perceptions exceed expectations, thereby resulting in customer satisfaction, positive word-of-mouth publicity, and customer retention. Every day, consumers utilize the disconfirmation paradigm by comparing their expectations with perceptions. (k. Hoffman and Batterson, 2011)

2.10. Customers Satisfaction in case of Ethiopian Commercial Banks

Yonatan Gebre (June 2010), under his Master's Thesis found that, the un weighted SERVQUAL scores for the Commercial Bank of Ethiopia, Awash International Bank and United Bank had a negative gap in all dimensions. This implies that the customers' perceptions falls short of their expectations. These banks should strive promptly to close these gaps by identifying the causes. In order to close these gaps the banks should consider the following steps with regard to their staff and management.

The author also recommends that the banks should develop training programs to improve the Staffs skill, friendliness and courtesy, in addition to that Banks should introduce improved communication flow that would enable staff to deliver what

customers expect more promptly and to provide information to management about customers' expectations so that necessary changes would be made.

Maintaining a good Management information system by assembling as much pertinent information as necessary about the customers and their expectations this helps to increase competency and customer retention. And Banks also reconsider their banking service hours and install Automatic Teller Machines (ATM) at various locations to provide round the clock access to customers.

Chapter Three

Research Methodology

3.1. Research Design

Research design constitutes the blue print for the collection, measurement and analysis of data. It helps the researcher in the allocation of limited resources by posing crucial choices. It is used as the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is the overall scheme or program of the research (cooper, 2003). This study will be conducted based on the descriptive research design using quantitative and qualitative method to analyze the data from customers. The objective of descriptive research is ‘to portray an accurate profile of persons, events or situations’ (Saunders et al, 2009). The descriptive research type describes data and characteristics about the population or phenomenon being studied. Descriptive research answers the questions who, what, where, when and how. It is mainly concerned with describing the nature or condition and the degree in detail of the present situation. In addition Creswell (1994) also states descriptive research design is a technique of gathering information about the existing condition. Descriptive studies are usually the best methods for collecting information that will demonstrate relationships and describe the world as it exists. So this study used descriptive research approach to describe the customers’ satisfaction towards the service quality of Commercial Bank of Ethiopia. It will also use descriptive analysis to assess the service quality dimensions and the satisfaction level of the customers. In addition, it will help obtain an accurate profile of the situation under this study and thus the study will consist of quantitative and qualitative data types and sources.

3.2. Sampling Technique and Sample Size

Sample is the segment of the population that is selected for investigation (Bryman and Bell, 2003). Sample size is actually the total number of units which are to be selected for the analysis in the research study. However, it is not possible for researchers to get in touch with a big number of samples, as the sample size is critical question in practice. The decision about the size and the sample needs to consider about time and cost, the need of precision, and a variety of further considerations (Bryman and Bell, 2003). The population of the study is all Bahir Dar district branches of Commercial Bank of Ethiopia which are 78 and categorized in five grading

system. Out of which a representative sample branches were drawn from the five branch categorization of the bank. Stratified sampling is a method of sampling from a population and it is a process of dividing members of the population into homogeneous subgroups before sampling. Stratified sampling ensures that at least one observation is picked from each of the strata, even if probability of being selected is far less than 1. Every element in the population must be assigned to only one stratum. Hence, based on the above the researcher used stratified sampling technique. For this study the strata are the different Classification of the branches. The number of branches drawn from each stratum was selected using proportionate stratified random sampling method and random selection was used to pick the number of branches within each stratum. The sample size of each stratum in this technique is proportionate to the population size of the stratum when viewed against the entire population. This means that each stratum has the same sampling fraction. Because all samples have the same size in their classification and have an equal chance of being selected. CBE branches are classified into four categories with the exception of one special class branch for the purpose of proper administration. The classification is made based on their profit making ability and the number of depositors of each branch has. The profit is either due to the location of the branch, proximity to the major market areas and the number of years of the branch since it is opened. Grade four branches are the highest profit makers and have the higher number of depositors next to the special class branch. Based on the above classification, the branch category and the number of branches in each category are summarized in the following

Table 3.2 CBE Branch Categories

Category	No of branches	Sample Branches	Service Type	Sample Respondents
Special(district) Branch	1	1	Saving Account	7
			Current Account	4
			Loan Account	3
			Foreign Account	2
Grade four branch	4	1	Saving Account	8
			Current Account	2
			Loan Account	2
			Foreign Banking	2
Grade three branch	20	2	Saving Account	5
			Current Account	2
			Loan Account	1
			Foreign Account	1
Grade Two Branch	20	2	Saving Account	10
			Current Account	2
			Loan Account	5
			Foreign Banking	1
Grade One Branch	33	4	Saving Account	11
			Current Account	3
			Loan Account	1
Total	78	10		

