



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

**THE EFFECT OF CUSTOMER SERVICE QUALITY ON
CUSTOMER SATISFACTION IN SELECTED PRIVATE BANKS
(ADDIS ABABA)**

**BY
LILY MINDAYE**

June, 2017

Addis Ababa, Ethiopia

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY SCHOOL OF
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ABBREVIATIONS OF KEY TERMS

CSQ: Customer Satisfaction Questionnaire

SERVQUAL: Service Quality

SQQ: Service Quality Questionnaire

SPSS: Statistical Package for Social Sciences

LIST OF TABLES AND FIGUR

	Page
Table 3.1: Number of customers and proportion of samples taken from each bank.....	21
Table 3.2 Cronbach's Alpha for Constructs.....	24
Table 4.1: Summary statistics of respondents' profile.....	28
Table 4.2 Mean, standard deviation and Skewnessfor the four Bank's Service quality dimension and Customer Satisfaction.....	30
Table 4.3 Pearson ' s correlations coefficients.....	32
Table 4.4 Model summery.....	34
Table 4.5 Regression of Customer Satisfaction on Service Quality.....	35
Figure 2.1 Conceptual framework of the effect of customer service..... quality on customer satisfaction	18

ABSTRACT

This research examined the effect of customer service quality on customer satisfaction in selected private banks in Addis Ababa. Service quality has been defined as a degree and direction of discrepancy between customers' service perception and expectations. Customer satisfaction is defined as the customer's subjective evaluation of a consumption experience, based on some relationship between the customer's perceptions and objective attributes of the product. The literature review revealed that although quality is an elusive and indistinct construct which may vary from one person to another or even from one situation to another it can be assessed by probing whether perceived service delivery meets, exceeds or fails to meet customer expectations. The SERVQUAL instrument postulated by Parasuraman, Zeithaml was used to measure service quality. To achieve the objectives of this study, data was collected through questionnaire from a sample of 302 bank customer. These respondents were selected using purposive sampling method. The data collected from the questionnaire were analyzed using Statistical tools such as mean, standard deviation, correlation, and multiple regression analysis. The results of this study indicate that, the four service quality dimensions including tangibility, reliability, assurance and responsibility have positive and significant effect on customer satisfaction and empathy has positive and insignificant relation with customer satisfaction. The finding of the study also indicates that, customers were most satisfied with the assurance dimensions of service quality. However, customers were less satisfied with responsibility dimensions of service quality. Based on the findings and conclusions of the study, the researcher forwards the following recommendations: treating customer with great respect, giving individual attention to customers, serving customers based on their specific needs, treating customers in a friendly manner and providing continuous training for staff members.

TABLE OF CONTENT

Contents

ACKNOWLEDGMENT	iv
ABBREVIATIONS OF KEY TERMS	ii
LIST OF TABLES AND FIGURES	iii
<i>ABSTRACT</i>	iv
TABLE OF CONTENT	v
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.1 Background of the study.....	1
1.2 Statement of the problem.....	3
1.3 Objectives of the study	5
1.3.1. General Objectives	5
1.3.2 Specific objectives.....	5
1.4. Hypotheses	5
1.5 Scope of the Study.....	6
1.6 significance of the study	6
1.7 Organization of the Study.....	6
CHAPTER TWO.....	8
LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Customer service	8
2.3 Service quality	8
2.4 Characteristics of Services	9
2.5 Service quality dimension	10
2.6 customer satisfaction	12
2.7 Effect of service quality on customer satisfaction.....	13
2.8 Relationship between Service quality and Customer satisfaction	14
2.9 Empirical review	15
2.10 conceptual frame work	17

CHAPTER THREE	20
Research Design and Methodology	20
3.1. Introduction	20
3.2. Research Design	20
3.3 Sample size and Sampling technique	21
3.4 operational definition.....	23
3.5 Data Source and Collection Method.....	23
3.6. Procedure of Data Collection	24
3.6.1 Questionnaire.....	24
3.6.1.1 Service Quality Questionnaire (SQQ).....	24
3.6.1.2 Customer Satisfaction Questionnaire (CSQ).....	24
3.7 Validity & Reliability test	24
3.8 Method of data analysis.....	26
3.9 Estimation procedure.....	27
3.10 Ethical Considerations.....	27
Data Presentation, Analysis and Discussion of Results	29
4.1Introduction	29
4.2 Background information of Respondents.....	29
4.3 Descriptive Statistics Analysis	31
4.4 Pearson’s correlation between constructs.....	32
4.5 MULTIVARIATE LINEAR REGRESSION RESULTS	34
4.6 Service quality and customer satisfaction	35
4.7 Regression Analysis and Hypothesis Test.....	35
CHAPTER FIVE.....	39
CONCLUSION AND RECOMRNDATION.....	39
5.1 Introduction	39
5.2 Summery of the study.....	39
5.3 Recommendations	40
REFERENCES.....	42
APPENDICES.....	46
DECLARATION.....	50
ENDORSEMENT	51

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The current business environment is becoming competitive and challenging than before. With multidimensional challenges and demand of globalization, the organizations are forced to reengineer their products and systems to improve the service quality and remain competitive. (Yasin et al., 2004; Rodie and Martin, 2001)

Service quality “has become as one of the key driving forces for business sustainability and is vital for firms’ accomplishment” (Rust and Oliver, 1994). “Customer service quality is a crucial source of distinctive competence and often considered a key success factor in sustaining competitive advantage in service industries” (Palmer, 2001). “Service quality in banking implies consistently anticipating and satisfying the needs and Expectations of customers” (Howcrof 1991). Parasuraman et al., (1985) and Zeithaml et al., (1990) “noted that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers.”

Gefan (2002) “defined Service quality as the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get.” Bolton and Drew (1991) “described service quality as a form of attitude that results from the comparison of expectations with performance.” Berry et al., (1990) “pointed out that since customers are the “sole judge of service quality”, an organization can build strong reputation for quality service when it can constantly meet customer service expectations.”

Due to intangible nature of services it is difficult for the firms to analyze how the customers perceive and evaluate the desired outcome of the service quality (Zeithaml, 1981).As customer evaluate their

level of satisfaction by experimenting the service quality, satisfaction with services is related to confirmation or disconfirmation of expectation (Smith and Houston 1982). The issue of highest priority today involves understanding the impact of service quality on profit and other financial outcomes of the organization (Zeithamlet al.1996).

Satisfaction is a subjective concept and crucial concern for both customers and organizations, thus difficult to determine. It depends on many factors and varies from person to person and product to product. Now a day it has become very important factor for each and every organization to enhance the level of customer satisfaction. Customer satisfaction, a term issued in marketing, it's a measure how product and service supplied by the company meet or surpass customer expectation.

Customer satisfaction according to ISO 9000, users opinion about the degree to which it meets its requirements. Customer satisfaction is a measure of post purchase behavior of the customers. If customer expectations meet with the perceived value of goods and service then customer is satisfied but if the perceived value of goods and service is less than the customer expectations than customer is dissatisfied and if the perceived value exceeded the expected value of the goods and service than the customer is delighted (Peter & Olson, 1994).

Accordingly, Newman and Cowling (1996) “believes that excellent service quality is vital to business profitability and survival.” Thus, from the finding of Newman and Cowling, the researcher understands that if service quality is going down in the organization, it will have negative effects on the organization's profitability and an organization with good service quality can satisfy its customers easily. This study, therefore, investigated the effect of customer service quality on customer satisfaction in selected private banks in Addis Ababa.

1.2 Statement of the problem

In the past decade, the banking sector has undergone radical changes, resulting in a market place, which is characterized by intense competition, little growth in primary demand and increased deregulation. The government of Ethiopia increased deregulation, in order to encourage the investors to participate in the banking sectors, as a result the number of bank has been increased which further raises the competition and difficulty. In this competitive environment, each bank wants to attract the customers and this can be achieved through providing quality services to them.

Several studies have been done on service quality and customer satisfaction in service organization. However, most of these studies were conducted on non-banking service organization. Only a few studies have been done on banks, and most of studies were conducted in only one bank.

For example Sara Qadeer conduct a research on Service Quality & Customer Satisfaction a case study in Banking Sector in Pakistan , Findings reveal that quality of service does effect the customer satisfaction up to some certain level as both concepts are distinct and the relationship found between them is casual.

Workashe (2006) also conducted research on the assessment of customer satisfaction and loyalty in banking sector: The case of bank of Abyssinia. The results indicate that the service quality positively affects customer satisfaction.

