



**ST.MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**THE EFFECT OF SERVICE QUALITY ON CUSTOMER  
SATISFACTION THE CASE OF ABAY BANK**

**By  
TAMRAT YIFRA**

**JUNE, 2014**

**ADDIS ABABA, ETHIOPIA**

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**TAMRAT YIFRA**

**A THESIS**

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## LIST OF ABBREVIATION

AB.....	Abay Bank
CBE.....	Commercial bank of Ethiopia
OIB.....	Oromia International bank
AIB.....	Addis International bank
ANOVA.....	Analysis of Variance
VIF.....	Variance Indicator factor

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## ABSTRACT

*This research was conducted to assess the effect of service quality on customer satisfaction in the case of Abay bank using service quality dimensions adapted from Parasuraman et al (1985). that are tangibles, reliability, responsiveness, empathy and assurance. In this context, the main objective of this study was to assess the customer satisfaction on the service quality of Abay Bank. A total of 225 questionnaires were administered to customers of Abay Bank in three branches (Tewodros square, Hayahulet, and Lebu) and 200 questionnaires were returned and usable for a comprehensive empirical analysis. Both descriptive and inferential statistics have been used to find mean score, to test hypothesis, to investigate research problem, objectives and questions. From the correlation analysis it was found that all the five service quality dimensions are positively correlated with overall customers' satisfaction. From regression analysis empathy, reliability, responsiveness and tangibles found to be the most important dimension in affecting customer's satisfaction with the highest beta value. However, the rest dimension that is assurance not that much significant impact on customer satisfaction. In addition to this, the result of overall customer's satisfaction with the service quality analysis, score is above average i.e. the majority of the respondents feel that Abay Bank's service quality is satisfactory.*

**Key Words:** *Service Quality, Customers' satisfaction*

# CHAPTER ONE

## INTRODUCTION

### 1. 1. Background of the Study

In the current business world, the quality of customer service is becoming the concern of both customers and *organizations*. And in most industries, providing quality service is no longer simply an option. In service industries, globally, the subject of service quality remains critical as businesses strive to maintain a comparative advantage in the marketplace (Zeithaml and Bitner, 2003). Since financial services, particularly banks compete in the marketplace with generally undifferentiated products, and service quality becomes a primary competitive weapon (Mohammed and Shirley, 2009).

Currently, technological changes are causing banks to rethink their strategies for services offered to both commercial and individual customers. Therefore, banks should focus on service quality as a core competitive strategy (Juan et al, 2006). Within this background, customer satisfaction and service quality are compelling the attention of all banking institutions around the world including Ethiopia.

In this scenario according to Irons, 1997, in order to provide the desired quality level service companies should know customers' expectation and the way they perceive or evaluate the quality of a service. As Zeithaml and Bitner, (2003) stated, 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. Again as per Collart, (2000), one of the determinants of success of a firm is how the customers perceive the resulting service quality, as the perceived service quality is the key driver of perceived value.

## **1. 1. 1. Background of the Organization**

Abay bank has full filled all the necessary requirements of National Bank of Ethiopia to set up a bank and officially established on July 14th 2010 and started operation on November 3,2010.The bank was established with a subscribed capital of birr 174.5 million and a paid up capital of birr 125.8 million with 823 founding shareholders. As of October 2013, the Bank's paid-up capital has reached birr 311 million and the number of shareholders is over 1,700.

The bank is poised to serve all economic sectors through its networks of branches. It extends its service to domestic trade and services, international trade, agriculture, industry transportation, construction and real estate sectors.

Abay bank is taking all the necessary steps to be an effective partner to every business in fulfilling their financial dreams and aspirations. The bank is resolved to bridge the gap between access to financial services and those who need it most.

In light of this the bank offers all types of universal banking and has planned to render unique service to its clients supported with modern technology. Since its establishment, the bank has achieved encouraging achievements by all standards. Its sphere of operation has expanded all over the country and currently the number of branches has reached 60 and it has more than 65,000 account holders.

With a view to deliver efficient and modern banking service Abay bank implemented from the outset a state of the art banking technology, oracle flex cube core banking solution. Using this modern banking technology, the bank is able to connect all its branches distributed across the country.

Currently the bank is at the final stage to implement e-banking solution i.e card banking, mobile banking and agent banking to strengthen financial intermediation.

## **1. 2. Statement of the Problem**

According to Lovelock and Wright (1999), a key issue for financial services today is to recognize the relevant service marketing dimensions required for reaching both new and

existing customers. Regulatory, technological and changing consumer dynamics in the marketplace had an impact on both the nature and extent of marketing activity in retail banking and have created considerable uncertainty for banks. At the same time, the requirements and expectations of customers have changed and growth in competition as well as technological developments, have made huge differences in the scope and modes of financial service delivery. So to survive in this business environment every organization must clearly analyze the service quality and customer satisfaction.

Similarly as stated by Gilmore, (2003), services managers need to understand the service well enough to know which elements lend them to high-tech and to understand the market well enough. Moreover, to remain competitive, service providers must render quality service to their customers. Understanding and meeting customers' expectations and subsequently being different from competitors are important in order to survive in today's world of globalization (Kotler and Keller, 2006).

Moreover, efficient service delivery is critical factor in the success of service oriented business organizations. Particularly in banking industries, as these industries operate in a very sensitive business environment, it is desirable for service providers to understand what attributes customers utilized in their assessment of overall service quality and satisfaction (Gilmore, 2003).

Most of the time customers will not always be happy with the quality and value of the services they receive and once the customer is dissatisfied, it would be very difficult to gain their trust back (Lovelock and Wright, 1999).

Therefore, in order to know whether customers are being satisfied by every aspect of an organization delivery, studies should be conducted continuously. Before making any Change to one's company offering, knowing the current perception of customers is very critical.

In relation to these scenarios, banking sector in Ethiopia and specifically in Addis Ababa has becoming highly competitive with rapid market entry of new service concepts, and formats. Different banks which belongs to both public and private are expanding their network in a very fast pace. For example, the apex public bank CBE is expanding its branch network in every part to tap different market segments.

Among those competing banks in Ethiopia, Abay bank is the one which starts its operation recently, 2003EC with different banking services. Though the AB is providing different banking services efficiently for the past three years, it is still lacking the benefits that can be obtained like ATM, e Banking and credit / debit cards etc. It is fact that the existing banks in the country are well established in many aspects when you compare with AB. To compete with other banks, the AB is also expanding its branch network to increase its customer base. Presently, the bank is also in the process of upgrading its technology to deliver value added banking services to its customers. In this situation, it is inevitable to analyze the service quality and customer satisfaction towards the services provided by AB. This will help the bank to identify the gaps and may be helpful to design different strategies to satisfy the target market.

By considering the above scenario, the researcher believes that Abay bank will recognize the needs of its customers to meet their aspiration, as well as to provide quality service. From my preliminary assessment there are many researches is conducted on the service quality and customer satisfaction of different banks like CBE (Elias Kassa, 2012), AIB (Meaza Getahun, 2013) and OIB (Belay Adamu, 2012). This and other factor that influence the researcher to carry out this research is that, there are no researches has been carried out so far to evaluate the service quality and customer satisfaction towards the services provided by AB, which is pivotal to make any marketing mix decision. Considering the research deficit in the area of the bank's service quality and customer satisfaction, the researcher has been motivated to investigate the level of customers 'perception towards the AB's service quality.

Under the above articulated problem, the researcher is intended to answer the following Research questions.

### **1. 3. Research Question**

-  What is the most important dimension of service quality that contributes much towards overall customer satisfaction in Abay Bank?
-  What type of relationship does service quality have on customer's satisfaction?
-  Are the customers of the bank satisfied?

#### **1. 4. Objectives of the Study**

The general objective of this study is to assess customer's satisfaction towards the service Quality of Abay Bank.

More specifically the study seeks:

- ⌘ To identify the most important (significant) dimension of service quality that contributes much towards overall customer satisfaction in Abay Bank?
- ⌘ To asses level of customers' satisfaction
- ⌘ To identify areas that needs to be improved by the bank to deliver superior service quality by recommending different constructive suggestions.

#### **1. 5. Significance of the Study**

The outcome of this study will help Abay bank's customer service mangers to better understand their customers' perception on their service quality. Moreover the result from this research will assist the managers to better serve their customers and develop service quality to achieve the highest level of the customer's satisfaction. In addition to this the finding will give an insight for other academicians who are interested to asses other service areas of the bank.

#### **1. 6. Scope of the Study**

Even though there are many banks in Addis Abeba, the study only look at Abay Bank. And the researcher assessed service quality dimensions of Abay Bank using refined version of SERVPERF items, and one statement to capture the level of overall customers' satisfaction. Moreover, the sample frame was restricted to Addis Ababa, from which the survey was conducted in three branches (Tewodros, Hayahulet and Lebu). And this study only examines perception of customers who have Current and Saving Accounts.

## **1.7. Limitation of the Study**

The sampling method was convenience and it might create biasness to administer the questionnaire to respondents. Thus, it may reduce the generalize ability of the finding to the target population in all aspects. Moreover Consumers may have different perception towards the service quality of the bank; as such the finding may not represent all the Bank's consumers' perceptions. Because of this the findings of this study may not be generalized to other area branches of Abay Bank. In addition, time constraints and limited budget of resources, the researcher is not able to undertake many branches of the bank.

## **1.8. Organization of the Paper**

The thesis is organized and presented in five different chapters. The first chapter stands for introduction of the study which consists of background of the study, background of the organization, statement of the problem, objectives of the study, scope of the study and organization of the paper.

Chapter two also contains different literatures on the area which discusses various theories and concepts on Customer satisfaction & service Quality. Then, chapter three depicts the research methodology. Furthermore, chapter four presents all the collected data in a clear manner and the analysis accordingly. Finally, the fifth chapter portrays the summary, conclusion and recommendation part.



## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

This chapter presents various literature review related to the concept of service, characteristics of service, service quality dimensions, the service quality gap, customer satisfaction and the importance of service quality in banking industry and others are briefly explained.

#### **2. 1. General Concept of Service**

A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product (Keller and Kotler, 2006). Similarly Zeithaml and Bitner, (2004), also defined service as deeds, processes and performances. Both definitions and also other scholars' definitions agree on the intangibility, inseparability, perishable, and variability nature of a service. Moreover, many literatures explain the existence and importance of service in all kinds of organizations. In general Service organizations range in size from huge international corporations like airlines, banking, insurance, communications, hotel chains, and freight transportation to a vast array of locally owned and operated small businesses, including restaurants, laundries, taxis, optometrists, and numerous business-to-business ("B2B").(Lovelock and Wright,1999).