Source: The bank business development department confidential document

When we go up counting the classification grades (4 - 3 - 2 - 1) the number of depositors and profit decreases. The target samples for the study was all the bank customers regardless of whether they are doing their banking transactions with domestic banking service, foreign banking service, loan service or other banking services of the selected branches. Of the total branches operating in Bahir Dar district, the researcher selected ten (10) sample branches. The researcher was take the representative sample size by determining the total number of respondents as 150. Different researchers' states that if the population size is large and known the researcher can use the table that will help the researcher in managing representative sample size. Hence, since the research population (customers of CBE in Bahir Dar) is known and the number is too large reaching up to 150,000 the table suggests using 150 sample sizes. The researcher, therefore, used 150 for better accurate data gathering taking into account the non- returnable questionnaires. The number of respondent from each branch was determined disproportionately as 15. The number of branches within each stratum was chosen proportionately. For example in grade four branch there were 8 branches and total population is 78 and there will be 10

representative samples then the researcher manages to arrange a formula (No. of representative sample multiplied by the No. of first class branches and divided to the whole population $(10 \times 8 / 78) = 1$ By rounding up, one branch will be chosen using simple random sampling from first class branches. Using the same calculation two branches will be selected from grade 2 and grade 3 branches since they are the same in number and 4 branches were considered from the grade 1 branch. In general 10 branches were considered including the special class branch which is the head (district) office branch. Respondents from each category were proportionately stratified from each service of the branch. The classification is made based on their profit making ability and the number of depositors of each branch has. This is either due to the location of the branch, proximity to the major market areas and the number of years of the branch since it is opened. Grade Four branches are the highest profit makers and have the higher number of depositors next to the special class branch.

3.3. Method of Data Collection

There are several methodological approaches available to gather data and for the proper achievement of the objectives of the study; the researcher used primary and secondary data sources. Primary data was collected using questionnaires. Primary data is a data collected on source which has not been subjected to processing or any other manipulation which are collected by the investigator conducting the research. Secondary data is collected by someone other than the user. According to Saunders et al., (2009) the use of two or more independent sources of data or data collection methods helps to confirm findings in the study. Therefore, primary sources of data were collected through the in-depth interviews and questionnaires. Secondary data were obtained from different documents of the bank like service strategy documents, quality service control results and different literatures will be referred. In this research the original SERVQUAL model of Parauramna et al. (1985), (five dimensions, namely Tangibility, Reliability, Responsiveness, Assurance and Empathy) are used.

Questionnaire;

The questionnaires are used as a primary data source for qualitative and quantitative data gathering. It was designed to enable the researcher obtain as detailed information as possible. A total of 150 questionnaires was prepared and distributed to fifteen customers for each of the ten

branches (list of branches is attached). The numbers of respondents were determined proportionately using the number of customers from each service, Saving Account customer, Current Account, Loan service and Foreign banking service customers of the bank. The questionnaires consist of open ended questions (qualitative data) where the questions provide a guideline for the respondent but it does not have to be followed strictly and closed - ended questions (quantitative data). The aim of the questionnaire was to research and gather information on the service quality of the bank and their level of satisfaction.

3.4. Method of Data Analysis

After collecting the data, the data was analyzed using a descriptive data analysis technique which was presented by tables, frequency distributions and percentages to give a condensed picture of the data. This will be achieved through summary of simple statistics, which includes the mean, mode, median and standard deviation values which are computed for each variable in this study. The researcher used Statistical Package for Social Sciences (SPSS version 21 software) which help to process, analyze and tabulate the data that enables to provide frequency table along with percentage employed to analyze the responses of customers.

3.5. Ethical Issues

Any information provide from the survey is treat with the strictest confidence it deserves.

Chapter Four

Data Analysis and Presentation

This chapter of the thesis illustrates the result of the fieldwork conducted by the researcher. It is organized based on the research questions. The results are obtained from questionnaires administered to customers of CBE, who are found to be in the ten branches of Bahir Dar District. The chapter presents the data collected and their findings. Analysis is also made based upon the findings in collaboration with the literature reviewed. A total of 150 questionnaires were administered while undertaking the research. However, out of these 150 questionnaires, only 120 questionnaires were correctly filled and returned.

4.1. Socio-demographic profile of the study participants

In the study both individual and business customers were considered and the majority of the study participants were individual customers, constituting around 75 percent and the remaining 25 percent were business customers.

Table 4.1 Customers Type

Type of Customer	Frequency	Percent
Individual	90	75
Business	30	25
Total	120	100

Source: (Own Survey, 2019)

Most of the customers (both individual and business) are in the age category of 35-44, comprising around 50 percent of the study participants, followed by the age category of 25-34 (23 percent). On the other hand, those in the age group of 18-24 and 45-64 were 10 percent and 12 percent respectively. This shows as most of the customers of the bank are adults of middle age.

Table 4.1.1 Age Distribution of Respondents

Age Distribution Of Respondents		Frequency	Percent
Valid	18-24 years	12	10
	25-34 years	28	23
	35-44 years	65	50
	45-64 years	14	12
	65 and above	1	.2
	Total	120	100

Source: (Own Survey, 2019)

All of the customers who participated in the study have attended formal school. Moreover, around 26 percent of the customers have diploma and above. Out of those who have professional qualification, around 26 percent have diploma, 40 percent have first degree and around 13 percent have second degree and above. It is only 28 percent of the customers who reported having a certificate level of qualification.