Customers are now becoming increasingly conscious of their rights and are demanding ever more than before(Kim, Ng and Ki, 2009). The changing needs of customers affect the expectation of value added servicing for basic banking requirements. Businesses recognize that keeping current customers is more profitable than having to win new ones to replace those lost. Good customer satisfaction has an effect on the profitability of nearly every business. Anderson and Zemke (1998) stated that satisfied customers improve business and dissatisfied customers impair business. Besides, retaining unsatisfied customer is elusive as customers can easily switch from one service provider to the next at low cost.

As Singh (2004) observes, banks enjoy business benefits that accrue from customer satisfaction such as generation of additional revenue, marketing penetration and cost saving.

One of the main reasons why customer satisfaction research is so important for the banks and other service giving companies' is that, in general to generate more revenue. Satisfied customers spend more money and time, refer more customers and patronize businesses longer than unsatisfied customers. This all leads to more revenue for businesses that can keep their customers satisfied. Therefore, companies striving to maximize revenue must seriously consider investing in a customer satisfaction research program. So, the researcher wanted to see the impact of customer service quality on customer satisfaction in four private banks in Ethiopia.

1.3 Objectives of the study

1.3.1. General Objectives

The main objective of this study is to examine the effect of customer service quality on customer satisfaction in selected private banks in Addis Ababa.

1.3.2 Specific objectives

1. To evaluate the effect of service quality and its component (service strategy, service performance and customer result) on customer satisfaction.
2. To find out significant factors of service quality for achieving customer satisfaction.
3. Determine customer satisfaction level in the banking sector.

1.4. Hypotheses

In light of the objectives above the following hypotheses were investigated:

Hypothesis 1

H₁: Tangibility does have significant positive effect on customer satisfaction

Hypothesis 2

H₂: Reliability does have significant positive effect on customer satisfaction.

Hypothesis 3

H₃: Responsiveness does have significant positive effect on customer satisfaction.

Hypothesis 4

H₄: Assurance does have significant positive effect on customer satisfaction.

Hypothesis 5

H₅: Empathy does have significant positive effect on customer satisfaction.

1.5 Scope of the Study

The scope of the study was limited to the four banks main branch service quality and the effect on the company's customer's satisfaction. All the customer of the banks is not taken as the subject of the study. Not only this but also, the fact that the study is only conducted in four private banks which limits the generalizability of the research findings. Lastly, in general the most important factor that limited the study output was shortage of time. This research work covers the four banks Customers perception of quality dimensions and satisfaction until the time of the data collection was completed.

1.6 significance of the study

The aim of this research is to investigate the link between service quality and customer satisfaction and the ways through which service firms can improve and manage the process of delivering quality standards to their customers.

For this purpose, the study analyses the effect of service quality on customer satisfaction by discussing their relationship. Also, it highlights and discusses those factors that can have an impact on the both constructs. Furthermore ; some improvements techniques are examined through which quality of services may be improved in the organization. By providing quality service, the bank can increase its number of customers and can increase its profitability. When the banks profit increase different stake holders will be benefited. Shareholders dividend will be increase, employees will get better salary and bonus and creditors will be safer in terms of their loan repayment.

1.7 Organization of the Study

The study is organized in five chapters: Chapter one includes Introduction, statement of the problem, objectives of the study, hypothesis, and scope of the study and significance of the study. Chapter two contains review of related literature of the study and empirical review. Chapter three discusses the methodology employed in the study, including, research design, sample size and sampling technique,

data source and collection method, procedure of data collection and method of data analysis. Chapter four is about data analysis and discussion of results. Finally, chapter five contains summary, conclusions and recommendations. And questioners are attached at last.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is based on the introduction given lately and the research problem presented in the introduction and the previous studies that have been done within these constructs. It provides the reader with a literature review concerning the research area. Large number of studies has been conducted in the field of service quality and customer satisfaction.

The definitions of customer service, service quality, characteristics of service, customer satisfaction, effect of service quality on customer satisfaction, and relationship between service quality and customer satisfaction literature will be discussed. In this study, the contribution will be reviewed to show the effect of customer service quality on customer satisfaction in selected private banks in Addis Ababa.

2.2 Customer service

According to Robert W.L. (2005) “customer service is defined as the ability of knowledgeable, capable and enthusiastic employees to deliver products and services to their internal and external customers in a manner that satisfies identified and unidentified needs and ultimately result in positive word-of-mouth publicity and return business.”

“Customer service is concerned establishing, maintaining and enhancing relationships between and/or among relevant business parties in order to achieve the objective of the relevant parties” Osuagwu (2002). According to Davidow and Uttal (1989) “customer service means all features, acts and information that augment the customer’s ability to realize the potential value of a core product or service.”

2.3 Service quality

Service quality is “more difficult for consumers to evaluate than product quality; this is due to a lack of tangible evidence associated with the service” (Hong and Goo, 2004). In the past decades, researchers

(Carman 1990; Garvin 1983; Parasuraman et al, 1985,1988) have defined and measured service quality by examining the attributes of service quality, while others (Bitner and Hubbert 1994; Iacobucci, Grayson, and Ostrom, 1994; Oliver, 1993; Oliver and DeSarbo, 1988; Parasuraman, Zeithaml, and Berry, 1994 as cited in Wei 2010) focused on the application in services to conceptualize the relationship between service quality and customer satisfaction.

Therefore, a combination of the service quality and customer satisfaction literature has formed the foundation of service quality theory (Clemes et al., 2007; Parasuramanetal., 1985, 1988 as cited in Wei 2010).

Different researchers defined service quality in different ways. Lovelock and Wright (1999) “define quality as the degree to which a service satisfies customers by Meeting their needs, wants and expectations.” Asubonteng (1996) said that it can be defined as "the difference between customers expectations for service performance prior to the service encounter and their perceptions of the service received" Gefan(2002) referred that "Service quality as the subjective comparison that customers make between the qualities of the service that they want to receive and what they get" Parasuraman et al (1985, 1988) said that "Service quality is determined by the differences between customer's expectations of the services provider's performance and their evaluation of the services received"

“The previous literatures suggests that the evaluation of quality in services is more difficult than goods (Parasuraman et al., 1985) and that delivering quality services is increasingly recognized as the key to success for service providers” (Cronin and Taylor, 1992 as cited in Wei 2010). But, “perceived service quality has confirmed to be a complex concept to understand” (Brady and Cronin, 2001, pp.34). Therefore, Rust and Oliver (1994) propose that it is essential for companies to develop the awareness of customers’ perceptions of service quality.

2.4 Characteristics of Services

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

Intangibility of Services

Regan (1963) “introduced the idea of services being activities, benefits or satisfactions which are offered for sale, or are provided in connection with the sale of goods”. The degree of intangibility has been suggested as a means of differentiating tangible products with services (Levitt, 1981). Most of the time,

services are explained as being intangible since their outcome is considered to be an action rather than physical product (Johns, 1999)

Inseparability of Services

Inseparability is taken to reflect the simultaneous delivery and consumption of services (Regan 1963; Wyckham et al 1975; Donnelly 1976; Grönroos 1978; Zeithaml 1981; Carman and Langeard 1980; Zeithaml et al., 1985; Bowen 1990 and Onkvisit and Shaw 1991) and it is believed to enable consumers to affect or shape the performance and quality of the service (Grönroos, 1978; Zeithaml, 1981 as cited in Wolak et al., 1998).

Heterogeneity of Services

Heterogeneity “reflects the potential for high variability in service delivery” (Zeithaml et al., 1985). This is a particular problem for services with high labor content, as the service performance is delivered by different people and the performance of people can vary from day to day (Rathmell, 1966; Carman and Langeard, 1980; Zeithaml, 1985; Onkvisit and Shaw, 1991 as cited in Wolak et al., 1998). Onkvisit and Shaw (1991) consider “heterogeneity to offer the opportunity to provide a degree of flexibility and customization of the service.” Wyckham et al., (1975) suggest that “heterogeneity can be introduced as a benefit and point of differentiation.”

Perishability of Services

In general, services cannot be stored and carried forward to a future time period (Rathmell, 1966; Donnelly, 1976; and Zeithaml et al., 1985 as cited in Wolak et al., 1998). Onkvisit and Shaw (1991) suggest that “services are “time dependent” and “time important” which make them very perishable.” Hartman and Lindgren (1993) claim that the “issue of perishability is primarily the concern of the service producer” and that the consumer only becomes aware of the issue when there is insufficient supply and they have to wait for the service.