Currently the service industry is taking the highest portion of the world economy. In terms of industry structure, there is a greater willingness to identify service as commercially important to the extent that even some manufacturers of products have redefined their business as a service. (Iron, 1997) Especially in developed countries the concern customer is more on quality service. They prefer a service that can satisfy them in many ways. In addition to this the technological advancement and an intense competition in the market is providing an

opportunity for improvement of marketers/companies offering.

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

In most industrialized economies, expenditure on service is growing due to:

- ✚ Advances in technology that had led to more sophisticated products that require more services.
- ✚ Growth in per capita income has given rise to a greater percentage of income being spent on luxuries such as restaurant meals, overseas holidays, weekend holidays breaks. Greater discretionary income also fuels demand for financial services such as personal pensions.
- ✚ A trend towards out sourcing means that manufacturers are buying services that are outside the firms 'core expertise (warehousing, catering).
- ✚ Deregulation has increased level of competition in certain service industries like telecommunication. This has resulted in expansion with more customers availing of services as prices are going down due to competition actions. Simultaneously, companies are advertising more and wooing customers more stridently further fueling demand for services.

Due to growth in per capita income, people are buying more goods, which have contributed to making retailing an important service. (kumar and Meenaksh ,2006)

## **2. 2. Distinctive Characteristics of Services**

According to Mudie and Pirrie, (2006) Services are intangibles, perishable, inseparable

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

### **2.2.1. Intangibility**

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

### **2.2.2. Inseparability (Simultaneous Production and Consumption)**

There is a marked distinction between physical goods and services in terms of the sequence of production and consumption: Whereas goods are first produced, then stored and finally sold and consumed, services are first sold, then produced and consumed simultaneously.

The involvement of the customer in the production and delivery of the service means that the service provider must exercise care in what is being produced and how it is produced. The latter task will be of particular significance. How teachers, doctors, bank tellers, lawyers, car mechanics, hairdressers conduct themselves in the presence of the customer may determine the likelihood of repeat business. Therefore, proper selection and training of customer contact personnel is necessary to ensure the delivery of quality.

### **2.2.3. Variability (Heterogeneity)**

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

obstructive. Even within one employee there can be variations in performance over the course of a day.

#### **2.2.4. Perishability**

Services cannot be stored for later sales or use. Hotel rooms not occupied, airline seats not purchased and college places not filled cannot be reclaimed. As services are performances they cannot be stored. If demand far exceeds supply it cannot be met, as in manufacturing, by taking goods from a warehouse. Equally, if capacity far exceeds demand, the revenue and/or value of that service is lost.

Fluctuations in demand characterize service organizations and may pose problems where these fluctuations are unpredictable. Strategies need to be developed for producing a better match between supply and demand. (Mudie and Pirrie, 2006)

Generally, as a consequence of these characteristics, services marketing must pay particular attention to tangibility of the services and reducing consumer perceived risk. Furthermore, the process of service delivery also attracts marketing attention because the involvement of the consumer in the process suggests that the nature of delivery may have a significant impact on consumer evaluation of the service. (Tennevand Waite, 2007).

### **2.3. The '7 Ps' of Services**

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

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

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

## **2.4. Service Encounters or “Moments of Truth”**

From the customer’s point of view, the most vivid impression of service occurs in the service encounter or “Moments of Truth” when a customer interacts with the service firm. For example, among the service encounters a hotel customer experiences are checking in to the hotel, being taken to a room by a bell person, eating a restaurant meal, requesting a wake-up call, and checking out. You could think of the linking of these moments of truth as a service encounter cascade. It is in these encounters that customers receive a snapshot of organization’s service quality and encounter contributes to the customer’s overall satisfaction and willingness to do business with the organization again. (Zeithaml and Bitner, 2003)

From organization’s point of view each encounter thus represents an opportunity to prove its potential as quality service provider and to increase customer loyalty. Service encounters and that negative experience in any one of them can lead to a negative over all evaluation. Mistakes or problems that occur in the early levels of the service cascade are particularly critical because a failure at one point results in greater risk for dissatisfaction to each ensuing level. (Zeithaml and Bitner, 2003). From the customer’s perspective, interaction can take a number of forms; dependent up on two principal factors. Firstly, the importance of the encounter is influenced by whether it is the customer who is the recipient of the service, or whether it is the customer’s possessions.

Secondly, the nature of the encounter is influenced by the extent to which tangible elements are present within the service offer.

Good service providers rely on standard operating procedures for problems that come up from time to time. The service provider’s reward structure must give employees positive reinforcement for solving problems and pleasing customers. (Zeithaml and Bitner, 2003). Finally, if customers’ complaints lead to corrective measures, the company should tell the customer about the improvements. The customer will feel to be a part of the improvement team.

The service provider should make timely telephone responses, asking the customer for even more feedback, and letting the company know how his suggestions might be implemented. Then customers feel pleased and connected to the company. (Zeithaml and Bitner, 2003)

## **2. 5. Customers' Satisfaction**

According to Kotler and Keller, (2006) **satisfaction** is a person's feeling of pleasure or disappointment that results from comparing a product's perceived performance (or outcome) to expectations. If the performance falls short of expectations, the customer is dissatisfied. If it matches expectations, the customer is satisfied. If it exceeds expectations, the customer is highly satisfied or delighted. Customer assessments of product performance depend on many factors, especially the type of loyalty relationship the customer has with the brand. Consumers often form more favorable perceptions of a product with a brand they already feel positive about.

As per, Zeithaml and Bitner, (2003) Customer satisfaction is influenced by specific product or service features and by perception of quality. Satisfaction also influenced by customer's emotional response, their attributions, and their perceptions of equity.

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

**2. Customer emotions:** customer's emotion can also affect their perceptions of satisfaction with product and service. These emotions can be stable, preexisting emotions

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

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

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

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

## **2.6. Service Quality**

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

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

Practitioners and writers in the popular press tend to use the term satisfaction and quality interchangeably, but researchers have attempted to be more precise about meanings and measurement of the two concepts, resulting in considerable debate.

Although they have something in common, satisfaction is generally viewed as a broader concept; whereas service quality focuses specifically on dimensions of service. Based on this view, perceived service quality is a component of customer satisfaction. Service quality, which is the main issue in this paper, is a focused evaluation that reflects the customer's perception of elements of service such as interaction quality, physical environment quality, and outcome quality.

These elements are in turn evaluated based on the specific service quality dimensions: reliability, Assurance, Responsiveness, Empathy and Tangibles. Satisfaction, on the other hand, is more inclusive: it is influenced by perception of service quality, product quality, and price as well as situational factors and personal factors. (Zeithaml and Bitner, 2004).

## **2.7. Underlying Principles of Service Quality**

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

1. Service quality is more difficult for the consumer to evaluate than quality of a good.



2. Service quality is based on customers' perception of the outcome of the service and their evaluation of the process by which the service was performed.
3. Service quality perceptions result from a comparison of what the consumer expected prior to the service and the perceived level of service received.

The process used by consumers in evaluating service differs from the process used for goods. Services tend to be high in experience and credence qualities while goods tend to be high in search qualities. Search qualities are attributes that consumers can evaluate only during or after the consumption process.

Credence qualities are attributes that consumers have difficulty evaluating even after consumption is complete. Experience qualities are qualities of a good or service that will be evaluated only after the service has been consumed or during the process of consumption. (Clow and Kurtz, 2003)

## **2.8. Expectations and Perceptions of Service**

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

Perceptions can also develop during a service, but invariably materialize after usage. They represent the customer's evaluation of the service, particularly in relation to expectations. Where perceptions match or exceed expectations the customer is said to be satisfied in accordance with the first law of service:  $\text{Satisfaction} = \text{Perception} - \text{Expectation}$

Satisfaction can arise where perception exceeds a modest level of customer expectations. Where customers seek quality, expectations will be set much higher. So measuring the customer's perception and expectations is vitally important.

According to Zeithaml and Bitner (2004), to say that expectations are reference points

against which service delivery is compared is only a beginning. The level of expectation can vary widely depending on the point the customer holds. Although everyone has an intuitive sense of what expectations are, service marketers need a far more thorough and clear definition of expectations in order to comprehend, measure, and manage them. Because the idea of customer expectations is so critical to evaluation of service quality, we start our discussion by talking about the levels of expectations.

### **Expected service: levels of expectations**

Customers hold different types of expectation about service. The highest can be termed desired service: the level the customer hopes to receive- the “*wished for*” level of performance.

**Desired service:** - is a blend of what the customer believes “can be” and “should be.”

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

However, economy may constrain the availability of ideal job openings in companies. And not all companies you may be interested in have a relationship with your placement office. In this situation and in general, customers hope to achieve their service desires but recognize that this is not always possible.

We call the threshold level of acceptable service **adequate service**-the level of service the customer will accept. In the economic slowdown, many college graduates trained for high-skilled jobs may accept entry-level positions at any office or internships for no pay.

## **2. 9. The Zone of Tolerance**

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

In addition to this another aspect of variability in the range of reasonable services is that different customers possess different tolerance zones. Some customers have narrow zones of tolerance, requiring a tighter range of service from providers, whereas other customers allow a greater range of service.

For example, very busy customers would likely always be pressed for time, desire short wait times in general, and also hold a constrained range for the length of acceptable wait times. When it comes to meeting plumbers or repair personnel at their homes for appliance problems, customers who work outside the home have a more restricted window of acceptable time duration for that appointment than do customers who work in their homes or do not work at all.

In summary, we can express the boundaries of customer expectation of service with two different levels of expectations: desired service and adequate service. The desired service level is less subject to change than the adequate service level. A zone of tolerance separates these two levels.

This zone of tolerance varies across customers and expands or contracts with the same customer. Customer expectations are uncontrollable. (Zeithamal and Bitner 2004)

## **2. 10. Factors that Influence Customers Perception and Expectation**

According to Zeithamal and Bitner (2004), because expectations play such a critical role

in customer evaluation of services, marketers need to have a control over these factors as well, but many of the forces that influence customer expectation are uncontrollable.

Furthermore when consumers are interested in purchasing service, they are likely to seek or take in information from several different sources. For example, they may call a store, ask a friend, or deliberately track newspaper advertisements to find the needed service at the lowest price.

They may also receive service information by watching television or hearing an unsolicited comment from a colleague about a service that was performed well. In addition to these active and passive types of external search for information, consumers may conduct an internal search by reviewing the information held in memory about the service. The author also cited those factors that determine customers' perception and expectation of quality service are:

A. Explicit service promises

B. Implicit service promises,

C. Word-of-mouth communications, and

D. Past experience.

A. **Explicit service promises:** - are personal and non-personal statements about the service made by the organization to customers. The statements are personal when they are two standard boundaries: what they desire and what they deem acceptable.