Table 4.1.2 Educational Level of Respondents

Educational level of Respondents		Frequency	Percent
	Certificate	33	27.8
	Diploma	31	25.6
	Degree	40	33.7
Valid	Masters	15	12.6
	Above masters	1	.3
	Total	120	100

All of the study participants had experience in using the banking services of Commercial Bank of Ethiopia for at least 12 months. Most of the customers (around 55 percent) have spent 13-18 years with Commercial Bank of Ethiopia, 23 percent have spent 7-12 years and 9 percent have spent 19 years and above. Those who are young to the bank are around 13 percent of the study

participants have spent 1-6 years with the bank. With regard to the type of banking service 52 percent of the participants are using, saving account, 29 percent of the respondents revealed that they are using current account and International banking services, 15 percent declared they are using International banking and loan service and 4 percent mentioned they are using loan provision service of the bank. This puts the respondents in the right position to evaluate the quality of service provision of the bank in respect with the different service types of the bank.

Table 4.1.3 Respondents years of relation with the bank

Years of Relationship with bank	Frequency	Percent
1-6 years	16	13.2
7-12 years	28	22.9
13-18 years	66	55
19 years and above	10	8.8
Total	120	100

Around 30 percent of the respondents are using the service of other private and government banks, 20 percent of the respondents declared they are using other private banks apart from CBE services and 20 percent of the respondents are also customers of other private banks. It is only 30 percent of the respondents are loyal customers of CBE.

Table 4.1.4 Customers relationship with other banks

Customers relationship with other banks	Frequency	Percent
No, I am not	36	30
Yes, Other private banks	24	20
Yes, government banks	36	30
Both, Other private & Government Bank	24	20
Total	120	100

4.2. Service Quality of CBE using SERVQUAL

4.2.1. Service Quality using Tangibility Dimension

The mean score of the overall level of satisfaction by the tangibility domain was 3.8 (SD=1). This shows as the customers' satisfaction is good as the mean is closer to the highest point on the scale. The calculation of the means of the dimensions of tangibility indicated that the neat appearance of the staff (M=4, SD=0.8) and visually appealing physical equipment are the satisfaction drivers for the domain. The satisfaction of the customers by convenience of the branches location (M=3.8, SD=1) and the modern looking equipment (M=3.8, SD=1) were also good. Though the mean score of customers satisfaction by the visually appealing nature of the material attractiveness associated with the services was reasonably high, in relative terms the dimension appear to be the key dissatisfaction driver in relation to the domain.

Table 4.2 Service Quality using Tangibility Dimension

Tangibility	N	Max	Min	M	SD
Modern looking equipment	120	1-5		3.75	1.12
Visually appealing physical equipment	120	1-5		4.4	.89
Neat appearance of staffs	120	1-5		4.02	.84
Materials associated with service are visually appealing	120	1-5		3.3	1.2
Location Convenience of Branches	120	1-5		3.75	1.02

Source: (Own Survey, 2019)

The satisfaction of the customers by the reliability of the bank is good. The mean score of the sub scale as rated by the customers participated in the study was 4 (SD=0.9). Insistence on error free records (M=4.7, SD=0.6) and sincere interest to solve the problems of customers' (M=4, SD=0.8) were the dominant aspects of reliability by which higher level of customer satisfaction

was reported. The next high customer satisfaction driver was noting that staffs performed the right service on the first encounter of the customers with the bank service (M=3.9, SD=1), followed by the staff integrity in keeping their promises (M=3.7, SD=1) and the staff ability to provide services they promised to do so (M=3.7, SD=1).

Table 4.2.1 Reliability

Reliability	N	MIN	M	SD
		MAX		
Staff keeps promises	120	1-5	3.74	1.12
Sincere interest in solving customers problem	120	1-5	4.02	.84
Staffs performing right the first time	120	1-5	3.85	1.03
Provide service they provide to do so	120	1-5	3.74	1.15
Insist on error free records	120	1-5	4.73	.56

Source: (Own Survey, 2019)

Responsiveness is willingness to help customers and provide prompt service. A firm is known to be responsive when it communicates to its customers how long it would take to get answers or have their problems dealt with (Zeithaml et al., 2006). The customers regard the responsiveness of the bank as good. The satisfaction level of the customers who participated in the research declared that they are happy by the responsiveness of the bank staff in the service delivery process. The mean score of the sub scale was 4(SD=1). As can be seen from table 4.2.3 below three of the sub scale was above 4, affirming that the customers are highly satisfied by the responsiveness of the staff. These include the staff willingness to help, promptness of the staff in providing service to customers and informing customers as when service will be performed. On the other hand, the satisfaction of the staff by the availability of the staff to respond to customers is lower in relative terms. Yet, it is good in absolute terms - when seen against the rating scale.

Table 4.2.2 Responsiveness of CBE to Customers

Responsiveness	N	MIN	M	SD
		MAX		
Staff telling customers when service will be performed	120	1-5	4.09	1.1
Prompt Service to Customers	120	1-5	4.09	1.1
Staff willingness to help	120	1-5	4.13	.95
Staffs are never be busy to respond to customers	120	1-5	3.6	.97

Source: (Own Survey, 2019)

As assurance explained by Zeithaml et al., (2006) is knowledge and courtesy of employees and their ability to inspire trust and confidence. This dimension includes willingness to instill confidence in customers, being consistently courteous with customers, knowledgeable to answer customers' questions and feel safe in transactions with the bank. The customers who participated in the study demonstrated high level of satisfaction by the staff knowledge, courtesy, as well as their ability to instill trust and confidence in the employees of the bank. The score of the domain was 4.1(SD=0.8). The key driver of satisfaction for the domain was the staff knowledge in addressing the concerns and questions of the customers followed by the degree of security (safety) the customers enjoy in their transaction. The customers also stated their high level of satisfaction by the friendliness and courtesy of the staff as well as the behaviors of the staff that instill confidence. Table 4.2.4 shows the score of each of the elements of the sub scale. As can be inferred from the score in the table, staff knowledge to answer the customers question and the degree of safety the customers enjoy stands as the two major satisfaction drivers for assurance.