2.5 Service quality dimension

“Service's unique characteristics of intangibility, heterogeneity, and inseparability and perishability lead them to possess high levels of experience and credence properties, which, in turn, make them more difficult to evaluate than tangible goods” (Bitner 1990; Zeithaml 1981). “Identification of the

determinants of service quality is necessary in order to be able to specify measure, control and improve customer perceived service quality” (Johnston 1995).

The SERVQUAL “is a concise multiple-item scale with good reliability and validity that researcher can use to better understanding of service expectations and perceptions of consumers and, as a result, improve service” (Parasuraman et al., 1988). SERVQUAL was also selected since it is important when it is used occasionally to track the service quality trends, and when it is used in combination with other forms of service quality instrument (Parasuraman et al., 1985). Parasuraman et al., (1985)” identify ten determinants for measuring service quality which are tangibility, reliability, responsiveness, communication, access, competence, courtesy, credibility, security, and understanding knowledge of customers.” Later “these ten dimensions were further purified and developed into five dimensions i.e. tangibility, reliability, responsiveness, assurance and empathy to measure service quality, SERVQUAL” (Parasuraman et al., 1988). These five dimensions identified as follows:

Tangibility refers to physical facilities, equipment, and appearance of personnel. Jabnoun and Al-Tamimi, (2003) indicated that customers choose tangibility factor of service quality in the banking industry “Bank could build customer relationships by delivering added tangible and intangibility elements of the core products” (Zineldin, 2005).

Reliability means ability to perform the promised service dependency and accurately. Reliability is a significant factor of product quality in addition to good personal service, staff attitude, knowledge and skills (Walker, 1990) “It is found that service reliability is the service “core” to most customers and managers should use every opportunity to build a “do-it-right-first” attitude” (Berry et al., 1990).

Responsiveness means willingness to help customers and provide prompt service. “Customers are very sensitive to employees' working environment in service organizations” (Brown and Mitchell, 1993). (Gollwayand Ho, 1996) reported that proper balance between staff skills and customers' expectation resulted in superior service quality towards customers.

Assurance indicates knowledge and courtesy of employees and their ability to inspire trust and confidence. (Parasuraman et al., 1988) found that assurance is an important factor of service quality next to reliability and responsiveness towards customer satisfaction. Assurance has “the strongest impact on customer satisfaction that leads to positive word of mouth outcome” (Arasli et al., 2005).

Empathy refers to caring, individualized attention the firm provides its customers (ibid). Jabnoun and Al-Tamimi, (2003) found that bank customers believed empathy as an essential factor of service quality. “It is suggested that employees' commitment to deliver quality services, skillfully handling of conflicts and efficient delivery of services resulted in satisfied customers for long term benefits” (Nelson and Chan, 2005).

2.6 customer satisfaction

The concept of customer satisfaction has drawn the attention of practitioners and academics From last several years based on the fact that customers are the primary source of Profit for mostof the firms operating in the market (Tam, 2004).

According to Churchill and Surprenant (1982)“customer satisfaction is an outcome of purchase and use resulting from the buyers' comparison of the rewards and costs of the purchase in relation to the anticipated consequences”. It is also defined in terms of an emotional state that usually arises in response of evaluating a particular rservice (Westbrook, 1981).

Customer satisfaction facilitates the measure of how service and products provided by company meet customer expectation. It is a key performance indicator in business terms. Typically, service firms monitor and examine the satisfaction level of customers on an ongoing base by using different scales like likert, to measure the level of customer satisfaction which is mainly based on service encounter experienced on their last visit (Peterson and Wilson, 1992).

According to Drucker (1954), “the principal purpose of a business is to create satisfied customers”. Increasing customer satisfaction has been found to lead to higher future profitability (Anderson, Fornell, and Lehmann 1994), lower costs related to defective goods and services (Anderson, Fornell, and Rust 1997), increased buyer willingness to pay price premiums, provide referrals, and use moreof the product (Reichheld 1996; Anderson and Mittal 2000), and higher levels of customer retention and loyalty (Fornell 1992; Anderson and Sullivan 1993; Bolton 1998 as cited in Malthouse et al., 2003).

Quality and customer satisfaction both have long been recognized as crucial role for success and survival in today’s competitive market. Considerable evidence existing literature that supports relationship between company’s performance and level of satisfaction reported by customers (Anderson

et al.,1994;Bolton, 1998). Therefore, it is argued that customer satisfaction should be considered the ultimate goal for all firms (Morgan et al., 2005; Mittal et al., 1999).

Empirical evidences has supported that customer satisfaction reduces the likelihood of defection and/or is positively related with retention (Anderson and Sullivan,1993)repurchase intention (Mittal, Kumar and Tsiros,1999)and loyalty (Oliver,2009) (Boshoff and Gray 2004)have mentioned that satisfaction is not inherent in service of product. But satisfaction is mainly present in consumer's perception of the service or product attributes, that relates to the specific individual. Therefore, different customers will express different levels of satisfaction for the same service encounter or experience (Ueltschy et al., 2007)

2.7Effect of service quality on customer satisfaction

To obtain roducts and service a consumer spends both money and resources in the form of time, energy and effort (Zeithaml et al., 1988) Service or product quality and customer satisfaction both have long been considered crucial for success and survival in today's competitive market. But it is also important to understand what contributes to customer satisfaction that could be a key to achieve competitive advantage.

Service quality is a determinant of whether a customer ultimately remains with or defects from a company (Zeithaml et al, 1996) in marketing management literature service quality takes a prominent position. It is usually defined as customer's impression of relative inferiority or superiority of service provide and its service. Also it is often considered similar to overall attitude of customer towards company. It is also observed that the increased interest in service quality by the firms is due to the fact that service quality is proved to be beneficial to maintain bottom line performance of the firm. Both Service quality and Customer satisfaction terms is being widely used by researchers interchangeably (Sureshchandar et al., 2002).

Studies show that the overall experience with the service quality results in customer satisfaction which leads to customer loyalty. Where the overall service quality (as perceived) is viewed as a combination of core and relational aspects. In the service literature, core and relational quality are the most basic elements of services. Where core is "what is delivered" and relational is "how it is delivered" (McDougall and Levesque, 1992, 2000).

2.8 Relationship between Service quality and Customer satisfaction

Service quality and customer satisfaction are distinct concepts, although they are closely related. Quality is a form of overall evaluation of a product, similar in many ways to attitude. Quality acts as a relatively global value judgment. Perceived quality is the consumer's judgment about an entity's overall excellence or superiority. It is a form of attitude, related but not equivalent to satisfaction, and results from comparison of expectations with perceptions of performance.

According to Oliver (1981), satisfaction is a summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience. Therefore, satisfaction relate to a specific transaction. Comparative studies revealed that regardless of the type of service, customers used basically the same general criteria in arriving at an evaluative judgment about service quality.

During past few decades the interest of academics and researchers has been increased to measure the relationship between service quality and customer satisfaction. Both customer satisfaction and service quality are considered as extensive and vast subjects of research and many studies related to customer satisfaction are conducted in the area of service settings (Oliver and Swan, 1989; Cadotte, Woodruff and Jenkins, 1987; Swan and Trawick, 1980)

Spreng and Mackoy (1996) had also found the path coefficient between service quality satisfactions to be significant (Lee et al 2000) wood side (1989) had found similar empirical evidence. The findings of Lee et al (2000), who have studied customers of an entertainment park and an aerobic school also supports this argument.

The Lock of consensus in the causality between these two constructs has been caused mainly by the use of the constructs at different levels by researchers (Lee et al 2000) those who argue that satisfaction is an antecedent of perceived service quality have treated perceived quality as a global construct while treating satisfaction as an encounter (or transaction) specific construct. The majority of those who have found perceived service quality to be an antecedent rather than a transaction specific construct. Further some researchers have argued that perceived quality could also play a role at transaction level. at this level, it is found to be an antecedent of satisfaction with the transaction (Rust and Oliver, 1994) what is

evident from the foregoing discussion is that "When the level of aggregation of both constructs is identical, there is less dispute that quality is an antecedent to satisfaction" (Roest and Pieters, 1997)

Service companies have since recently focused on customers in order to improve competitiveness. Measurement of customer satisfaction regarding the service quality of firms is a necessary means by which organizations delve into the minds of its customers for useful feedback that could form the basis for effective marketing strategy. Customer satisfaction is one of the important outcomes of marketing activity (Mick and Fournier; 1999). In the competitive banking industry, customer satisfaction is considered as the fundamental of success. Businesses recognize that keeping current customers is more profitable than having to win new ones to replace those lost. Good customer satisfaction has an effect on the profitability of nearly every business. Anderson and Zemke (1998) stated that satisfied customers improve business and dissatisfied customers impair business.