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

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

- B. **Implicit service promises:** - are service-related cues other than explicit promises lead to inferences about what the service should and will be like. These quality cues are dominated by price and the Tangibles associated with the service. In general, the higher the price and the more impressive the tangibles, the more customers will expect from the service.
- C. **Word-of-mouth communication:** - The importance of word-of-mouth communication in shaping expectations of service is well documented. These personal and sometimes non personal statements made by parties other than the organization convey to customers what the service will be like and influence both predicted and desired service. Word of mouth tends to be very important in services that are difficult to evaluate before purchase and direct experience of them. Experts (including consumer reports, friends, and family) are also word-of-mouth sources that can affect the levels of desired and predicted service.
- D. **Past experience:** - Past experience, the customer's previous exposure to service that is relevant to the focal service, is another force in shaping predictions and desires. The service relevant for prediction can be previous exposure to the focal firm's service. For example, you probably compare each stay in a particular hotel with all previous stay in that hotel. (Zeithamal and Bitner 2004)

## 2. 11. Meeting Customer Expectations

As per kumar and Meenakshi, (2006) It is important to understand and meet customer

expectations. A company should have a clear picture of the criteria that customers will use to evaluate whether his expectations are having been met or not. The company should recognize that customers of service value not only the outcome of the service encounters but also the experience of taking part in. The following criteria are used by customers when evaluating out come and experience of service encounter:

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

6. **Responsiveness:** How quickly do service staffs respond to customer problems, requests and questions? Customers go to a service facility with the sole purpose of availing of the service. So he should be served promptly. (IBID)
7. **Behavior of employees:** Do service staff act in a friendly and polite manner? A customer is a guest in the service facility and should be treated as such in all circumstances. But friendly and polite demeanor of service professionals is more than adherence to etiquette. Behavior of the service provider is an integral part of the service offering.(IBID)
8. **Competence:** Do service staff have requisite skills and knowledge? The performance of the primary service will depend on the knowledge and competencies of the service providers. It is important that their professional credentials are prominently displayed for customers to see and feel re assured. (IBID)
9. **Communication:** Is the service described clearly and accurately? In most cases, customer travels to the service facility to avail of the service. If the service is appropriately represented and described in the communication emanating from the company, customers may walk in the expecting service that the company would not be able to perform. Such customers vent their disappointments, which can damage the company. (IBID)
10. **Physical Evidence:** How well managed are the tangible aspect of services? Since most services have high level of intangible elements, it is important that the company provide physical evidence to customers which will assure them that they will be provided a good service. These criteria form a useful checklist for service providers wishing to understand how their customers judge them. (kumar,A and Meenakshi, N,2006) .

## 2. 12. Measurement of Service Quality

As cited in Mudie and Pirrie, (2003), Service quality is considered as a multi-dimensional construct and in the early phase of development Parasuraman et al. (1985) identified ten service dimensions. In a further refinement these ten were reduced to five dimensions:

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

In other words, SERVQUAL is based on measuring customer satisfaction in terms of the relationship between expectations (E) and outcomes (O). If the outcome (O) matches Expectations (E), then the customer is satisfied. If expectations (E) exceed the outcome (O), then customer dissatisfaction is indicated. If the outcome (O) exceeds expectations (E), then customer delight may be the result. Parasuraman et al. (1985, 1988) argued for "Performance only" measurement of service quality and proposed a service quality measurement tool called SERVPERF.

The development of the SERVPERF model aimed to provide an alternative method of measuring perceived service quality and the significance of the relationships between service quality, customer satisfaction and purchase intentions. The customer's perception of performance counts rather than the reality of performance.

In effect, it has been argued that perceptions are reality as far as service quality is concerned (Christopher et al., 1999). Similarly Perceived service quality has been defined as the discrepancy between what the customer feels that a service provider should offer and his or her perception of what the service firm actually offers (Parasuraman et al., 1988).

Clearly perceived performance will be a major contributory factor in influencing overall satisfaction and intention to re-buy. However there are some important differences between "perceived service quality" and "satisfaction". Perceived service quality is defined by the customer's attitude or overall judgments of a service over time while satisfaction is considered to be connected to a specific transaction (Bitner, 1990; Parasuraman et al., 1988).



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

- ‖ A performance based measure of service quality may be an improved means of measuring the service quality and service quality is an antecedent of customer satisfaction.
- ‖ Consumer satisfaction has a significant effect on purchase intentions and service quality has less effect on purchase intentions than consumer satisfaction. As a result they presented a performance based measurement, SERVPERF.

## **2.13. Dimensions of Service Quality**

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

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

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

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

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

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

**Tangible-** The appearance of physical facilities, equipment, personnel and communication materials. All of these are used in varying degrees to project an image that will find favor with consumers. Tangibles will be of particular significance, where the customer's physical presence at a service facility is necessary for consumption to occur, e.g. hair salon, hotel and night club. As discussed above, these dimensions of service are very different from manufacturing and reflect the close interaction that the employees have with the customer in service delivery. Some researchers have used SERVQUAL entirely to investigate bank service while others have chosen to use a smaller number of attributes to represent each of the five dimensions.

## 2.14. The GAP Model of Service Quality

As cited in Clow and Kurtz, (2003) Parasuraman's SERVQUAL model is widely used to measure perceived service quality. Parasuraman et al. (1985) also found that the customer's perception of service quality depends upon the size and direction of the gap between the service and the customer expects to receive and what he or she perceives to have been received.

Thus, service quality is defined as the gap between customers' expectation of service and their perception of the service experience. The **gap theory** is the method for calculating the service quality that involves subtracting a customer's perceived level of service received from what was expected. (Clow and Kurtz, 2003)

According to Zeithamal and Bitner (2003), GAP model is one of the best received and most heuristically valuable contributions to the service literature. The pioneer study of Parasuraman et al. (1985) has been a major driving force in developing an increased understanding of and knowledge about service quality (Mudie and Pirrie, 2006). They defined service quality as the gap between customers' expectation of service and their perception of the service experience. The various gaps visualized in gap model are:

**Gap 1:** The difference between consumers' expectation and management's perceptions of those expectations, i.e. not knowing what consumers expect

**Gap 2:** The difference between management’s perceptions of consumers’ expectation and service quality specifications i.e. improper service-quality standards

**Gap 3:** The difference between service quality specifications and service actually delivered i.e. the service performance gap

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

**Gap 5:** Difference between consumers’ expectation and perceived service, this gap depends on size and direction of the four gaps associated with the delivery of service quality on the marketer’s side.

“The below figure 2.2 conveys a clear message to managers wishing to improve the quality service: the key to close the customer’s gap is to close provider gap 1 through 4 and keep them closed. To the extent that one or more of provider gaps 1 through 4 exist, customers perceive service quality shortfalls. The model, called the gap model of service quality, serves as the framework for service organization to improve service quality and services marketing.” (Parasuraman et al. (1994a, p. 202).

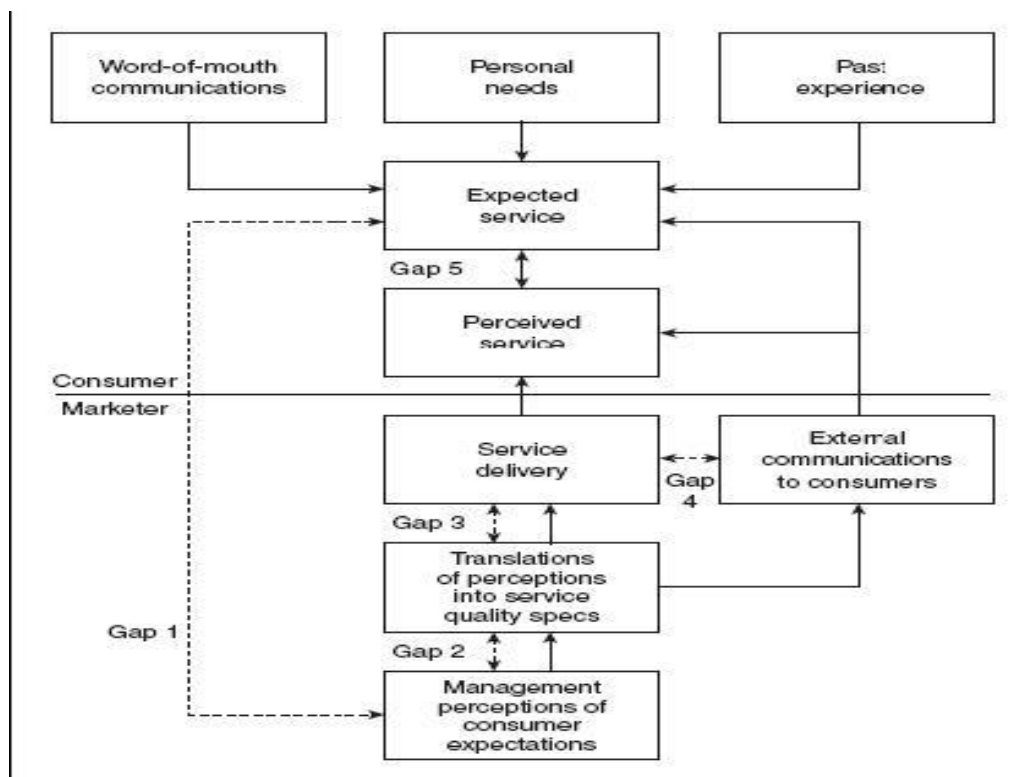


Figure2. 1 “Model of Service Quality and Its Implication for Future Research” 1994.

## **2. 15. The Importance of Service Quality in Banking Industry**

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

Thakur and Singh,(2011) also pointed out as the service quality is better predictor of customer satisfaction in banking ,On the other hand Customer satisfaction will be better if they recognize that there is a favorable service product/ quality. Similar points can also be seen in the research of (Scridon,M et al,2009, jain et al,2012, Muhammad,M et al,2011). As they cited Understanding and meeting customers' requirements is the key to competitive advantage and long term success in a highly competitive environment. Thus, the service quality of Banks is an important issue; it is also a key factor in building long-term brand recognition.

As cited in Tennew and Waite, (2007), financial services are provided by many different organizations, and traditionally, specific organizations such as banks specialized in the provision of specific services (i.e. banking services).Increasingly, across the world, these institutional boundaries have begun to break down, and while organizations continue to be defined by their type (bank, insurance company) they increasingly offer a much broader range of financial services. So Quality has become a significant concern for those in the service industry, specifically the banking industry Although people primarily use banks to satisfy their financial need, different procedures can also deeply influence customers attitudes to the services provided by the bank and their satisfaction with those services. Hence, bank customers can experience many service encounters, they may judge or evaluate the service quality based on what they perceive, over a number of quality attributes. Furthermore the way in which a service is delivered, and the nature of the

service interaction may have a significant impact on the customer's evaluation of the overall experience (Tennew and Waite, 2007). Thus, it is important for banks to develop customers focused services by making an effort to understand their perception and expectations.