Table 4.2.3 Assurance

Assurance	N	MIN	M	SD
		MAX		
Behavior of Staffs instill confidence to customers	120	1-5	4.09	1.1
Customers feel safe in their transactions	120	1-5	4.09	1.1
Customers feel safe in their	120	1-5	4.13	.95
Staff having knowledge to answer questions	120	1-5	3.6	.97

Source: (Own Survey, 2019)

Among the five domains of the constructs of customer satisfaction, empathy was found to be the major driver of the customers' satisfaction. Zeithaml et al., (2006) described empathy as caring individualized attention the firm provides to its customers and the customer is treated as if he is unique and special. The mean score of the sub scale was 4.2 (SD=0.8), which is higher than from all of the sub scales. The level of the customers' satisfaction by the individual attention they are given by the staff (M=4.2, SD=0.9), the individual attention they get from the staff (M=4.4, SD=0.8), as well as the understanding of their specific needs by the staff (M=3.8, SD=1) were found to be high. Moreover, the customers are highly satisfied by the convenience of the operating hours of the bank (M=4.4, SD=0.8). On the basis of the level of satisfaction by the dimension of the domain, it is possible to note that getting personal attention from the staff and convenience of the operating hours are the primary drivers of customer satisfaction for the sub scale.

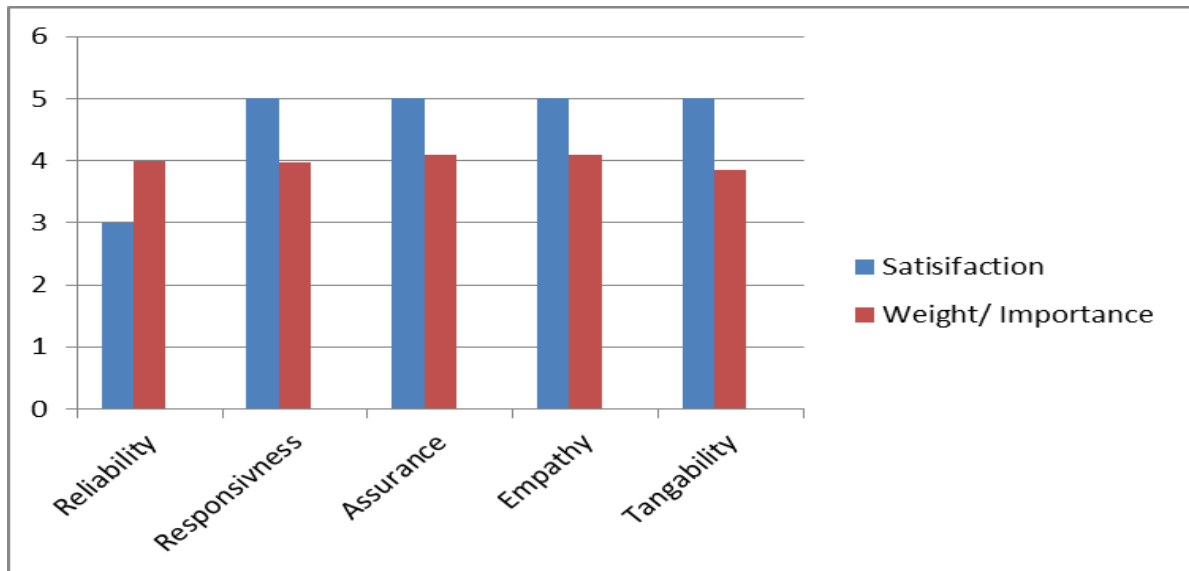
Table 4.2.4 Empathy

Empathy	N	MIN	M	SD
		MAX		
Individual attention given by staff	120	1-5	4.19	.86
Individual attention given by staff	120	1-5	4.42	.82
Individual attention given by staff attention	120	1-5	4.42	.82
Understand the specific needs of Customers	120	1-5	3.81	1.03

Source: (Own Survey, 2019)

4.3. Overall level of customer satisfaction

The issue of customer satisfaction whether being antecedent of service quality or the outcome of service quality is widely debated across existing literatures. Recent studies by (González & Brea, 2005; & Ekinici 2004 using recursive structural models provided empirical support that service quality results in customer satisfaction. The overall customer satisfaction of the customers was found to be high (M=4, SD=0.9). This was measured as the mean of all the five domains indicated below.