2.9 Empirical review

The impact of service quality on customer satisfaction in the Context of banking sector and other service area is a widely discussed topic.

Awuor (2009) has done a thesis on service quality and customer satisfaction in the banking sector in Kenya. . This study sought to answer the following question; what are the customers' views, thoughts and feeling on the quality of service offered by commercial Banks in Kenya? The study identified the possible expectations that customers have on the quality of service. The study adopted descriptive design with population of interest being customers of commercial banks in Nairobi CBD. Questionnaires were administered to customers from a total of 44 commercial banks located within Nairobi CBD. The findings from the study established a positive relationship between service quality and customer satisfaction in Kenyan banks. The conclusion from this study is that Customer satisfaction can lead to higher rates of retention of the Kenyan bank customers. Recommendations based on the findings were made to the Kenyan banks which if implemented will enhance the satisfaction of the bank customers as well as improve customer retention rates.

Akgam,(2010) also did a thesis on study of customer satisfaction in the banking sector in Libya. The purpose of the paper was to evaluate the customer satisfaction of the banks sector in Libya, based on customer perception regarding service quality. This is an empirical study using mainly primary data

collected through a well-structured questionnaire. The method of the study Validity and reliability testing of questionnaire using SPSS program for windows version 19. The questionnaire has been personally administered on a sample size of 204 bank customers. This paper makes a useful contribution as there are only a few studies dealing with the assessment of service quality in banking sector of Libya. The findings based on three different independent variables (service quality, customer loyalty and security) showed that all these variables influenced consumers satisfaction in Libyan banking sector. There is a positive impact and significant relationship between the customer satisfaction and two variables (service quality and customer loyalty), and also there is a negative relationship between security and customer satisfaction.

Loomer, (2011) in his research trays to see the five dimensions of Service quality (tangibility, reliability, responsiveness, assurance and empathy) and their relationship with customer satisfaction. To achieve the objectives of this study, data was collected through questionnaire from a sample of 250 bank customer. These respondents were selected using simple random sampling method. The data collected from the questionnaire were analyzed using Statistical tools such as mean, standard deviation, correlation, and multiple regression analysis. The results of this study indicate that the three service quality dimensions (assurance, empathy, and responsiveness) have positive and insignificant effect on customer satisfaction. Tangibility has a positive and significant impact on customer satisfaction. However, reliability has a negative and insignificant effect on customer satisfaction.

Sara Qader in November 2013 in her title, Service Quality & Customer Satisfaction A case study in Banking Sector trays to analyze the impact of service quality on customer satisfaction. She uses Qualitative research method to conduct the study. The selection of primary studies is done by conducting interviews in a bank as professional service industry. The research findings are analyzed by qualitative data analyses techniques to build analyses and draw conclusions. In her findings she analyze that quality of service does affect the customer satisfaction up to some certain level as both concepts are distinct and the relationship found between them is casual. Also the quality of service has significant contribution towards customer satisfaction because it is affected by various factor such as human interaction, physical environment, value, price, performance etc. To improve performance system companies should focus more on introducing employee oriented policies by establishing a service culture followed by a strong strategy in place and by removing gaps between management employees

and its customers. It is found that through proper planning and constant monitoring firms can develop effective strategies to improve quality service to retain their existing & future customers.

Mai (2010), performs a thesis on the relationship between service quality, customer satisfaction and loyalty in cleaning service industry An evidence of pan pacific corporation. The aim of the study was to examine the relationship between service quality, customer satisfaction and customer loyalty in cleaning service industry. In the study, attention was paid to the measurement model of service quality in cleaning service industry based on the well-known SERVQUAL model, but with modification on the basis of focus group discussions and expert opinions to reflect the specific industry attributes and the special culture of Vietnam. 158 samples were collected from Pan Pacific Corporation's various clients in the South of Vietnam Cronbach. Alpha was carried out to test the reliability of each statement and the summated scales were formulated by means of Exploratory Factor Analysis (EFA). The study found that there were six dimensions of cleaning service quality including affectivity, cleaner competence, supervisor competence, tangibles, service safety, empathy and all dimensions are positively related to Customer Satisfaction. The regression test also found that there was a positive direction and significant relationship between customer satisfactions on customer loyalty. The results indicated that the overall service quality has significantly positive effect on overall customer loyalty. Among these six dimensions except Empathy, all of them have a significantly positive effect on overall customer loyalty.

2.10 conceptual frame work

Following from the literature review done above, the relationship between service quality variables and customer satisfaction can be shown as following. In this conceptual model the five Service quality dimensions have been selected from the study conducted by Parasuraman et al., (1988).

Parasuraman et al., (1985) conducted research on different service organization (Bank, Hotel, Electrical Corporation, Hospital, Transportation) by using ten service quality dimensions (tangibility, reliability, responsiveness, communication, access, competence, courtesy, credibility, security, and knowledge). Later Parasuraman et al., (1985) conducted research and then the ten dimensions were further purified and developed into five dimensions (tangibility, reliability, responsiveness, assurance and empathy).

Tangibility, reliability, responsiveness, assurance and empathy are variables that are used in the above studies. And this variable affects customer satisfaction. The reason behind purified the ten dimensions into five dimensions was the appropriateness of each service quality dimensions to different service

organizations for example security dimension is appropriate for transportation, credibility dimension is appropriate for hotel.

"Service's unique characteristics of intangibility, heterogeneity, and inseparability lead them to possess high levels of experience and credence properties, which, in turn, make them more difficult to evaluate than tangible goods."(Bitner and Zeithaml 1985). "Identification of the determinants of service quality is necessary in order to be able to specify measure, control and improve customer perceived service quality"(Johnston).

From their path breaking exploratory research in 1985, Parasuraman, Zeithaml and Berry developed the SERVQUAL instrument and laid down a conceptual framework for the measurement of service quality. The SERVQUAL instrument has become the most dominant instrument for measuring service quality and it originally comprises 10 dimensions with 97 items but later reduced to 5 dimensions with 22 items in 1991. The five dimensions are tangibles, reliability, responsiveness, assurance and empathy.

Tangibles entail the physical evidence of the service. Specifically, the concept explores the physical facilities of the service provider, the appearance of personnel, the tools and equipment used to provide the service including other customers in the service facility. Tangibles are used by firms to convey image and signal quality (Zeithamal et al, 2006).

The service dimension of reliability measures the consistency of performance and the dependability of the service. According to Zeithaml et al. (2006) reliability is "the ability to perform the promised service dependably and accurately" or "delivering on its promises" Does the firm perform the service right at the first time? Does the firm honors it promises? These are some of the questions which need to be answered by service providers if they are to achieve reliability.

Assurance entails the knowledge and courtesy of employees and their ability to convey trust and confidence. It also includes competence, courtesy, credibility and security. Andaleeb and Conway (2006) noted that assurance may not be so important relative to other industries where the risk is higher and the outcome of using the service is uncertain. For instance, in the medical and healthcare industry, assurance is an important dimension that customers used as criteria in assessing a hospital or a surgeon for an operation. The trust and confidence may be represented in the personnel who connect the customer to the organization (Zeithaml et al., 2006).

Responsiveness concerns the willingness or readiness of employees to provide service (Parasuraman et al., 1985). This dimension is concerned with dealing with the customer's requests, questions and complaints promptly and attentively. A firm is known to be responsive when it communicates to its customers how long it would take to get answers or have their problems dealt with. To be successful, companies need to look at responsiveness from the view point of the customer rather than the company's perspective (Zeithaml et al., 2006).

Empathy entails caring and provision of individualized attention to customers by personnel of the firm (Zeithaml et al., 2006). In this respect, the customer feels unique and special. In an attempt to develop empathy, personnel of the firm should Endeavour to know the names of their customers, their preferences and needs and take steps to satisfy them. Small Scale enterprises through the provision of customized services to clients are in a better position to achieve empathy than large firms.