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

The aim of this section is to summarize the idea I got from previous literature and to bring out the contributions I have for this study area. Thus this part starts with the idea generated and the contribution follows. The general idea from the past literature is that there is a relationship between customer satisfaction and service quality; also that service quality could be evaluated with the use of five service quality dimensions and the most useable is the SERVQUAL scale. Thus, customers in this paper are those who consume the services, satisfaction denotes customer's desire to maintain a business relationship with the organization and it is also the feelings of the customers towards the services provided to them by the organizations; while customer satisfaction in this study is the pleasures obtained by customers for the services provided to them by the employees of the organizations.

Moreover, the SERVQUAL model has been proven to be the best model to measure service quality in service sectors especially with the customer perspective. This idea generates an assumption that the five dimensions of SERVQUAL model could have a direct relationship with customer satisfaction. The questions that arose from this assumption is that 'Is there a significant relationship between customer satisfaction and service quality dimensions?' 'Is there a significant relationship between customer satisfaction and service quality?' Also, it has been stated that service quality is the overall assessment of a service by the customers, (Eshghi et al., 2008, p.121). Also, the five dimension of SERVQUAL model has been proven to be the main yardstick used by most of the researchers in the evaluation of service quality (Wilson et al., 2008, p. 79; Bennett & Barkensjo, 2005, p. 101, Negi, 2009; Wang & Hing-Po, 2002). This idea

generates an assumption that each of the five dimensions of SERVQUAL model could have a direct relationship with Customer Satisfaction. (Figure below)

If customers agree that they are satisfied and give the reasons for satisfaction as service quality; service quality dimension has significant relationship with customer satisfaction, then a conclusion could be drawn that service quality has a significant relationship with customer satisfaction and with service quality dimensions. Based on these, the research hypotheses were on the fact that service quality dimension had significant relationship with customer satisfaction.

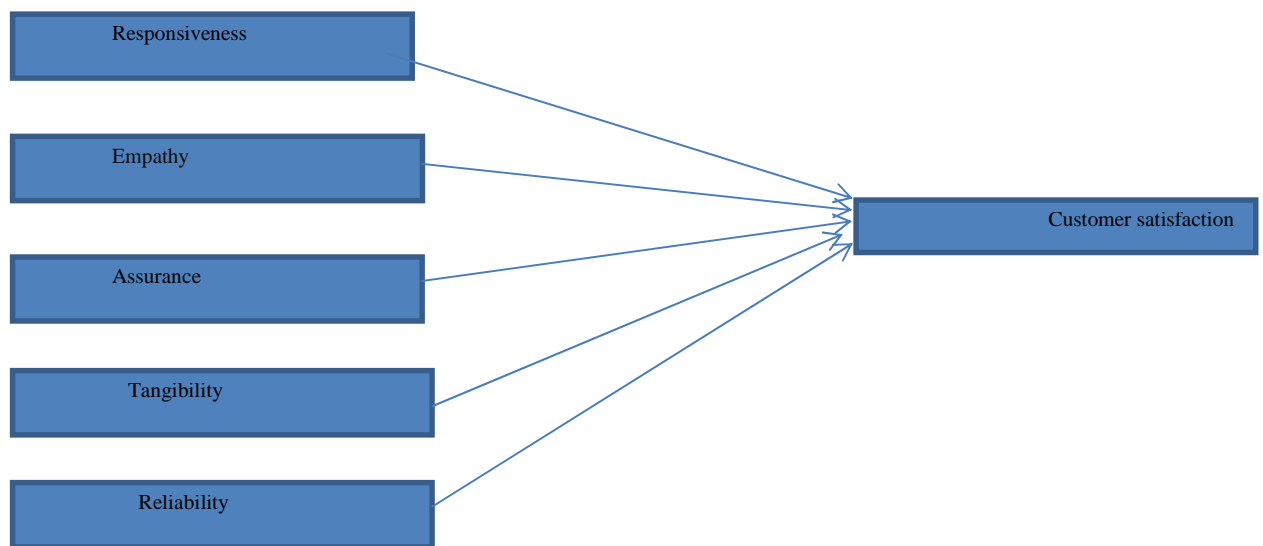


Figure 2.2 Conceptual frame work of the study

## 2. 17. Research Hypothesis

In line with the objectives the following hypothesis were formulated and tested

H1: There is a positive relationship between assurance and customer satisfaction.

H2: There is a positive relationship between reliability and customer satisfaction.

H3: Tangibles have positive relationship with customer's satisfaction.

H4: There is a positive relationship between empathy and customer satisfaction.

H5: Responsiveness has a positive relationship with customer satisfaction.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

In this chapter, it is discussed that the methodology used in order to answer the research problem and questions mentioned in the introduction part of this research, the researcher has to determine appropriate instrument that helps to do so. This can be manifested by identifying right source and using appropriate method of data collection. In addition, what suitable sampling technique used and how data are analyzed are also components of this portion of the research.

#### **3. 1. Research Approach**

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

#### **3. 2. Research Design**

The researcher used Descriptive and explanatory research design. Descriptive research design is selected because descriptive method is particularly appropriate when the research objective include the determination of the degree to which certain variables are

related to actual phenomena (Hair et al 2000) as such information can provide decision makers with evidence that can lead to a course of action.

And to test hypothesis and investigate research objective and research question both descriptive and inferential statistic have been utilized in this study through the use of such statistical tools as regression analysis, reliability analysis, descriptive statistics and correlation to assess customers satisfaction on service quality of Abay bank.

### **3.3. Source of Data**

The researcher used both secondary and primary data sources. The primary data for the research was collected from participants through structured questionnaires. A questionnaire was prepared to get idea about the customers' perception of the service quality of Abay Bank. As well as for understanding the importance and satisfaction of each service quality dimensions. The secondary data was collected from journals, books, websites, brochures, and articles.

### **3.4. Target Population, Sample Size and Sampling Techniques**

The target population of this study was customers of Abay Bank who have current and saving accounts in the bank. According to my preliminary assessment Abay bank has 16 branches in Addis Ababa. Due to geographic and resource constraint to study the overall outlying branch the researcher choose three branches by using simple random sampling (lottery sampling). The rationale of administering this technique is because according to Geoffrey, (2005), simple random sampling method involves selecting at random from a list of the population (a sampling frame) the required number of subjects for the sample. According to the information from the selected branch managers, Tewodros has (1510), HayaHulet has (881), and Lebu has (850) in a total of 3241 registered customers. As cited in Glenn, 2012 there are several approaches to determine the sample size, this Include using a census for small populations, imitating a sample size of similar studies using



published tables and applying formula to calculate a sample size. Among all these alternatives, this study prefers the formula derived by Yamane, (1967) cited in Glenn, 2012, rule of thumb, based on the information from the data, for the population of 3241 at 7% margin of error and 93% confidence level the sample size is 192.

$$n = \frac{N}{1 + N(e)^2}$$

Where n =sample size, N =population size, e =level of precision given that 93% confidence level and P = ±7% are assumed.

$$n = \frac{3241}{1 + 3241(0.07)^2}$$

$$n = 192$$

The researcher took 200 as a sample. In addition selection of respondents was by convenience sampling (non - probability sampling).And to determine the sample size of the selected branch the researcher used one of the non- probability sampling technique i.e. proportional sampling. According to Catherine (2007), proportional sampling is a non-probability version of stratified sampling. The distinguishing feature of a proportional sampling is that guidelines are set to ensure that the sample represents certain characteristics in proportion to their prevalence in the population. Accordingly the sample for Tewodros, Hayahulet and Lebu branches was 94, 54 and 52 respectively. The method of calculation is as follows;

Tewodros branch  $\frac{1510}{3241}=0.466$  (Percentage out of the total population)

$$0.466*200=94(\text{No. of respondents out of the total sample size})$$

Hayahulet branch  $\frac{881}{3241}=0.272$  (Percentage out of the total population)

$$0.272*200 =54 (\text{No. of respondents out of the total sample size})$$

Lebu branch  $\frac{850}{3241}=0.262$  (Percentage out of the total population)

$$0.262*200= 52 \text{ (No. of respondents out of the total sample size)}$$

### **3. 5. Methods of Data Collection**

A self-structured questionnaire was developed based on service quality dimensions, which is adapted from Parasuraman et al. (1985, 1988). The questionnaires consisted of 23-items which were administered to respondents personally to be evaluated on a five point likert scale ranging from “1” being strongly disagree to “5” being strongly agree for the 22 items .And for the 23th question likert scale is ranging from “1” being very dissatisfied to “5” very satisfied. The questionnaire was translated in to local language i.e. Amharic and have two parts the first part relating to demographic profile of respondents, the second part also about the perception towards service quality dimensions of AbayBank. Pilot test was conducted using 15 questionnaires to identify and eliminate potential problems associated with question content, wording and format. Besides the reliability test was assessed using Cronbachs’ alpha. Finally the researcher went personally to the targeted locations and distributed a total of 225 questionnaires and 200 usable questioners were collected. Among the distributed questioners’ 14 of them were not returned and 11 questionnaires’ were not filled properly, and the data was collected over a time frame of 3 weeks.

### **3. 6. Method of Data Analysis**

The researcher used inferential data analysis method to analyze the collected data. Data collected through questionnaire was analyzed using SPSS. The collected data of both primary and secondary data has been clearly presented by using tables which are expressed in the form of frequency, percentage, mean and standard deviation. To examine the relationship between customer satisfaction and each of the five dimensions Pearson’s Correlation were used. Moreover, multiple regressions was also used to identify the most important factors of SERVEPERF dimensions that contribute to customer’s satisfaction or

to find out which variables have the greatest influence on customer satisfaction. The researcher described and analyzes each findings of the study clearly.

### **3. 7. Reliability and Validity**

Validity defined as the extent to which data collection method or methods accurately measure what they intended to measure. To ensure the validity of the study, Data was being collected from the reliable sources, from respondent who has experiences in using the service of the bank. And survey question were made based on standardized questionnaires' which developed by Parasuraman et al. (1985, 1988). Furthermore this study was tested and examined by the advisor and other colleagues to determine its clarity. The reliability of the research instrument (structured questionnaire) was measured by the cronbach's alpha, and it is presented in chapter four and summarized in table 4.1.

### **3. 8. Definition of Terms**

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

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

**SERVPERF-** Model aimed to provide an alternative method of measuring perceived service quality and the significance of the relationships between service quality, customer satisfaction and purchase intentions. And it is defined as the discrepancy between what the customer feels that a service provider should offer and his or her perception of what the service firm actually offers. (Glimore, 2003)

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

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

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

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

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

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

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

This chapter presents the reliability analysis, respondents profile, service quality dimension, overall customer satisfaction analysis, correlation analysis between customer satisfaction and service quality dimensions and multiple regression analysis.