The use of indices is standard practice in state-of-the-art modeling, and brings advantages to any survey. All survey measures consist of two components the true information and error. Combining a number of measures into a single index increases the proportion of true score to error, and provides a better picture of the true score, the common element in each measure. A customer satisfaction index is the best single measure of how satisfied your customers are overall, in relation to what matters most to them. To calculate a satisfaction index, the importance of the parameters and satisfaction scores were combined in this study so as to produce a weighted average score, presented as a percentage of the theoretical maximum.

4.4. Ranking the five quality dimensions

From the five domains empathy, assurance and reliability of the bank were found to be the drivers of the customer satisfaction. On the other hand, tangibility, was identified an area that needs improvement with particular emphasis on the drivers of customers satisfaction for the sub scale.

Table 4.2.5 The score of each of the major domains of Five quality Dimension.

Tangibility	N	MIN	M	SD
		MAX		
Tangibility	120	1-5	3.84	.99
Reliability	120	1-5	4.02	.91
Responsiveness	120	1-5	3.98	.99
Assurance	120	1-5	4.11	.78
Empathy	120	1-5	4.16	.80

Source: (Own Survey, 2019)

4.5. Service quality with respect to technological advancement, waiting time and responsiveness

The evaluation of the service quality of the bank in terms of the utilization of modern technologies like using mobile banking or E-banking in advancing the services of the bank rated by the customers participated (52 percent) consider it as good. Looking at the degree of the customers' appreciation of the bank of using modern technologies, around 16 percent rated it as satisfactory, 17 percent rated it as good, 19 percent rated it as very good and excellent. On the other hand, around 48 percent of the respondents indicated as the service quality with regard to use of technological advancements is poor.

Table `4.3.1 Rating Modern banking system, mobile banking

	Frequency	Valid Percent
Poor	57.24	47.7
Satisfactory	18.84	15.7
Good	20.88	17.4
Very Good	20.52	17.1
Excellent	2.64	2.2
Total	120	100

The customers' comparison of the banks' service with other private banks on the bases of the utilization of modern technologies by the customers revealed that the relative position of the bank as perceived by the customers is not good. Around 80.8 percent of the customers who took part in the study reported as the position of the bank is low (53.8 percent rated it as very low while 27 percent rated as low) in comparison with other private banks. Contrary to this, around 19 percent of the customers indicated as the bank is better in this regard.

Table 4.3.2 CBE modern banking compared to other banks

	Frequency	Valid Percent
Very Low	64.56	53.8
Low	32.4	27
Moderate	19.68	16.4
High	1.92	1.6
Very High	1.56	1.3
Total	120	100

The rating of the bank by its relative position with other private banks in terms of waiting time by the customers participated in the study also revealed as the bank is in a good position. Around 95 percent of the customers expressed as the bank is performing better than other banks. Out of this, around 53 percent rated the service as good compared to other banks, 20 percent rated it as very good, and 12 percent rated it as excellent, and 10 percent of the customers rated as satisfactory. Yet, around 5 percent of the customers think that the bank is poorly performing than other banks with regard to waiting time.

Table 4.3.3 Measuring waiting time of CBE

	Frequency	Percent
Poor	6	5.0
Satisfactory	11.52	9.6
Good	64.08	53.4
Very Good	23.76	19.8
Excellent	14.52	12.1
Total	120	100

The customers also expressed as their level of satisfaction by the banks' ability to meet their service needs is good. More than 85 percent of the customers reported as they are satisfied by the bank with respect to the bank's ability to meet their specific needs of services. They state some of the satisfactory drivers like employee's manner in welcoming customers, helping or guiding customers with much patience, the availability of branches and convenient working hours. On the other hand around 39 percent of the customer who were participated in the research was not satisfied with the bank service. Some of the dissatisfaction drivers were revealed as the waiting time and lack of E-banking in CBE's services. Among the administered dissatisfied customer in the study majority of the customers suggest some way outs for CBE's service quality progress.

4.6. Meeting customers' expectations and complaints handling

4.6.1. Deviation between Customers expectation and performance

As it is discussed in the literature review the perception level should be higher than the expectation level to create the positive perception. As to the responses of the customers participated in study, the gap between the expectation of the customers while considering to be the customers of the bank and the extent to which their expectations were realized was found to be wide. The majority of the study participants indicated as there degree of the difference between their expectations and the reality was low (41 percent) and 58 percent as moderate. On the other hand, around 0.6 percent of the study participants reported that the gap was very wide.

Table 4.3.4 The deviation between customers' expectation and performance

Gap	Frequency	Valid Percent
High deviation	57	47.7
Moderate	19	15.7
Low deviation	21	17.4
Very low deviation	20	17.1
No deviation	3	2.2
Total	120	100

Regarding the effect of the variation, more than half of the participants reported the difference in their expectation and quality of service they got did not affect them negatively. While around 40 percent expressed as they were not affected by the difference, around 14 percent reported as they were stayed positive. On the contrary, 46 percent reported as the gap did affect them negatively. This will have a negative effect on the bank image and customers base in the long term and needs to be tackled early.

Table 4.3.5 The gap between customers expectation and actual performance of CBE effect on their relationship with the bank

Effect of the gap	Frequency	Percent
Yes, it affects negatively	55	45.5
No, I stayed neutral	48	40.2
Yes, it affects positively	17	14
Total	120	100

Source: (Own Survey, 2019)

In view of the above, the respondents were asked whether they had presented their complaints to the bank management in relation to their expectations. Around 45 percent responded as they do so while a significant percentage of the customers (54 percent) indicated as they did not report their complaints to the management. The low level dissatisfaction and complaint by the customers to the management may influence the customers' satisfaction negatively and hinders the management capacity to improve the quality of the service they rendered.