Service quality dimension

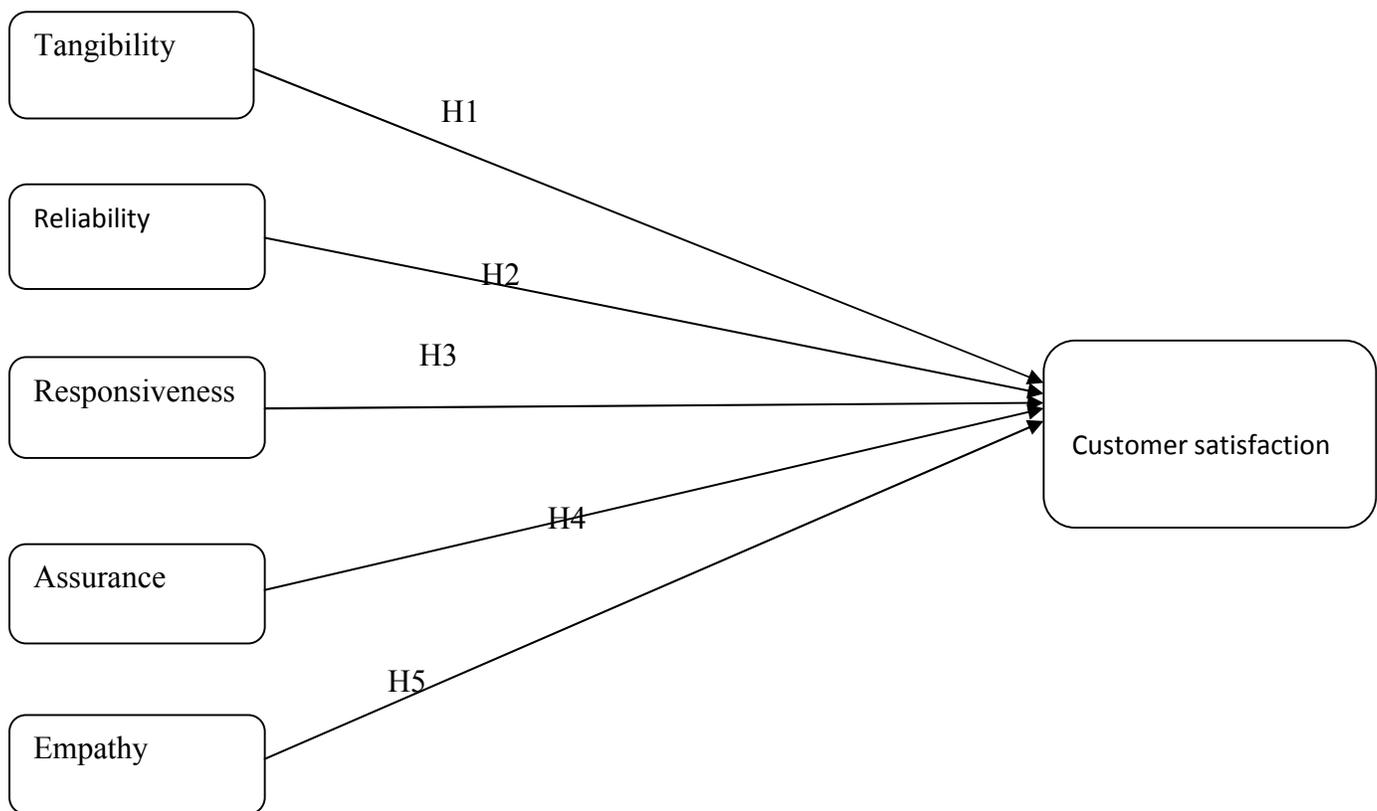


Figure 2.1 Conceptual framework of the effect of customer service quality on customer satisfaction

Source: Parasuraman et al., (1988)

CHAPTER THREE

Research Design and Methodology

3.1. Introduction

This chapter presents details of the research design and methodology. This includes the research design, sample size and sampling technique, data source and collection method, procedure of data collection, questionnaire and reliability test.

3.2. Research Design

A research design “provides a framework for the collection and analysis of data” (Bryman&Bell, 2007).A researcher should first have a “topic” he/she wants to investigate.In this case Service quality and Customer satisfaction is the topic the researcher decides to look into. In order to see this issue, the researcher decided to focus on the customer point of view.

From the different types of research designs the researcher select descriptive and explanatory type of research design as a main research design for this study to execute the intended objective. The reason behind using descriptive research design was that the researcher was interested in describing the existing situation under this research. (Creswell, 1994) stated that the descriptive method of research is a technique of gathering information about the present existing condition. This research design was a fact finding study with adequate and accurate interpretation of findings. Explanatory research design was selected to explain, understand, predict and controlling the relationship between dependent and independent variables(Tangibility, Reliability, Responsiveness, Assurance Empathy and Customer satisfaction). And it would focus on quantitative method and survey study research technique.

3.3 Sample size and Sampling technique

Sampling techniques allow researchers to choose among the different methods that help them to collect the data from the specifically required population instead of studying all the possible elements (Saunders et al., 2009).

The sample size of banks has been determined by using purposive sampling method. The reason behind this is because it enabled the researcher to select the sample based on judgment about some characteristics required from the sample element. According to Sekaran (2001) defines a population as “the entire group of people, events or things of interest that the researcher wishes to investigate.”

Out of 16 private banks, four banks (4 banks) were selected as a sample (Bank of Abyssinia, Awash international bank, Dashen bank and Nib international bank). The four banks are selected based on their number of branches (the one with large number of branch), their priority to give services which are new to our countries (for example, minor account, special saving account) and their profitability. The target populations for the study are different customers of the four banks.

Leary (2004,) defines sampling as, “the process by which a researcher selects a sample of participants for a study from the population of interest”. So, due to time and financial limitations and the nature of the population using the sample determination method developed by Taro Yamane (1967) a sample of 354 was taken.

The Formula was developed by Taro Yamane (1967). It is calculated as follows:

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

Where n is the sample size,

N is the population size, and

E is the level of precision or sampling error = (0.05)

$$n = \frac{3,085}{1 + 3,085(0.05)^2} = 354$$

Since the number of people in each bank is not the same, the number of samples for each bank was calculated by the following formula

$$n1 = \frac{nN1}{N}$$

N

Where n= total number of samples

N= total number of population

N1= total number of population in each bank

n1= number of samples in each bank

The study was conducted on 4 private bank’s main branches (Awash International bank, Dashen, Nib international and bank of Abyssinia) and the total population of the study was 3,085.

Table 3.1: Number of customers and proportion of samples taken from each bank

Bank	Total number of population	Total number of sample
Bank of Abyssinia	1,100	126
Awash international bank	735	85
Dashen bank	690	79
Nib international bank	560	64
Total	3,085	354

Source: Developed for this research

N.B: The number of populations (customers) from each bank is taken from their main branch customer record

After each bank sample size was determined, the researcher used purposive sampling method to select the target customers. The rationale behind using purposive sampling technique is elements selected for the sample are chosen by the judgment of the researcher by using sound judgment. For primary data collection, from the total number of population 3,085 the number of samples taken was 354.

3.4 operational definition

The researcher used the five dimensions of SERVQUAL, which are tangibility, reliability, responsiveness, assurance, and empathy, are the identified independent variables, while customer satisfaction is the identified dependent variable.

Tangibles - Physical facilities, equipment and appearance of personnel.

Reliability - Ability to perform the promised service dependably and accurately.

Responsiveness - Willingness to help customers and provide prompt service.

Assurance (including competence, courtesy, credibility and security) - Knowledge and courtesy of employees and their ability to inspire trust and confidence.

Empathy- (including access, communication, understanding the customer) - Caring and individualized attention that the firm provides to its customers.

According to Rigopoulou, *et al.* (2008) customer satisfaction is the state of mind that customers' expectations about the product or the service met or exceeded over the lifetime of the product or service. And according to Rouse (2008), customer satisfaction is a degree of satisfaction provided by the goods or services of a company as measured by the number of repeat customers or how service meets the customer's expectation.

3.5 Data Source and Collection Method

In order to achieve the objective of the study, the researcher used a quantitative approach. Quantitative research focuses on determining the relationship between dependent and independent variables. The reason for choosing quantitative research technique is to show how independent variables have an impact on dependent variable. For the proper achievement of the objectives of the study; primary data source is used. Primary data was collected using questionnaires. The questionnaire is adapted from scales already used for previous studies in the literature. Questionnaires are defined as the series of questions aim to gather prompt and accurate information from respondent's. Questionnaires were distributed to the customers of the banks. The variables were attitudinal and measured using Likert scale with five response categories (strongly disagree, disagree, neither agree nor disagree, agree and strongly agree).