#### 4. 1. Reliability Analysis

Table 4.1 Result of Reliability Statistics

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>No. of Items</b>
Tangibility	0.846	4
Reliability	0.928	5
Responsiveness	0.888	4
Assurance	0.921	4
Empathy	0.879	5
Total result of Cronbach's Alpha	0.968	22

Source: Own Survey

The test of reliability is another important test of sound measurement. A measuring instrument is reliable if it provides consistent results Kothari (2004). Moreover, reliable measuring instrument does contribute for validity. Finally, reliability of the questionnaire has been tested by using CronbachAlpha. Therefore, as stipulated on table 4.1 above, the SPSS result shows that the questionnaire's reliability for each variables is 0.846, 0.928, 0.888, 0.921 and 0.879 Cronbach's Alpha. The internal consistency reliability was higher if the Cronbach's Alpha is closer to 1 Sekaran, (2003).The Cronbach's Alpha values were

used to measure the reliability of the instrument which well exceeded the recommended critical point of 0.7 Sekaran (2003), indicating good internal- consistency reliability and it indicates further analysis of the research which is depicted above Table 4.1.

## 4. 2. Profile of Respondent

This Section summarizes the gender of respondent, age of respondent, type of account the customers have and number of years of customer ship in the bank. The purpose of this demographic analysis is to know how much proportion of male and female , age distribution, what type of account the customers have and how many years does the customer have experience on the bank. In general the following tables clearly show the demographic profile of the respondent.

Table 4.2.1 Gender and Age characteristics of the respondents

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Male	112	56.0	56.0	56.0
	Female	88	44.0	44.0	100.0
	Total	200	100.0	100.0	
Valid	18-30	101	50.5	50.5	50.5
	31-45	94	47.0	47.0	97.5
	>45	5	2.5	2.5	100.0
	Total	200	100.0	100.0	

Source:Own Survey

As indicated the abovetable 56% of the total respondent is male and the rest of the respondent is female. Moreover 50.5% of the total respondent is grouped under the age of 18-30, 47% of the respondent is under category of 31-45 ages and the remaining is (2.5%) is categorized above age group of 45. From this table the researcher conclude that male respondent is slightly greater than females, and the same is true for the age group of 18-30.

Table 4.2.2. Type of account maintain within the bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	saving account	113	56.5	56.5	56.5
	current account	87	43.5	43.5	100.0
	Total	200	100.0	100.0	
Valid	Below one year	86	43.0	43.0	43.0
	Above one year	114	57.0	57.0	100.0
	Total	200	100.0	100.0	

Source: Own Survey

According to the above table 56.5% of the respondents have saving account and the remaining 43.5% respondent have current account. Based on number of years majority of the respondent is above one year which consists of 57%. And the remaining is below one year. From this researcher can conclude that most of the respondents have the experience of the bank.

### 4.3. Service Quality Dimension Analysis

This section presents the customers' perception towards service quality of Abay bank. Service quality is composed of tangibility, reliability, responsiveness, assurance, and empathy. The respondents were asked to rate each statement concerning their perception of service quality of the AB. As stated in the research methodology, Likert scale was used to measure the contribution of service quality dimensions for building customer satisfaction. The researcher has explored customers' perception towards service quality of the bank. The degree of satisfaction towards service quality of the bank is set from 1 to 5

(5 is from the highest satisfaction, whereas, 1 is the lowest satisfaction). The translation of level ranking is analyzed based on the following criteria of customers' satisfaction designed by Best (1977: 174) the score between 1.00-1.80 mean lowest satisfaction (Lowest) the score between 1.81-2.61 mean low satisfaction (Low) the score between 2.62-3.41 mean average satisfaction (Average or Medium) the score between 3.42-4.21 mean good satisfaction (High) the score between 4.22-5.00 mean very good satisfaction (Highest). The result is presented below table 4.3

From the table 4.3 the maximum and minimum responses are 5 and 1 respectively, for all variables stated in the below table. The mean value shows more than average of all dimensions, while, standard deviation shows that how diverse are the responses of customers for a given construct. For instance, high Standard Deviation means that the data are wide spread, which means that customers give variety of opinion and the low standard deviation means that customers express close opinion.

Table 4.3 Mean Score of service quality dimension

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Tangibility Total	200	2	5	4.09	0.699
Reliability Total	200	1	5	4.06	0.837
Responsiveness Total	200	2	5	4.08	0.832
Assurance Total	200	1	5	4.06	0.857
Empathy Total	200	1	5	4.07	0.786
Overall Satisfaction Total	200	1	5	4.00	0.992

Source: Own Survey



Comparison of mean of dimensions indicates that tangibles (4.09), responsiveness (4.08), empathy (4.07), reliability (4.06), assurance (4.06) .Thus as it is shown from the result of the mean scores, customers satisfaction towards the service quality of Abay bank on all the five dimensions is above 4.06. It indicate that quality of service being offered by the bank is perceived by its customers as satisfactory, since all the dimension of service quality is above average as well as positive.

Moreover, the mean score of Overall satisfaction with the Service Quality is 4.00 (sd =0.992) which is above average or satisfactory too. In general according to the information from the above table customers of the bank are satisfied.

#### 4. 4. Descriptive Analysis of Overall Customer Satisfaction

Table 4.4 Overall level of Abay bank customer satisfaction

	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
Very dissatisfied	7	3.5	3.5
Dissatisfied	9	4.5	4.5
Neutral	29	14.5	14.5
Satisfied	87	43.5	43.5
Very satisfied	68	34.0	34.0
Total	200	100	100

Source: Own Survey

The above table represents that the outcome of the analysis of customer's satisfaction with the service quality of Abay bank on their perception. Respondents were asked to rate their overall level of satisfaction with the services provided by Abay bank, with 5-point likert scale (1 means very dissatisfied, 2 means dissatisfied, 3 means neutral, 4 means satisfied and 5 means very satisfied).As a result of the descriptive data analysis in table no 4.4 indicates that, 3.5% of respondents shows that they are very dissatisfied with the services quality of AB, while 4.5% found to be dissatisfied and 14.5% of them responded as neutral. And the rest 43.5% and 34.0% rated as satisfied and very satisfied respectively.

Thus it indicates that the percentage of customers who are satisfied with the service is more than those who are dissatisfied with the service.

#### **4. 5. Inter Dimensional Correlations between All Service Quality Dimension and Customer Satisfaction**

A correlation coefficient is a very useful means to summarize the relationship between two variables with a single number that falls between -1 and +1 Field (2005). A correlation analysis with Pearson's correlation coefficient ( $r$ ) was conducted on all variables in this study to explore the relationships between variables. To interpret the strengths of relationships between variables, the guidelines suggested by Field (2005) were followed, mainly for their simplicity. His classification of the correlation coefficient( $r$ ) is as follows: 0.1 – 0.29 is weak; 0.3 – 0.49 is moderate; and  $> 0.5$  is strong. Again if the correlation result lies between -1 and 0, the two variables are negatively related. However, the result is interpreted and discussed using this criterion in each dimensions.

The relationship between the two variables i.e. tangibility and customer satisfaction are tried to explain. The correlation result is 0.605\*\*this indicates that the two variables are significant and positively related. In addition, the  $r=0.605$ \*\*value also implies as customer satisfaction in the Abay Bank has strong correlation with tangibility dimension.

Based on the table depicted the researcher attempted to clarify the correlation between the reliability as independent variable and customer satisfaction as dependent variable. As it is already shown, the two variables have significantly positive relationship. This implies that the two variables influence each other's positively. In addition, the  $r=0.770$ \*\*value indicates that reliability of employees maintains high correlation with the customer satisfaction in the context of Abay Bank.

Table 4.5 Relationship between all service Quality dimension and customer satisfaction

		<b>Tangibles dimensions</b>	<b>Responsiveness dimension</b>	<b>Assurance dimension</b>	<b>Reliability dimension</b>	<b>Empathy dimension</b>	<b>Overall Satisfaction</b>
Tangibles dimensions	Pearson Correlation	1	.633**	.627**	.651**	.495**	.605**
	Sig.(2-tailed)		.000	.000	.000	.000	.000
	N	200	200	200	200	200	200
Responsiveness dimension	Pearson Correlation	.633**	1	.854**	.853**	.770**	.767**
	Sig.(2-tailed)	.000		.000	.000	.000	.000
	N	200	200	200	200	200	200
Assurance dimension	Pearson Correlation	.627**	.854**	1	.789**	.842**	.750**
	Sig.(2-tailed)	.000	.000		.000	.000	.000
	N	200	200	200	200	200	200
Reliability dimension	Pearson Correlation	.651**	.853**	.789**	1	.764**	.770**
	Sig.(2-tailed)	.000	.000	.000		.000	.000
	N	200	200	200	200	200	200
Empathy dimension	Pearson Correlation	.495**	.770**	.842**	.764**	1	.737**
	Sig.(2-tailed)	.000	.000	.000	.000		.000
	N	200	200	200	200	200	200
Overall Satisfaction	Pearson Correlation	.605**	.767**	.750**	.770**	.737**	1
	Sig.(2-tailed)	.000	.000	.000	.000	.000	
	N	200	200	200	200	200	200
**. Correlation is significant at the 0.01 level (2-tailed).							

Source: Own Survey

The relationships between the responsiveness as independent variable and the customer satisfaction as dependent variables have significantly positive relationships. This implies

that, the two variables influence each other positively. In addition, the  $r=0.767^{**}$  value also implies as customer satisfaction in the service quality of Abay bank has strong correlation with responsiveness.

As per the above table tried to explain the relationship between assurance as independent variable and customer satisfaction as dependent variable shows that the variables has high Correlation. And the correlation result for this two variables is  $0.750^{**}$  this implies the two variables are also positively related. In addition, the  $r= 0.750^{**}$  indicates that assurance maintains high correlation relationship with the customer satisfaction in context of AbayBank.

The relationship between empathy and customers satisfaction is also shown on the table above. The correlation result of the two variables, empathy and customer satisfaction is  $0.737^{**}$ , this implies that the two variables are significant and positively related. In addition, the  $r=0.737^{**}$ , Value indicates that empathy maintains high relationship with the customer satisfaction in regarding to AbayBank.

Generally the correlation between the five service quality dimensions and customer satisfaction shows that there is a strong and positive relationship. Among those dimension reliability observed the highest positive correlation followed by responsiveness and assurance. Lastly but not the least empathy and tangibility also shows highest and strong correlation with customer satisfaction.

Finally the above table shows that each of the five quality dimension (Independent) variables has correlated with each other. For example tangibility has  $0.651^{**}$  correlated with reliability,  $.633^{**}$  correlated with responsiveness,  $.627^{**}$  correlated with assurance and finally  $.495^{**}$  correlated with empathy. The same is true for others also. From this the researcher can conclude that each of the five quality dimension has effect not only customer satisfaction but also on each of the service quality dimension based on the bank survey. If the service provider bank has not good tangibility dimension it may have strong effect on the other service quality dimension.