Table 4.3.6 Did customers put complaints to the management

	Frequency	Percent
Yes	55	45.4
NO	65	53.8
Total	120	100

Source: (Own Survey, 2019)

4.6.2. Complaint handling process of the bank

Complaint is one way of getting feedback for management and handling complaints on time very wisely is one of the management responsibilities. In view of this, around 84 percent of the study participants expressed as they did get response in time. Moreover, most of those who got the responses reported as the response were satisfactory, in time and positive. In connection to this, 23 percent of the customers indicated as the response was quick and positive, 39 percent

indicated as the response was satisfactory in addressing their concern, and 23 percent indicated as the response was quick. Nevertheless, around 2 percent of the customers reported as they did not get response while around 14 percent complain about the delay in giving the response.

Table 4.3.7 Rating CBE's complaint handling process & time of response

	Frequency	Percent
No response at all	3	2.2
Late response	16	13.5
Satisfactory response with reasonable	47	39.4
Quick response	27	22.3
quick and positive response	27	22.6
Total	120	100

Source: (Own Survey, 2019)

As a proxy indicator of the customers' satisfaction as well as a measure of the customers' commitment, the customers who participated in the study were asked if they are intending to continue being the bank's customers. Most of the study participants (76 percent) asserted as they will continue being the customers of Commercial Bank of Ethiopia. 35 percent of the respondent customers indicated as they will be limited to CBE in their use of banking services out of which, 12 percent of the respondent declared their loyalty for CBE banking service and 23 percent declared that they will stay with CBE and wait for changes in the service quality aspect while around 41 percent of the customers indicated as they will also be using other banks though will remain customers of Commercial Bank of Ethiopia and 24 percent of the respondents confirm that they will be moving to other banks to get the service that they are looking for.

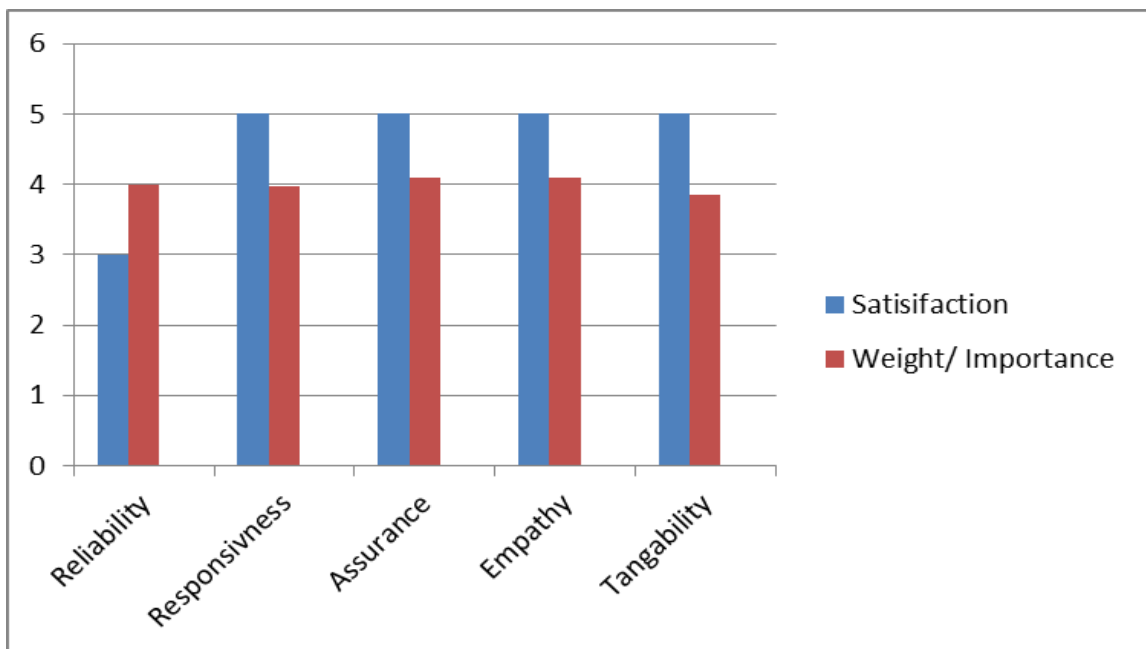
Table 4.3.8 Willingness to continue being customer of CBE

Customers willingness to continue with CBE	Frequency	Percent
No, I will not	29	24.2
Yes, but will work with others	49	41
Yes, I will wait and see for changes	27	22.6
Yes, I will keep my loyalty	15	12.1
Total	120	100

Source: (Own Survey, 2019)

Gap Analysis

With the aim of areas where to focus for improvement the satisfaction gab was analyzed. The answer is not necessarily to concentrate on the areas where satisfaction is lowest. In order to make sure that maximum ‘Doing Best What Matters Most’ is observed, the gaps between importance and satisfaction were analyzed for each domain. The key to customer satisfaction is ‘Doing Best What Matters Most’ to customers. In other words satisfaction should be highest in the areas that are priorities for customers. In light of this, the gap between the Customers’ satisfaction level and their importance to the customers is indicated below.