“The Likert scale method was preferred to make questions interesting to respondents and thereby enhance their cooperation, ultimately to ensure maximum response rate” (Robson Colin, 2002).

3.6. Procedure of Data Collection

The researcher sought permission from all four private banks in Addis Ababa, permission for the survey was granted by four bank managers. After permission was granted, the questionnaires are distributed to the respondents. The survey pack included a copy of the cover letter, and the questionnaire.

3.6.1 Questionnaire

The questionnaire has two parts. These are: - Service Quality Questionnaire (SQQ) and Customer Satisfaction Questionnaire (CSQ)

3.6.1.1 Service Quality Questionnaire (SQQ)

The first part of the questionnaire measures the banks service quality by using a five –point Likert response scale which includes strongly disagree (1), disagree(2), neither agree nor disagree (3), agree (4) and strongly agree (5).

3.6.1.2 Customer Satisfaction Questionnaire (CSQ)

The second part of the questionnaire measures customer satisfaction level by using a five point Likert response scale which includes strongly disagree (1), disagree(2), neither agree nor disagree (3), agree (4) and strongly agree (5).

3.7 Validity & Reliability test

The precision with which things are measured in a study is expressed in terms of validity and reliability (Hopkins, 2001). These two are related because if a measure is valid then it is reliable (Bryman & Bell 2003, p. 79). Validity is concerned with whether the findings are really about what they appear to be about (Saunders et al 2009, p. 157). Validity represents how well a variable measures what it is supposed to measure (Hopkins 2001). Likewise reliability refers to the extent to which the data collection techniques or analysis procedure will yield consistent findings (Saunders et al., 2009, p. 157, Bryman & Bell 2003, p. 33)

Following the design type for this study, only internal reliability could be measured using Cronbach's alpha. It helps to measure the internal consistency of different entities that collectively form a single scale. Cronbach's alpha coefficient varies from 0 to 1 with 1 indicating perfect reliability and 0 no internal reliability; 0.80 denotes an acceptable level of internal reliability (Bryman & Bell, 2003, p. 77).

According to Hair, et al., (2006), if α is greater than 0.7, it means that it has high reliability and if α is smaller than 0.3, then it implies that there is low reliability. Reliability test is used to check validity and reliability of the data collected in this research.

The validity of the contents was measured with the help of co-relation analysis in the study. The aim of the co-relation is to measure the interrelationships between the variables in the context of similarities among different dimensions. It is also used to calculate the extent of significance among different variables. In accordance with this argument, the internal consistency test of each construct is presented.

CONSTRUCTS	CRONBACH'S ALPHA	NO OF ITEM
TANGIBLES	0.808	5
RELIABILITY	0.823	5
RESPONSIVENESS	0.835	3
ASSURANCE	0.811	5
EMPATHY	0.861	4
SATISFACTION	0.890	7

Table 3.2 Cronbach's Alpha for Constructs

Source: Computed from SPSS version 20

The results from the internal consistency test showed that all the constructs have Cronbach's alpha of more than 0.70 with Satisfaction construct having the highest alpha value of 0.890 and tangibles construct having the lowest value of 0.808. The findings imply that there is high level of internal consistency among the items in each construct and as such each construct is reliable. From literature,

high level of alpha signals high level of correlation of items in each construct, an essential requirement for constructing a summated scale. The study therefore proceeded to construct a summated for each construct using the individual items. Since summated scores of each construct are needed for the correlation and multiple regression analysis, the total valid sample of 302 was used for the reliability test. It is argued that if a study measures more than one construct, then we can only speak about the reliability of each construct but not the reliability of the survey as a whole.

3.8 Method of data analysis

After collecting data, it was compiled, sorted, edited and classified and then entered into computer for analysis.

Statistical Package for Social Science (SPSS) software for version 20 was employed to analyze and present the data through the statistical tools used for this study, namely descriptive analysis, correlation and multiple regression analysis.

Descriptive analysis

The descriptive statistical results were presented by tables, and percentages to give a condensed picture of the data. This was achieved through summary statistics, which includes the means, standard deviations and Skewness values which are computed for each variable in this study. The highest mean means, customer are highly satisfied by the service quality (independent variables) given by the banks, the standard deviation result tells us wheatear there is high or low level of dispersal in the data. The descriptive statics also help to determine customer satisfaction level in the selected banks by calculating the mean values for each variable.

Pearson Correlation analysis

In this study Pearson's correlation coefficient is used to determine the relationships between service quality dimensions (Tangibility, reliability, responsiveness, assurance and empathy) and customer satisfaction.

Regression functions

The equation of multiple regressions on this study is generally built around two sets of Variable, namely dependent variables (customer satisfaction) and independent variables (Tangibility, reliability,

responsiveness, assurance, and empathy). The basic objective of using regression equation on this study is to make the researcher more effective at describing, understanding, predicting, and controlling the stated variables.

3.9 Estimation procedure

After verifying the reliability of the constructs, the study proceeded by constructing a summated scale for each construct by taking the average of items within a particular construct. The summated constructs are then used for correlation analysis and multiple linear regressions. The correlation analysis is considered as a preliminary test of the relationship between the variables of interest. For the multiple regression analysis, the study first attempted to establish the relationship between the five service quality dimensions and customer satisfaction by estimating the following equation;

$$CSt = \beta_0 + \beta_1 TG + \beta_2 RS + \beta_3 RB + \beta_4 AS + \beta_5 EP + \epsilon t$$

Where *CSt*- Customer Satisfaction;

TG-Tangibles;

RB-Reliability,

AS-Assurance,

EP- Empathy.

β_0 - constant parameter,

ϵt - the error term.

3.10 Ethical Considerations

The ethical issues in research contain high importance that cannot be ignored (Saunders et al., 2009). All information gotten from the respondents were treated with confidentiality without disclosure of the respondents' identity. Moreover, no information was modified or changed, hence information gotten

was presented as collected and all the literatures collected for the purpose of this study were appreciated in the reference list.

CHAPTER FOUR

Data Presentation, Analysis and Discussion of Results

4.1 Introduction

This chapter will present a discussion of the final results and the process through which the results were obtained. In addition to this, background information of respondents will be presented. Finally, the statistical methods of analysis were discussed, which included a descriptive analysis, a correlation analysis, and a multiple regression analysis through SPSS version 20.

4.2 Background information of Respondents

The questionnaire contains the information collected from the Customers of the four banks. The initial questions contain the demographic information about the age group, gender, education level and status of usage. According to Sekaran (2001) as cited by Ahmed Kelil (2010), a response rate of thirty percent is acceptable for most studies. Three hundred fifty four questionnaires were distributed to the respondents and out of the 354 questionnaires 320 of them were collected with a response rate of 90%. However, only 302 responses were valid with complete answers.

The response rate for this study was 90 % which is sufficient and will be taken as 100% in the analysis.

Table 4.1: Summary statistics of respondents' profile (n = 302)

Characteristics	Description	Frequency	Percent
Gender	1. Female	126	41.7
	2. Male	176	58.3
	Total	302	100
Age	1. 18-30	74	24.5
	2. 30-45	186	61.6
	3. above 45	42	13.9

	Total	302	100
Education level	1.High school	50	16.6
	2.Degree	180	59.6
	3.Masters	26	8.6
	5.Others	46	15.2
	Total	302	100
Status of usage	1.< 1 year	44	14.6
	2. 1-5 years	144	47.7
	3. 5-10 years	90	29.8
	4. >10 years	24	7.9
	Total	302	100
Marital status	1.Married	154	50.1
	2.Single	148	48.9
	Total		

Source: compiled from authors survey, 2017

Table 4.1 reports the Respondents' profile in terms of percentage, and frequency for the entire sample. An examination of characteristics displayed in table 4.1 above shows that for the overall sample on gender profile, males are on a higher number than females. While on age profile, the highest numbers of customers are between age 30 and 45 years and the least number of customers are above 45 years. Under educational profile the highest numbers of customers are bachelor degree holders. When the status of usage are considered the highest number of customers uses the bank between 1 to 5 years and least number of customers are those who uses the bank for more than 10 years.