## 4. 6. Multicollinearity Analysis

Table 4.6: Result of Multicollinearity analysis

Model		Co linearity Statistics	
		Tolerance	VIF
	(Constant)		
	Tangibles dimensions	.518	1.930
	Reliability dimension	.224	4.464
	Responsiveness dimension	.184	5.422
	Assurance dimension	.175	5.710
	Empathy dimension	.254	3.938

a. Dependent Variable: Overall Satisfaction

When the predictor variables are correlated among themselves, the unique contribution of each predictor variable is difficult to assess. This is because of the overlapped or shared variance between the predictor variables, i.e., they are multicollinear. For tolerance values greater than 0.10 and the VIF values less than 10 are all quite acceptable. Therefore, it's clear to understand from the above table statistics that multicollinearity is not the problem of this research.

## 4. 7. Multiple Regression Analysis

To identify the service-quality dimensions that make the greatest contributions to overall customers satisfaction in AB, multiple regression analyses were conducted with overall customers satisfaction as the dependent variable and the five dimensions of service quality (tangibles, reliability, responsiveness, assurance, and empathy) as the independent variables. The result has been shown below in Table 4.7

Table 4.7. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1				
5	.824e	.679	.670	.570

Source: Own Survey

e. Predictors: (Constant), tangibility total, reliability total, responsiveness total, assurance total, empathy total)

R, the multiple correlation coefficients, is the linear correlation between the observed and model-predicted values of the dependent variable. Its large value indicates the strength of the relationship. From the table above, R Square (0.679) the coefficient of determination, shows that about 67.9 percent of the variation in overall service quality is explained by the model, or which means 67.9 percent of the variance in customer's satisfaction is influenced by the five Variables that are tangibles, reliability, responsiveness, empathy, and assurance.

Similarly, ANOVA table provides similar information with the model summary (table 4.7). Depending on the ANOVA table, overall significance/acceptability of the model from a statistical perspective can be determined. As the significance value of F statistics shows a value (.000), which is less than  $p < 0.05$ , the model is significant, which means that the variation explained by the model is not due to chance.

The interpretation of the sum of square column of the table is similar with the results of R square. It display information about how much of the variation in customers satisfaction is accounted by the predictor variables and how much is not. ANOVA test was also conducted as shown in the table 4.7.1 below.

Table 4.7.1: Results of ANOVA Analysis

		Sum of Squares	df	Mean Square	F	Sig.
Equation 1	Regression	132.994	5	26.599	81.900	.000
	Residual	63.006	194	.325		
	Total	196.000	199			

a. Predictors: (Constant), Tangibles total reliability total, responsiveness total, assurance total, empathy total

b. Dependent Variable: Overall satisfaction with the bank

Analysis: F value is 81.900 at significant level of 0.000

Table 4.7.2: Result of Multiple Regression analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.671	.267		-2.515	.013
Tangibles dimensions	.196	.080	.138	2.443	.015
Reliability dimension	.296	.102	.249	2.897	.004
Responsiveness dimension	.244	.113	.204	2.157	.032
Assurance dimension	.089	.113	.077	.794	.428
Empathy dimension	.323	.102	.256	3.164	.002

a. Dependent Variable: Overall Satisfaction

Dependent Variable: overall satisfaction with the bank statistically significant ( $p < 0.05$ ).

As it is stated above, multiple Linear Regression analysis has been carried out to show the most important dimension that contribute the most in customer's satisfaction among the five dimensions in AB. Based on Table above, the R square for this research was 0.679, with adjusted R square (0.670), It means that those five service quality dimensions are contributing to the Customer satisfaction in AB by 67.9% and remaining 32.1 % can be attributed by other

factors which are not studied, because they are beyond the scope of study. Of the five SERVPERF dimensions, the four contributed the most on customers' satisfaction, in order of importance these were

- Empathy (Beta = 0.256)
- Reliability (Beta = 0.249)
- Responsiveness (Beta = 0.204)
- Tangibles (Beta = 0.138)

Further, as the results of the regression analysis highlighted or indicated the most important dimension that contribute more to customer's satisfaction, was empathy ( = 0.256) carries the heaviest weight in explaining customer satisfaction followed by reliability with value of 0.249. Lastly responsiveness and tangibles with value of (0.204, 0.138 respectively).

These results show that one unit increase in empathy would lead to 0.256 unit (or 25.6%) increase in customer satisfaction provided that other variables being held constant. Similarly, one unit increase in reliability would lead to 24.9 % increase in customer satisfaction provided that other variables remain constant. Lastly one unit increase in responsiveness and tangibles would lead to 0.204 unit and 0.138 unit (or 20.4%, 13.8%) increase in customer satisfaction respectively provided that other variables remain constant. Therefore, superior performance on the most significance dimension i.e. empathy, reliability, responsiveness and tangibles may be helpful in providing enhanced quality of service .While dimension like assurance may not significantly impact on customers satisfaction' perceptions in the current study.

Meanwhile the Pearson correlation result of tables above revealed a significant and positive correlation between overall customer satisfaction and all of service quality dimensions, while the regression result in table above shows that only empathy, reliability , responsiveness and tangibles have significant contribution to customer satisfaction because their significant values were less than 0.05 ( $p < 0.05$ ) except assurance.



## 4. 8. Hypothesis Testing

Proposed hypothesis are tested based on the results of the multiple regression analysis. By looking at the Sig.-value in Table 4.7.2 it is possible to interpret whether the particular independent variable has a significant relationship with the dependent variables. Two approaches can be used to test the significance level: either by comparing t-value and t-table, or by comparing Sig. The rules of thumb for this study if  $\text{Sig.} < \alpha = .05$ ,  $H_0$  rejected, and conversely, if  $\text{Sig.} > \alpha = .05$ ,  $H_0$  was not reject. Hypothesis is supported when the Sig. value is smaller than 0.05; and a null hypothesis is rejected when the Sig. value is equal or larger than 0.05 (Pallant, 2010). Beta coefficients were used to evaluate the direction of each linear relationship (i.e. negative or positive). Therefore, interpretation of by comparing Sig and beta estimates preceded for each hypothesis.

### **H1.Tangibles has Positive Relationship with Customer Satisfaction**

Regarding the association between tangibles and customer satisfaction, multiple Regressions reported that the Beta Coefficients is 0.138 at a significance level of 0.015 and positive relationship. Hence, it is possible to decide that tangibles have significant impact on customer satisfaction in Abay bank. Therefore, the hypothesis is supported.

Tangible was found a valid variable for Abay bank and had a significant and positive relationship with customer satisfaction. Going back to the definition of Tangible; 'physical facilities, equipment's and staff appearance' (Parasuraman et al.1988, p.23). The appearance of the shop depends on the shop display which was the 'positioning' in this respect. An attractive display which makes it convenient for customers to move around and get the things they need, will make them happy; moreover, the highest percentage given as reason for satisfaction came from 'positioning' this explains the nature of the result for 'tangible' for AB.

### **H2.Responsivenesshas Positive Relationship with Customer Satisfaction**

Regarding the association between responsiveness and customer satisfaction, multiple Regressions reported that the Beta Coefficients is 0.204 at a significance level of 0.032 and positive relationship. Hence, it is possible to decide that responsiveness have significant impact on customer satisfaction in Abay bank. Therefore, the hypothesis is supported. When referred to the definition of responsiveness i.e. 'willingness to help customers and provide prompt service' (Parasuraman et al., 1988, p. 23).Whereas, responsiveness has important factor, founded by Mengi (2009).

### **H3.Reliability has Positive Relationship with Customer Satisfaction**

Regarding the association between reliability and customer satisfaction, multiple Regressions reported that the Beta Coefficients is 0.249 at a significance level of 0.04 and positive relationship. Hence, it is possible to decide that reliability have significant impact on customer satisfaction in Abay bank. Therefore, the hypothesis is supported.

The study by Zeithaml and Bitner (2003) further revealed that it is very important to do the service right the first time; in case a service problem does crop up, by resolving the problem to the customer's satisfaction, the company can significantly improve customer satisfaction. However, companies fare best when they prevent service problems altogether and fare worst when service problems occur and the company either ignores them or does not resolve them to the customer's satisfaction.

### **H4.Empathy has Positive Relationship with Customer Satisfaction**

Regarding the association between empathy and customer satisfaction, multiple Regressions reported that the Beta Coefficients is 0.256 at a significance level of 0.02 and positive relationship. Hence, it is possible to decide that empathy have the most significant impact on customer satisfaction in Abay bank. Therefore, the hypothesis is supported.

Empathy, which is concerned with factors such as accessibility, good communications, understanding of customer's needs approachability and friendliness. On the other hand, Sandip Gosh Hasra and BL Srivastava (2009) in their study indicated that the bank should pay attention to these dimension to increase customer satisfaction .Whereas, Sudesh(2007)

revealed that poor service quality in banks is mainly because of deficiency in tangibility, lack of responsiveness and empathy.

### **H5.Assurance has Positive Relationship with Customer Satisfaction**

Regarding the association between assurance and customer satisfaction, multiple Regressions reported that the Beta Coefficients is 0.077 at a significance level of 0.428, even if it has positive relationship. Hence, it is possible to decide that assurance have not significant impact on customer satisfaction in Abay bank. Therefore, the hypothesis is rejected.

In summary, according to their relationship and significance level the following table shows the approval and disapproval of hypothesis.

Table 4.8. Results of Hypothesis Based on Regressions Statistics

<b>Hypothesis</b>	<b>Independent variables</b>	<b>Sig. Level</b>	<b>Dependent Variables</b>	<b>Result</b>
H 1	Reliability	0.04	Customer Satisfaction	Support
H 2	Responsiveness	0.032	Customer Satisfaction	Support
H 3	Assurance	0.428	Customer Satisfaction	<b>rejected</b>
H 4	Empathy	0.02	Customer Satisfaction	Support
H 5	Tangibles	0.015	Customer Satisfaction	Support

**Source:** Own Survey

The above table shows that variables that were tested by Regressions statistical tests, which are four dimensions, have significant relationship with corporate customer satisfaction but assurance dimension is not have significant relationship with customer satisfaction in Abay bank. Therefore, the four hypotheses that assumed earlier to accomplish the study were supported.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter presents the summary of the major finding, conclusion of the study and recommendation for the organization were part of the research.