As can be seen from the above figure, the gap for Empathy is the highest followed by Assurance and reliability and the lowest scores goes to Tangibility followed by Responsiveness. Effective way to target improvement is to focus initially on areas that have large satisfaction gaps, but are relatively easy and cheap to address. These ‘quick wins’ are an excellent way to bring rapid improvement in customer satisfaction. In general, the customers also expressed as their level of satisfaction by the banks’ ability to meet their service needs is good. More than 80 percent of the customers reported as they are satisfied by the bank with respect to the bank’s ability to meet their specific needs of services. They state some of the satisfactory drivers like employee’s manner in welcoming customers, helping or guiding customers with much patience, the availability of branches and convenient working hours. On the other hand around 35 percent of the customer who were participated in the research was not satisfied with the bank service. Some of the dissatisfaction drivers were revealed as the waiting time and lack of E-banking in CBE’s services. Among the administered dissatisfied customer in the study majority of the customers suggest some way outs for CBE’s service quality progress.

Chapter Five

Summary, Conclusion and Recommendation

The chapter presents summary of findings, the conclusion finally drawn and recommendations based on the presented data, analysis made and reviewed literatures.

5.1 Summary

From the data collected, analysis made and reviewed literatures in order to meet the objective of the study which was: To assess the level of customer satisfaction with service quality in Commercial Bank of Ethiopia in Bahir dar district using SERVQUAL model, To clearly asses the gap between customer expectation and perception in the service quality provided by CBE and other related objectives mentioned earlier, the study put the following as its summary of findings. After analyzing the information gathered through structured questionnaires, the following major findings are presented:-

- ✓ About 80 percent respondents are satisfied with CBE's service quality while the remaining was not satisfied.
- ✓ As revealed in the analysis customers ranked the five service quality dimensions as empathy, assurance and reliability of the bank were found to be the drivers of the customer satisfaction and the bank should work more on tangibility and responsiveness dimensions respectively.
- ✓ The gap analyses of the five dimensions were rated as good. But improvement in all the five dimensions is needed, especially on the two service quality dimensions: While tangibility and responsiveness have shown up to be less; thus requiring concerted effort for improvement from the Bank.
- ✓ The customers of the bank have higher expectations than what they actually receive from the bank even though the gap is not very high.
- ✓ As seen from the analysis around 46 percent of the respondents are customers of other private banks, so that they can compare the service of one bank from the other.

- ✓ Around 46 percent of the respondents confirm that if there are no changes with the service quality of the bank that they will move to other banks.

5.2 Conclusion

Satisfied customers are a good work of mouth communicators for an organization and will stay longer. In the contrary customers are difficult to retain and create a negative impact in attracting the new ones. From the overall findings in relation with the literature review in this research it can be concluded that CBE's customers perceived the bank's service quality below their expectation especially in tangibility aspect of materials associated with the service which is related to cashless banking service of the bank. We can infer from the findings that around 80 percent of the customers are satisfied with the service quality of CBE. But the remaining 20 percent are not satisfied with the service quality. Which in turn has a negative impact on the banks competitiveness in the market. Since CBE is the first government commercial bank in Ethiopia, customers have high expectation from the bank to be the leading bank in every aspects of the service delivery process. The findings of the research also indicate that should work in all the service quality dimensions and in addressing customer's feedback to be competitive in the market. Despite the differences in the result of the dimensions the bank management should give attention to all the five SERVQUAL dimensions and tangibility and responsiveness needs special attention of the management. Generally, to outreach the markets it is very important to the bank to improve in all the five service quality dimensions and provide quality service that will satisfy its customers in order to keep its values and attain its vision to be the strongest and most preferred Bank of the People.

5.3 Recommendations

CBE should make the necessary investments to improve its Tangibles such as, in using introducing cashless banking (E-Banking systems and updating the materials associated with the service because it will be difficult for the bank to cope-up with its current status in this dynamic world. CBE should improve the responsiveness dimension of CBE's service quality and to narrow the gap between perceptions and expectations, a training initiative should be made focusing on fast response from management to customers' requests, swift reply to complaints.

The banks should attempt to remain competitive by providing attractive and prompt banking service that earns by customers' confidence and trust.

A great attention and effort in closing the gap is expected from CBE. The bank needs to develop a strategy to target and retain those dissatisfied customers. This can also be helpful to attract the new one at the same token. The strategy could be the one which can clearly point out the reasons why the customers are not satisfied with regard to the dimensions. Then a strategy that could help to eliminate or at least decrease these dissatisfactions and that can measure the results and take corrective actions should be implemented. Or it can be considered as a strategy that works for the service excellence of the bank. CBE should also give attention to the services it promises to customers versus what the bank can actually deliver and address its deficiencies. The bank have to take in to consideration the resource that it actually has at hand, some of them are: human resources, technological capacity, capacity of the stake holders in providing services to the bank and other factors that have a correlation with its service giving . As Human resources is the core element in achieving organizational objectives, before. Human resource is a base for providing a quality service due to the nature of the service delivery process. Therefore, CBE should keep working on developing the knowledge of its employees on customer service and other operational areas than before. In addition to this continuous assessment of customer service excellence should be implemented.