Customers with diverse educational background were sampled for the study. Out of 354 questionnaires administered, 302 were valid constituting 90 %. Out of the 302 valid responses, degree holder constitute about n=180 (59.6 %), followed by customers with high school n=50 (16.6%), others n=46(15.2%), and customers with master's degree constitute n=26(8.6%).

Out of this number, n=176(58.3%) were males and n=126 (41.7%) were females (see Table4.1). Majority of the customers sampled for the study were thus males.

Furthermore, the age distribution of customers surveyed for the study is presented in Table 4.1. Out of the 302 respondents, n=74 (24.5%) were between the age of 18-30 years, n=186 (61.6%) were between 30 to 45 years, n=42 (13.9%) were above 45 years.

n=144(47.7%) of customers uses the bank between 1-5 years and n=90(29.8%) of customers uses the banks between 5-10 years and n= 24(7.9%) has been customers for more than 10 years, the rest n=44(14.6) uses the bank for less than a year.

4.3 Descriptive Statistics Analysis

In this section, the study presents the summary statistics of the variables based on the summated scale created. The means, standard deviations as well as the Skewness of each construct are presented in Table 4.2

Table 4.2 Mean, standard deviation and Skewness for the four bank’s Service quality dimension and Customer Satisfaction

Constructs	N	Mean	Standard deviation	Skewness
Tangibility	302	4.0735	.32282	-.726
Reliability	302	4.0987	.31306	-.718
Responsiveness	302	3.6247	.55418	-.279
Assurance	302	4.4128	.29907	-.065
Empathy	302	4.1860	.34122	-.342
Customer Satisfaction	302	4.1959	.26632	-.229

Source: compiled from authors survey, 2017

Besides, the decision rules used in the analysis was average mean less than 3 was considered as low, average mean equal to 3 was considered as medium and average mean greater than 3 was considered as high throughout the study (Best and Khan 1995). According to Best, (1977), the score from 1-1.80 is lowest, from 1.81-2.61 is lower, from 2.62-3.41 is average/moderate, from 3.42-4.21 is good/high, and 4.22-5 is considered very good. Best, J.W. & Khan, J.V. (1995).

Results from the summary statistics indicated that the mean response rate for questions related to all constructs except responsiveness is above 4 which indicate that in general customers are satisfied by the five service quality dimensions.

From theory, a low standard deviation values suggest that the data points tend to be very close to the mean, whereas high standard deviation values indicate that the data are spread out over a large range of values. From table 4.2 above responsibility has the highest standard deviation (.55418). This implies that there is high level of dispersal in the data for the construct. The phenomenon can be explained by the fact that since customers may come across to different bank employees that have different customer handling capabilities so that, some customers may be receiving relatively better services than others. The customer satisfaction construct have the lowest standard deviation of (0.26632), followed by Assurance with a standard deviation of .29907 and reliability with a standard deviation of .32282 suggesting a comparatively lower spread in the data and clustering of the responses around the mean. Finally, a careful examination of standard error of skewness values indicated that the data is negatively skewed. This can be interpreted to mean that most of the responses are higher values such as 4 and 5 (4= agree; 5 = strongly Agree).

4.4 Pearson's correlation between constructs

According to shukran (2003), the relationship is expressed by value within the range -1.00 to +1.00 as Pearson product moment indicates. Pearson correlation is +1 in the case of a perfect increasing (positive) linear relationship (correlation), -1 and 1 in all other case indicating the degree of linear dependency between variables. To determine the relationship between service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) and customer satisfaction, Pearson correlation was computed. Table 4.3 below presents the results of Pearson correlation on the relationship between service quality dimension and customer satisfaction.

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

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Primary Data(2017)

Table 4.3 Pearson's correlations coefficients

	Tangibles	Reliability	Responsibility	Assurance	Empathy	Satisfaction
Tangibles Pearson Correlation Sig. (2-tailed) N	1	.912**	.166**	.519**	.241**	.473**
Reliability Pearson Correlation Sig. (2-tailed) N		1	.141*	.592**	.301**	.558**
Responsibility Pearson Correlation Sig. (2-tailed) N			1	.059	.030	.171**
Assurance Pearson Correlation Sig. (2-tailed) N				1	.339**	.688**
Empathy Pearson Correlation Sig. (2-tailed) N					1	.244**
Satisfaction Pearson Correlation Sig. (2-tailed)						1

In this section, the correlation matrix of the constructs are computed which provides a preliminary evidence of the relationship between the variables. The correlation coefficient measures the strength of relationship between two variables. The results of the correlation matrix are presented in Table 4.3

The correlation between Customer Satisfaction and Assurance was the highest (0.688) followed by the correlation between the customer satisfaction and reliability (0.558). Although pair-wise correlations provides preliminary evidence of the relationship between two variables, a more sophisticated approach such as multivariate linear regression is needed to ensure that the effect of other variables are taken into account. According to the table above, there is a significant positive relationship between the five dimensions of service quality and customer satisfaction. The highest correlation is between Customer satisfaction and assurance (.688) followed by reliability (.558), tangibility (.473) and the remaining dimension empathy and responsibility (.244) and (.171) respectively. The weakest correlation is between responsibility and customer satisfaction whereas; the strongest correlation is between assurance and customer satisfaction. Accordingly, the most important service quality dimension that affects customer satisfaction is assurance, which goes to prove that assurance perceived as a dominant service quality followed by reliability and tangibility; this indicates improvement of employees knowledge about service information and skills in providing service have significant relation with customer satisfaction levels with the same indicates Ability to perform the promised service dependably and accurately and Physical facilities, equipment and appearance of personnel also have significant effect. Even if, responsibility and empathy have weakly correlated improving these dimensions has also effect on customer satisfaction.

4.5 MULTIVARIATE LINEAR REGRESSION RESULTS

Multiple regressions are the most common and widely used to analyze the relationship between a single continues dependent variable and multiple continues on categorical independent variable (George et al, 2003). In this study multiple regression analysis was employed to examine the effect of service quality dimensions on customer satisfaction.

To investigate the effect of Service Quality on Customer satisfaction, a linear regression is fitted employing customer satisfaction as a dependent variable and; Tangibles, Responsiveness, Reliability, Assurance and Empathy as independent variables.

4.6 Service quality and customer satisfaction

Table 4.4 Model summary

Source: Primary Data (2017)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.724 ^a	.525	.516	.18519	1.933

a. Predictors: (Constant), Empathy, Responsibility, Tangibles, Assurance, Reliability

b. Dependent Variable: Satisfaction

The results of multiple regressions, as presented in table 4.4, above, revealed that the proportion of variance of customer satisfaction that is accounted for the service quality dimensions (tangibility, reliability, responsiveness, Empathy and assurance) is $R = .525$ which is 52.5% and the adjusted $R^2 = .516$ which is 51.6 %. That means adjusted $R^2 = .516$ indicates 51.6 % of the variance in customer satisfaction can be predicted by the service given by the four banks. Durbin-Watson statistic is used to test independent of residuals. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50-2.50. In this case, as depicted in the table 4.4 above, Durbin-Watson is 1.933 which is close to 2 and within acceptable range. So we can assume independence of residual.

4.7 Regression Analysis and Hypothesis Test

Hypothesis testing is based on standardized coefficients beta with 99% confidence level to test whether the hypotheses are rejected or not.

Table 4.5 Regression of Customer Satisfaction on Service Quality

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.282	.189		.782	.638
TAN Tangibles	.143	.081	.174	1.767	.048
REL Reliability	.322	.089	.378	3.622	.001
RES Responsiveness	.155	.020	.114	1.958	.005
EMP Empathy	.493	.045	.554	5.459	.001
ASS Assurance	.151	.034	.019	.659	.655

R= 0.724, R²=.525, Adjusted R²= .516. * denotes significance at 1% level

Hypothesis 1

H₀: Tangibility don't have a positive and significant effect on customer satisfaction.

H_{a1}: Tangibility do have a positive and significant effect on customer satisfaction.

The results of multiple regressions, as presented in the table 4.5 revealed that tangibility has a positive and a significant effect on customer satisfaction with a standardize coefficient beta value,(.174), at 99% confidence level and a significance value of variable "tangibles" 0.048 which is less than alpha level of 0.05. Therefore, the researcher may reject the null hypothesis and accept the alternative hypothesis. Since, tangibles do have a positive and significant effect on customer satisfaction at 5% significant impact.

Hypothesis 2

H₀₂: Reliability don't have significant positive effect on customer satisfaction.