#### 5.1. Summary of the Major Finding

- } Male respondents were slightly greater than women and most of the respondents were under the age group of 18-30.
- } Most of the respondents have saving account rather than current account and mostly they used the service above one year.
- } Comparison of mean dimension indicates that all the five quality dimensions were above 4.06 which are satisfactory.
- } Based on the overall satisfaction of the bank results shows that 43.5% of the respondents are satisfied, 34.0% were very satisfied.
- } According to inter dimensional correlation all service quality dimensions have positive relationship with customer satisfaction.
- } Based on Multiple regression analysis 67.9% of the variance in customer satisfaction is influenced by the five variables that are tangibles, reliability, responsiveness, empathy and assurance.
- } In addition empathy, reliability, responsiveness and tangibles have significant impact in affecting customer satisfaction in the bank respectively. Even if assurance have positive relationship with customer satisfaction but it has not significant impact on customer satisfaction.
- } The Five quality dimension Support the hypothesis except assurance. Because the significance level of assurance is 42.8 % that is above 0.05(5%).

## 5.2. Conclusion

The main aim of this study was to assess customer's satisfaction towards the service quality of Abay Bank. For this, the first three specific objective of the study was to identify the most important dimension of service quality that contributes much towards overall customer satisfaction in Abay Bank, to identify the relationship between service quality and customer satisfaction in AB and to assess level of customers' satisfaction.

To achieve the first specific objective the researcher applied Multiple Linear Regression analyses, thus this study finds that the empathy, reliability, responsiveness and tangibles dimension of the service quality are significant and the most important dimensions respectively that dominantly affect customer satisfaction in the bank statistically significant at ( $p < 0.05$ ). However, even though the rest of the dimension that is assurance is not statistically significant in the overall customer's satisfaction even though it has positive correlation with customer's satisfaction on the service quality of AB.

This requires the company effort to work on these variables too (empathy, reliability, tangibles & responsiveness), to satisfy its customers to the acceptable level. In addition, R Square is 0.679 which means 67.9 percent of the variance in service quality is influenced by these variables. To identify the relationship between service quality and customer satisfaction in AB Pearson correlation analysis was used. It was found that the four dimensions of service quality are important for customer's satisfaction in AB except assurance dimension.

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

Finally the findings have shown that mean score of overall satisfaction with the Service Quality is above average or satisfactory. In addition to this the mean scores with regarding to overall customers satisfaction on all dimensions are almost above average, which implies as more of AB customers are satisfied with service quality of the bank. And, all the hypotheses were strongly supported except Assurance dimension.

### **5.3. Recommendation**

This study has shown the relationship among the service quality dimensions and customer satisfaction of AB by using SRVPERF measurement. Since the study confirms the four dimensions of service quality are positively correlated with the bank customer satisfaction except assurance, hence the bank should give strong emphasis to all service quality dimension in maintaining and improving the service quality of the bank. Up on this, the following recommendations are forwarded for Abay bank by the researcher:

In the current study among these service quality dimensions, empathy shows the highest significance positive impact on customer satisfaction followed by reliability. The core concept of empathy is caring, individualized attention to customers or empathy is treating customers as individuals than their larger, Empathy includes the following features: approachability, sensitivity and effort to understand the customer's needs. So AB should try to give individual attention, have customer's best interest at heart, convenient operating hours. And its personnel particularly those working in customer service counters need to understand the specific requirements of the customers, since these quality features are highest determinants of satisfaction. Hence focus should be directed to enhancing the performance of front line staff, and emphasis should be placed on selection and training of frontline personnel.

Thus AB need to be more marketing oriented, to choose the personnel who interact with the customer, to regularly collect information about customer needs, to ensure customer satisfaction, furthermore the bank should try to extend the operating hours. Generally customers tend to expect empathy and respect from someone they deal with yet, the banks

should maintain and improve the empathy skill since it is still very important along other dimension.

- Reliability also the other factor that is significant as well as highly correlated in determining customers' satisfaction in Abay bank. As a suggestion to satisfy its customers and to make their service distinguishable from other banks, AB should try to perform the promised services both dependably and accurately on time and without error.
  
- Responsiveness also determines customers' satisfaction in Abay bank. It is related with the willingness of employees to help customers and to provide prompt service. This dimension is particularly prevalent where customers have requests, questions, complaints and problems.

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

- Tangibility is also being emerged to be as another important factor that determines AB's customer's satisfaction. AB should provide customer information material such as brochures provided should be well composed, and attractive, frontline personnel providing services should be neat, clean, and well dressed and give pleasing look and professionally appearing, its facilities and other equipment at sales outlets should be modern and up-to-date.
  
- In addition to this as per respondent's comments and also researcher's observation electronic banking becomes more prevalent, so AB needs heavy investment on electronic banking service at points which can easily be accessible. For instance, ATMs should be installed and the bank should be installed interbank branch network connection to access account at any branch of the bank. This will help in delivering

quick and accurate services to customers as well as reducing the workload of frontline staff. Again this investment may also ensure convenient banking hours.

- Even if more than half of the respondents expressed their level of satisfaction as they are satisfied. The rest percentage of customers are dissatisfied, So in an area where service providers are working for customer delight AB has to do a lot to bring improvement in quality of its service and better satisfy all its existing customers as well as to attract the new ones.
- Furthermore in the current scenario of competitive banking industry, to survive with in this industry as well as to maintain sustainable competitive advantage the bank should focus on customer satisfaction by offering different services. And the Banks should continually assess how customers perceive bank services so as to know whether the bank meets or exceeds or is below the expectations of their customers. And, it is pertinent that all the components of service quality dimensions should be strictly followed and implemented effectively.
- As a service providing organization, service providing institution must collect information from their customers. There is a greater competition between service providing firms especially banks. To survive in the market and compete they have to collect different information, complaints, service to be provided, improvements to be made and others. Based on my survey on the questioners the customers maintain some feedback to the service provider (Abay bank).
- Suggestions or feedback towards their services and improvement to be done, for example starting the value added service like machines (ATM) and mobile banking.
- Information on where branches must be opened- the place they get customers
- New services to be provided: comparing other banks' services customers inform the bank to provide services that other banks provide.



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described by the statement. Put “1” and, “1” means that you strongly disagree, “2” disagree, “3” neutral, “4” agree, and “5” strongly agree.

S.No	Measurement Items	<i>Measurement scales</i>				
		Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
<b>Tangibles</b>						
1	Abay bank looks fresh and modern.					
2	Abay bank physical facilities (such as office layout, furniture etc.) are visually appealing.					
3	Abay bank’s employees are well dressed and neatly-appeared.					
4	Materials associated with the service (pamphlets or Statements) are visually appealing at Abay bank					
<b>Reliability</b>						
5	Employees of Abay bank’s promises to do something by a certain time, They do.					
6	When you have a problem, employees of Abay bank will show a sincere interest in solving it.					
7	Abay bank will perform the service at the right time.					
8	Abay bank will provide its services at the time it promises to do so.					
9	Abay bank insists on errors & free records.					
<b>Responsiveness</b>						
10	Employees of Abay bank tells you exactly when the service will be performed.					
	Employees of Abay bank give					

11	you prompt service.					
12	Employees of Abay bank are willing to help customers.					
13	Employees of Abay bank are never too busy to respond your requests.					
<b>Assurance</b>						
14	The behavior of employees of Abay bank instills confidence in customers...					
15	You feel safe in your transactions with Abay bank.					
16	Employees of Abay bank are consistently courteous with you.					
17	Employees of Abay bank has the knowledge to answer your questions.					
<b>Empathy</b>						
18	Abay bank has convenient operating hours					
19	Abay bank gives you individual attention.					
20	Abay bank has employees who give you personal attention.					
21	Abay bank understands your best interest at heart.					
22	Employees of Abay bank understand your specific needs.					
23	Your overall satisfaction with the bank	Very satisfied	Satisfied	neutral	Dissatisfied	Very dissatisfied
		5	4	3	2	1

If you have any comment regarding the service quality of Abay bank, please mention it \_\_\_\_\_

**Thank you for the time you have spent in completing this questionnaire.**





**APPENDI -B (መጠይቅ)**  
**ቅደስት ማሪያም ዩኒቨርሲቲ**  
**ቢዝነስ አድሚኒስትሬሽን**  
**የባንክ አገልግሎት ጥራት እና የደንበኞች እርካታ ጥናት**

ውድ የአባይ ባንክ አገልግሎት ተጠቃሚዎች

በቅድስት ማሪያም ዩኒቨርሲቲ የጀኔራል ቢዝነስ አድሚኒስትሬሽን ትምህርት ክፍል የድህረ ምረቃ ተማሪ ስሆን መስፈርቶችን ለማሟላት የሚካሄድ የምርምር ፕሮጀክት በመስራት ላይ እገኛለሁ። ይህ መጠይቅ በአባይ ባንክ አገልግሎት ጥራት ላይ ያለዎትን አመለካከት መረጃ ለመሰብሰብ የተዘጋጀ ነው። ከዚህ በታች ለተቀመጡት መግለጫዎች የሚሰጧቸው ምላሾች ለፕሮጀክት ስራዬ ታላቅ ጠቃሚነት ስላላቸው ጥያቄዎቼን በጥንቃቄና በሀቀኝነት እንዲመልሱ በትህትና እጠይቃለሁ። መልስዎም ሚስጥራዊነታቸው ተጠብቀው ለትምህርት አላማ ብቻ ይውላሉ። ማንኛውም ጥያቄ ካለዎት እባክዎን በስልክ ቁጥር

+251-911-51-04-13 ይደውሉ።

ለተሳትፈዎ አመሰግናለሁ

ታምራት ይፍራ

**ክፍል 1 (ለሚከተሉት ጥያቄዎች መልስ በሳጥን ውስጥ የ(፬) ምልክት ያስቀምጡ)**

1. ያታ

ወንድ

ሴት

2. እድሜ

ከ18-30

ከ31-45

ከ45 እና በላይ

3. በባንኩ ያሉት የደንበኝነት አገልግሎት ?

የቁጠባ አካውንት

ከረንት አካውንት

4. የባንኩን አገልግሎት ለምን ያክል ጊዜ ተጠቅመዋል?