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DEPARTEMNET OF PUBLIC ADMINISTARATION AND DEVELOPMENTAL
MANAGEMNET
MASTERS IN PUBLIC MANAGEMENT AND POLICY

Questionnaire to be filled by Commercial Bank of Ethiopia customers

Dear Respondent,

This questionnaire is prepared to gather data to be used as an input for the research entitled **“Assessment of Level of Customer satisfaction with Quality Service in Commercial Bank of Ethiopia In Bahir Dar District.”** It’s prepared in partial fulfillment of Masters of Public Management and Policy in Addis Ababa University. The expected respondents of this questionnaire will be actual customers of the bank. The study focuses on the customer service quality so that the respondents will be expected to give accurate data to make a proper analysis. The data will be kept confidentially and it will be used only for research purpose.

I would like to thank you in advance for your kind cooperation.

Shewangzaw Merha Tel: 0912688848

Part I. General Information

1. General Profile

- a. Type of Customer Private Customer Business Customer
- b. Age 18-24 years 25-24 years 35-44 years 45-64 years
Older than 64 years
- c. Educational Status: Certificate and below Diploma Degree Masters
above Masters
- d. How long have you been the customer of Commercial Bank of Ethiopia?
1-5 years 6-11 years 12-17 years 19 years & above
- e. What type of services are you frequently using from the bank? You can select more than one
item. Saving deposits Current account Borrower International Banking

f. Are you customers of other private or government banks?

No, I am not Yes, other private banks Yes, Government banks

Yes, Both government & other private banks

Part II. Information Related to Assessment of the Service Quality of CBE using SERVQUAL, five dimensions.

1 stands for Poor”, 2 is “Satisfactory”, 3 stands for “Good”, 4 stands for “Very Good”, 5 stands for “Excellent”.

	Dimensions	1	2	3	4	5
A	Tangibility					
	Modern looking equipment					
	Visually Appealing physical facilities					
	Neat appearance of staff					
	Materials associated with the service are visually appealing					
	Convenience Location of Branches					
B	Reliability					
	Staff keeping promise					
	Sincere interest in solving customers’ problems					
	Staff performing service right the first time					
	Provide services at the time they promise to do so					
C	Responsiveness					
	Staff telling customers exactly when services will be performed					
	Prompt service to Customers					
	Staff willingness to help					

D	Assurance					
	Behaviors of staff instill confidence in customers					
	Customers feel safe in their transactions					
	Friendliness and courtesy of staff					
	Staff having knowledge to answer questions					
E	Empathy					
	Convenient operating hours					
	Individual attention given by staff					

III. Assessment of service quality in respect with technological advancement, waiting time and responsiveness

1. How do you rate CBE’s modern banking service in relation with technology like, core banking system, mobile banking etc.?

Poor Satisfactory Good Very Good Excellent

2. To what extent do you believe that CBE banking system is advanced in modern technology utilization compared with other banks in the country?

Very Low Low Moderate High Very High

3. How do you rate the waiting time of CBE’s service?

Poor satisfactory Good Very good Excellent

4. Are you satisfied with the service of the bank in respect to your specific needs of service, like loan service, domestic banking & foreign banking service?

Yes No

a) If your answer is ‘YES’ for the previous questions how do you explain its quality? You can measure the quality in terms of its speed, employee’s manner, technology usage, internal policy, terms & tariffs and others, if any.

b) If your answer is 'No' what makes you dissatisfied?

c) How do you think that CBE can bring change on its service quality?

IV. Assessing customers expectation towards CBE service

1. What was your expectation/perception towards CBE's service quality before you became Customer of the bank?

2. If there is a deviation, how do you rate the gap between your expectation and the Actual performance of CBE's?

High deviation Moderate Low deviation Very low deviation

a) Based on your answer for Question (a) does it affect your relationship with the bank?

Yes, it affects negatively No, I stayed neutral Yes, it affects positively

3. If your answer for the above question is yes, it affects negatively, where do you think that the gap lies between your expectation and CBE's performance? Like technology, waiting time, employees manner and others if any,

4. Did you take any step to put in complaints with management for any dissatisfaction?

Yes No

a) If your answer is 'Yes' for the previous question what was the response?

b) How do you rate the response of the banks' management for your complaint?

No response at all late response Respond at reasonable time
Quick response Quick & positive response

5. How do you rate the total service quality of CBE?

Poor Satisfactory Good Very Good Excellent

6. How do you rate your satisfaction level with the overall service of the bank?

Highly Unsatisfied UN satisfied Neutral Satisfied Very satisfied

7. How do you measure CBE's service quality compared to other banks?

Poor Satisfactory Good Very Good Excellent

8. Are you willing to continue being customer of the bank?

No, I will move to other banks Yes, I will stay as a customer

Yes, I will wait & see for changes

Thank you for your willingness and precious time.

List of Selected Bahir Dar District Branches

Bahir Dar Tana Branch

Bahir Dar Mahel Gebya Branch

Bahir Dar Abay Mado Branch

Baelay Zeleke Branch

Debre Markos Branch

Finoteselam Branch

Motta Branch

Bychena Branch

Debrework Branch