H₂: Reliability do have significant positive effect on customer satisfaction

The results of multiple regressions, as presented in the table 4.5 revealed that reliability has a positive and a significant effect on customer satisfaction with a standardize coefficient beta value,(.378), at 99% confidence level and a significance value of variable "tangibles" 0.001 which is less than alpha level of 0.05. Therefore, the researcher may reject the null hypothesis and accept the alternative hypothesis. Since, reliability do have a positive and significant effect on customer satisfaction at 5% significant impact.

Hypothesis 3

H₀₃: Responsiveness don't have significant positive effect on customer satisfaction.

H₃: Responsiveness do have significant positive effect on customer satisfaction.

The results of multiple regressions, as presented in the table 4.5 revealed that responsiveness has a positive and a significant effect on customer satisfaction with a standardize coefficient beta value,(.114), at 99% confidence level and a significance value of variable "responsiveness" 0.005 which is less than alpha level of 0.05. Therefore, the researcher may reject the null hypothesis and accept the alternative hypothesis. Since, responsiveness do have a positive and significant effect on customer satisfaction at 5% significant impact.

Hypothesis 4 Emphaty

H₀₄: Empathy don't have significant positive effect on customer satisfaction.

H₄: Empathy do have significant positive effect on customer satisfaction.

The results of multiple regressions, as presented in the table 4.5 revealed that emphaty has a positive and a significant effect on customer satisfaction with a standardize coefficient beta value,(.554), at 99%

confidence level and a significance value of variable "emphaty" 0.001 which is less than alpha level of 0.05. Therefore, the researcher may reject the null hypothesis and accept the alternative hypothesis. Since, emphaty do have a positive and significant effect on customer satisfaction at 5% significant impact.

Hypothesis 5 Assurance

H₀₄: Assurance don't have significant positive effect on customer satisfaction.

H₄: Assurance do have significant positive effect on customer satisfaction

The results of multiple regressions, as presented in the table 4.5 revealed that Assurance has a positive and insignificant effect on customer satisfaction with a standardize coefficient beta value,(.019), at 99% confidence level and a significance value of variable " Assurance " 0.655 which is greater than alpha level of 0.05 . Therefore, the researcher may accept the null hypothesis and reject the alternative hypothesis. Since, empathy do have a positive but insignificant effect on customer satisfaction at 5% significant impact.

CHAPTER FIVE

CONCLUSION AND RECOMRNDATION

5.1 Introduction

This chapter provides a general summary and conclusion for the study, as well as recommendations forwarded for improvement in the services given by private banks.

5.2 Summery of the study

The main objective of the study was to assess the effect of customer service quality on customer satisfaction in selected private banks at Addis Ababa branch. The research was conducted using questionnaire that consists about 302 sample respondents. The results of background information of respondents indicated that from the total respondents 58.3% are male and 41.7% are female. The largest group of respondents which contains 61.6% was aged between 30 and 45 while smallest groups are aged above 45 comprises 13.9% of respondents. This indicates that most of the customers of the four banks are young people. With regard to educational level; the largest respondents were bachelor degree holder 59.6% and the smallest number of respondents' 8.6% have masters' degree.

The results of descriptive statistical analysis also indicated that, customers were more satisfied with the Assurance followed by Empathy dimensions of service quality. About the Willingness of staff members to help customers and provide prompt service, customers were expressing their dissatisfaction over poor service.

The correlation result shows that there is positive and significant relationship between tangibility, reliability responsiveness, assurance, empathy and customer satisfaction. The finding also indicates that the highest relationship was found between Assurance and customer satisfaction, while the lowest relationship was found between Responsibility and customer satisfaction.

The multiple regression results showed that all the five dimensions (tangibility, reliability responsiveness, assurance, and empathy) have a positive relationship with customer satisfaction.

The R square value of 0.525, demonstrates that 52.5% of variation in customer satisfaction can be accounted by the service quality dimensions.

5.3 Conclusions

The study was conducted to examine the effect of customer service quality on customer satisfaction in selected private banks in Addis Ababa.

The finding of the study also indicates that, customers were most satisfied with the assurance dimensions of service quality. However, customers were less satisfied with responsibility dimensions of service quality. The correlation result shows that, the five service quality dimensions (tangibility, assurance, empathy, responsibility and reliability) are positively and significantly related with customer satisfaction.

In terms of the stated research hypotheses the following specific empirical findings emerged from the investigation: The four service quality dimensions including tangibility, reliability, empathy and responsibility have positive and significant effect on customer satisfaction. And assurance has a positive and insignificant relation with customer satisfaction. The findings of this study also indicated that empathy is the most important factor to have a positive and significant effect on customer satisfaction.

5.4 Recommendations

Based on the findings and conclusions of the study, the researcher forwards the following recommendations to the management of the banks and suggestion for other researchers.

Service quality was considered as one of the most important factors influencing customer satisfaction. The finding in this research also suggests the customers of the four banks were found highly affected by the service quality perception of the customers. However not all customers agree on this. Hence, one way of addressing this could be by

- ✓ treating customer with Great respect,
- ✓ giving individual attention to customers,
- ✓ serving customers based on their specific needs
- ✓ treating customers in a friendly manner

- ✓ Continuous training for staff members. This is to say, the four banks management should focus on this factor to maximize customer satisfaction.

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APPENDICES

Appendix A

QUESTIONNAIRE

School of Graduate Studies, St. Mary's University

INTRODUCTION: Dear Respondents, this questionnaire is prepared by postgraduate student, Master of Business Administration (MBA), at SMU to gather data about the Impact of Customer Service Quality on Customer Satisfaction in private Banks at Addis Ababa. The purpose of the questionnaire is to gather adequate information in Addis Ababa private bank's customer service and customer satisfaction. In order to make the study more fruitful, your response to the given question would be necessarily. All of your response to the given question would be used for the research and will be kept confidential work.

❖ Service Quality Questionnaire (SQQ)

General question

- 1) Name(optional) -----
- 2) Name and branch of the bank -----
- 3) Gender
 - A. Male
 - B. female
- 4) Age
 - A.18 – 30 years
 - B. 30 - 45 years
 - C. above 45
- 5) Education
 - A. Illiterate
 - B .High school
 - C. Degree
 - D. Masters
 - E. Others
- 6) Status of usage
 - A. Less than one year
 - B. 1-5 Years
 - C. 5-10 years
 - D. Above 10 years

7) Marital status

A. Married

B. Single

C. Other

Instructions: Please tick the number that you feel most appropriate, using the scale from 1 to 5 (Where 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree and 5 = strongly agree)

	1	2	3	4	5
Tangibility					
1. The Bank has modern-looking equipment.					
2. The bank has neat and disciplined employees.					
3. The Room is clean and provides adequate of space					
4. Employees' dressing is attractive.					
5. Printed materials (forms, brochures, bank cards, etc) look attractive.					
Reliability					
6. The bank provides its services at promised times.					
7. Employees are consistently courteous.					
8. Employees handled customer's complaints effectively.					

9. Employees provide accurate information to customers.					
10. Employees show dependability in handling service problem.					
Responsiveness					
11. Employees are happy and willing to serve the customer					
12. The bank provides diversified service to the customers.					
13. The bank gives quick response to customer requests.					
Assurance					
14. The employees have sufficient knowledge of service information					
15. The employees make customers feel safe in their transactions.					
16. The employee has the required skill in providing services.					
17. The Bank employees are trustworthy.					
18. Employees in the company are always sensitive to customers' requests					
Empathy					
19. Employees always treat customers in a friendly Manner					

20. Employees understand customers' specific needs.					
21. Employees treat customer with great respect.					
22. Employees give individual attention to customers.					

❖ Customer Satisfaction Questionnaire (CSQ)

Specific questions

Strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5).

	1	2	3	4	5
23. I am satisfied with the respectful behavior of employees.					
24. I am satisfied with the quick service of this bank.					
25. The bank offers competitive interest					
26. I am satisfied with the performance of the employees of this bank.					
27. I am satisfied of being a client of this bank.					
28. when there is some problem the bank respond quickly					
28. Facilities are attractive					

Thank you very much!!!

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Abebaw Kasie (PhD). 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 full to any other higher learning institutions for the purpose of earning any degree.

Name

Signature

St. Mary's University, Addis Ababa

June, 2017

ENDORSEMENT

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

Name

St. Mary's University, Addis Ababa

Signature

June, 2017