ከአንድ አመት በታች

ከአንድ አመት በላይ

**ክፍል 2 የአገልግሎት ጥራት መገለጫዎች**

በአባይ ባንክ አገልግሎት ደንበኝነት ያለዎት ልምድ ላይ በመመስረት እባክዎን በአባይ ባንክ ስለሚያገኙት አገልግሎት ስላለዎት አመለካከት ደረጃ ይስጡ። ከዚህ በታች የመገለጫዎቹ ዝርዝሮች ቀርበዋል። ስለ አባይ ባንክ አገልግሎት ስላለዎት አመለካከት አስመልክቶ ከ1-5 ባሉት መመዘኛዎች አስተያየትዎን የሚገልጽ ቁጥር ላይ ምልክት ያድርጉ።

**እያንዳንዱ መግለጫ እንደሚከተለው ደረጃ ተሰጥቶታል**

በጣም አልሰማም	አልሰማም	በመካከለኛ	እሰማለሁ	በጣም እሰማለሁ
1	2	3	4	5

የአገልግሎቱ ጥራት መግለጫዎች		ስለ አባይ በንክ አገልግሎት አመለካከት ወይም ግንዛቤዎች (Perception) ምንድን ነው?				
		1	2	3	4	5
<b>ተጨባጭ ሁኔታዎች (Tangibles)</b>						
1	የአገልግሎት አቅራቢው ዘመናዊ የባንክ ቴክኖሎጂ አሉት					
2	በአገልግሎት ሠጪው ዘንድ ያሉ የሚታዩ መገልገያዎች (እንደ ቢሮ አቀማመጥ፣ የቢሮ እቃዎች ወዘተ) በአገልግሎት አቅራቢው ቢሮ (office) ለእይታ የሚስቡ ናቸው።					
3	ሰራተኞች (frontline and Tellers) ጥሩ ልብስ ለብሠውና ንፁህ ሆነው ይቀርባሉ።					
4	ለስራ የሚያገለግሉ ማቴሪያሎች እና መሳሪያዎች (እንደ Pamphlets , Forms) ከሚቀርቡት አገልግሎት አይነት ጋር አብሮ የሚሄዱ ናቸው					
<b>ታማኝነት (Reliability)</b>		1	2	3	4	5
5	ሰራተኞች (frontline & Tellers) በአንድ በተወሰነ ጊዜ ውስጥ የሆነን ነገር ለመስራት ቃል ይገባሉ፣ እንደ ቃላቸው ይፈጽማሉ					
6	አንድ ደንበኛ ችግር ካጋጠመው የአገልግሎት ሰጪው ሰራተኞች ችግሩን ለመፍታት ቀና ፍላጎት ያላቸው መሆናቸው ያሳያሉ።					
7	የአገልግሎት ሰጪው (Abay Bank) ሊተማመኑበት የሚችል ነው					
8	የአገልግሎት አቅራቢው ሰራተኞች አገልግሎታቸውን ሊፈጽሙት ቃለ በገቡበት ጊዜ ይቀርባሉ					
9	አገልግሎት ሠጪው መዛግብቱን በትክክል ይይዛል።					

<b>ምላሽ ሰጪነት (ግልፅነት) Responsiveness</b>		1	2	3	4	5
10	የአገልግሎት አቅራቢው ሰራተኞች አገልግሎት የሚያከናውኑበትን ጊዜ በትክክል ለደንበኞች ያሳውቃሉ።					
11	በአገልግሎት አቅራቢ ውስጥ የሚካተቱ ሰራተኞች ለደንበኞች ቀልጣፋ አገልግሎት ይሰጣሉ					
12	ሰራተኞች ደንበኞችን ለመርዳት ፈቃደኞች ናቸው					
13	በባንኩ ማዕከሉ ውስጥ የሚገኙ ሰራተኞች የደንበኞችን ጥያቄዎች በፍጥነት ለመመለስ ፈፅሞ ስራ አይበዛባቸውም።					
<b>ዋስትና (መተማመኛ) Assurance</b>		1	2	3	4	5
14	የሰራተኞች ባህሪ በደንበኞች ውስጥ እምነት እንዲያድር ያደርጋል።					
15	ደንበኞች የአገልግሎት ጥያቄዎች በደንብ (በአግባቡ) ክትትል እየተደረገባቸው መሆኑን መተማመን ይሰማቸዋል።					
16	የአገልግሎት አቅራቢው ሰራተኞች ለደንበኞች በወጥነት ትህትናን ያሳያሉ።					
17	የአገልግሎት አቅራቢው የደንበኞችን ጥያቄዎች ለመመለስ እውቀት አላቸው።					
<b>የችግር ተካፋይነት(Empathy)</b>		1	2	3	4	5
18	የአገልግሎት አቅራቢው ሰራተኞች ለደንበኞች የግል እንክብካቤ ይሠጣሉ።					
19	የአገልግሎት አቅራቢው ሰራተኞች የደንበኞችን ልዩ ፍላጎት ይረዳሉ።					
20	የአገልግሎት አቅራቢው ሰራተኞች የደንበኞችን ትክክለኛ የልባቸው ፍላጎት ተቀብለው ያስተናግዳሉ።					
21	አገልግሎት ሠጪው ለሁሉም ደንበኞች ምቹ የሆነ የስራ ሰዓት አለው።					

**ክፍል 3: እርካታ (እባክዎን የምላሽዎን ቁጥር ያክብቡ)**

1. በአጠቃላይ በአባይ ባንክ በሚቀርበው አገልግሎት ምን ያህል ረክተዋል?

በጣም ረክቻለሁ	ረክቻለሁ	መካከለኛ	ተከፍቻለሁ	በጣም ተከፍቻለሁ
5	4	3	2	1

**አስተያየት ወይም ተጨማሪ መረጃ**

ተጨማሪ አስተያየት ወይም መረጃ መስጠት ከፈለጉ ከዚህ በታች ያለውን ቦታ ይጠቀሙ።

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**አመሰግናለሁ!!**

## Appendix C (Component Factor Result)

Questions	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1 .Abay bank physical facilities (such as office layout, furniture etc.) are visually appealing.	1 (0.5%)	16 (8%)	34 (17%)	103 (51.5%)	46 (23%)
2. Abay bank's employees are well dressed and neatly-appeared.	2 (1%)	6 (3%)	18 (9%)	70 (35%)	104 (52%)
3.Abay bank's employees are well dressed and neatly-appeared	2 (1%)	6 (3%)	18 (9%)	70 (35%)	104 (52%)
4..Materials associated with the service (pamphlets or Statements) are visually appealing at Abay	1 (0.5%)	11 (5.5%)	23 (11.5%)	106 (53%)	59 (29.5%)
5 .Employees of Abay bank's promises to do something by a certain time, They do.	2 (1%)	11 (5.5%)	34 (17%)	96 (48%)	57 (28.5%)
6. When you have a problem, employees of Abay bank will show a sincere interest in solving it.	3 (1.5%)	13 (6.5%)	29 (14.5%)	74 (37%)	81 (40.5%)
7.Abay bank will perform the service at the right time.	2 (1%)	13 (6.5%)	27 (13.5%)	63 (31.5%)	95 (47.5%)
8.Abay bank will provide its services at the time it promises to do so.	3 (1.5%)	14 (7%)	36 (18%)	70 (35%)	77 (38.5%)
9. Abay bank insists on errors & free records.	3 (1.5%)	13 (6.5%)	29 (14.5%)	87 (43.5%)	68 (34%)
10. Employees of Abay bank tells you exactly when the service will be performed	4 (2%)	7 (3.5%)	38 (19%)	76 (38%)	75 (37.5%)
11. Employees of Abay bank give you prompt service.	5 (2.5%)	7 (3.5%)	26 (13%)	61 (30.5%)	101 (50.5%)
12. Employees of Abay bank are willing to help customers.	3 (1.5%)	7 (3.5%)	37 (18.5%)	56 (28%)	97 (48.5%)
13. Employees of Abay bank are never too busy to respond your requests.	4 (4%)	14 (14%)	48 (48%)	80 (40%)	54 (27%)
14. The behavior of employees of Abay bank instills confidence in customers...	4 (2%)	13 (6.5%)	35 (17.5%)	78 (39%)	70 (35%)
15. You feel safe in your transactions with Abay bank.	3	8	38	71	80

	(1.5%)	(4%)	(19%)	(35.5%)	(40%)
16. Employees of Abay bank are consistently courteous with you.	5 (2.5%)	9 (4.5%)	35 (17.5%)	69 (34.5%)	82 (41%)
17. Employees of Abay bank has the knowledge to answer your questions.	3 (1.5%)	10 (5%)	22 (11%)	95 (47%)	70 (35%)
18. Abay bank has convenient operating hours	1 (0.5%)	5 (2.5%)	31 (15.5%)	64 (32%)	99 (49.5%)
19. Abay bank gives you individual attention.	4 (2%)	19 (9.5%)	39 (19.5%)	76 (38%)	62 (31%)
20. Abay bank has employees who give your personal attention.	2 (1%)	14 (7%)	47 (23.5%)	84 (42%)	53 (26.5%)
21. Abay bank understands your best interest at heart.	6 (3%)	11 (5.5%)	22 (11%)	69 (34.5%)	92 (46%)
22. Employees of Abay bank understand your specific needs.	3 (1.5%)	10 (5%)	28 (14%)	65 (32.5%)	94 (47%)
23. Your overall satisfaction with the bank	7 (3.5%)	9 (4.5%)	29 (14.5%)	87 (43.5%)	68 (34%)

Source; Own survey



## Appendix D (Descriptive Analysis)

Descriptive Statistics						
	N	Min	Max	Mean	Std. Deviation	Variance
Abay bank looks fresh and modern.	200	1	5	4.08	.847	.717
Abay bank physical facilities (such as office layout, furniture etc.) are visually appealing.	200	1	5	3.89	.869	.756
Abay bank's employees are well dressed and neatly-appeared.	200	1	5	4.34	.841	.708
Materials associated with the service (pamphlets or Statements) are visually appealing at Abay bank	200	1	5	4.06	.822	.675
Employees of Abay bank's promises to do something by a certain time, They do.	200	1	5	3.98	.876	.768
When you have a problem, employees of Abay bank will show a sincere interest in solving it.	200	1	5	4.09	.971	.942
Abay bank will perform the service at the right time.	200	1	5	4.18	.966	.932
Abay bank will provide its services at the time it promises to do so.	200	1	5	4.02	.992	.985
Abay bank insists on errors & free records.	200	1	5	4.02	.940	.884
Employees of Abay bank tells you exactly when the service will be performed.	200	1	5	4.06	.941	.886
Employees of Abay bank give you prompt service.	200	1	5	4.23	.976	.952
Employees of Abay bank are willing to help customers.	200	1	5	4.19	.957	.915
Employees of Abay bank are never too busy to respond your requests.	200	1	5	3.83	.973	.946
The behavior of employees of Abay bank instills confidence in customers...	200	1	5	3.99	.985	.970
You feel safe in your transactions with Abay bank.	200	1	5	4.09	.939	.882
Employees of Abay bank are consistently courteous with you.	200	1	5	4.07	.995	.990
Employees of Abay bank has the knowledge to answer your questions.	200	1	5	4.10	.889	.790

Abay bank has convenient operating hours	200	1	5	4.28	.850	.723
Abay bank gives you individual attention.	200	1	5	3.87	1.026	1.052
Abay bank has employees who give you personal attention.	200	1	5	3.86	.924	.855
Abay bank understands your best interest at heart.	200	1	5	4.15	1.021	1.043
Employees of Abay bank understand your specific needs.	200	1	5	4.19	.957	.915
Your overall satisfaction with the bank	200	1	5	4.00	.992	.985

Source: Own Survey

## **DECLARATION**

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Temesgen Belayneh. 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.

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Name

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Signature & Date

## **ENDORSEMENT**

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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Advisor

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Signature & Date