



**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**DETERMINANTS OF SERVICE QUALITY AND THEIR IMPACT ON  
CUSTOMER SATISFACTION: THE CASE OF COMMERCIAL BANK OF  
ETHIOPIA**

**(Selected Branches in Addis Ababa)**

**BY**

**ZEWDITU KEBEDE**

**ID NO. SGS/0760/2007A**

**JANUARY, 2017**

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## ***ACRONYMS***

CBE – Commercial Bank of Ethiopia

SERVQUAL –Service quality

ATM - Automated Teller's Machine

MIS - Management Information system

A.A – Addis Ababa

P- Perception

E-Expectation

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## *Abstract*

*The general objective of this study is to identify the determinants of service quality and their impact on customer satisfaction. The outcome of study will enhance the Bank's competitive position in the banking industry and ensure its survival. Convenient sampling technique was employed in the study with Statistical Package for Social Scientist (SPSS) used in the analysis. In this research, the SERVQUAL instrument developed by Parasuraman (1985), has been applied in designing the questionnaire by using five dimensions of service quality: tangibility, reliability, responsiveness, assurance, and empathy. Questionnaires are distributed to 400 customers of the twenty three selected branches in Addis Ababa area. The questionnaire aimed to determine the level of customers' expectation and perception towards the service quality of the bank. The results revealed that the assurance, responsiveness and empathy dimensions raised the highest level of expectation, whereas the, assurance, empathy and responsiveness dimensions fulfilled the highest level of perception. The findings showed that the dimensions of service quality such as tangibility, reliability, responsiveness, assurance, and empathy are positively correlated to customer satisfaction. Data collected from respondents are analyzed by using descriptive, correlation, and regression analysis. It can be concluded from the analysis that customers were satisfied with service delivery of CBE.*

**Keywords:** *Service Quality, Customers' expectation and perception, Customer Satisfaction,*

## **CHAPTER ONE**

### **Introduction**

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*In this introductory chapter, background of the study, statement of the problem, significance and objectives of the study, research questions, and limitation of the study, scope of the study and structure of the paper are discussed.*

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#### **1.1 Background of the study**

Banking is a customer oriented services industry. Customer satisfaction is the key factor for customer retention and thereby the bank's success. Therefore, identifying and improving the factors that can limit the satisfaction of customer is the crucial step for the bank which wants to be a step forward than its competitors. Service quality is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Gronroos, 1984; Parasuraman, 1985, 1988). A number of experts define service quality differently. Parasuraman. (1985) define it as the differences between customers, expectation of services and their perceived service.

Here the key to success is to remain competitive and constantly improve the quality of services to better meet customers' needs, and the key to providing superior services is to clearly understand and appropriately respond to customers' expectations because customers compare perceptions with expectations in judging the quality of a firm's service offerings. Banks must convey quality service to ensure success and survival in today's competitive banking.

Businesses' ability to understand the needs and expectations of not only their current customers but also their potential customers and to act in accordance with, this is of utmost importance for the realization of high levels of customer satisfaction. Therefore, acting with a customer-focused approach presents itself as a must-have requirement for improving the satisfaction of customers. According to Hansemark and Albinson (2004) 'satisfaction is an overall customer attitude towards a service provider' or an emotional reaction to the difference between what customers anticipates and what they receive, regarding the fulfillment of some needs, goals or desire.

For the businesses to be able to win customers with potential to add value to them at a higher level in an increasingly growing competitive market structure they need to provide products and

## *Determinants of Service Quality and their impact on Customer Satisfaction*

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services that can satisfy the needs of the customers; this is of vital importance in sustaining their presence in the market. The underlying cause of this can be related to the high level of expectations of customers at all times and under all circumstances concerning the products and services that they have been offered. If the perception of the level of quality of products and services offered to the customer is lower than expected, it can bring about dissatisfaction that is proportionate to the difference between expectation and perception.

In another aspect, if the customers' perceived service quality is high, then it can lead to high levels of satisfaction. Therefore, while businesses engage in certain measurements to determine the satisfaction levels of their customers, they should also determine the differences between customers' expectations and their perceptions about the realized results at the same time.

The relationship between perception of service quality and customer satisfaction is of great importance especially for the service sector. It could be suggested that this is because customers are not only interested in the tangible aspects of the products offered to them in the service sector but also the intangible aspects of these products in the provision process.

Banking sector in Ethiopia is facing a rapidly changing market. The impact of the economic problems and financial crisis among the financial institutions creates a great challenge for the overall banking sectors. At this situation aiming for the customer satisfaction is the most challenging task for banks. It is a well-known fact that no business can exist without customers. So they must be satisfied. In any organization, satisfying a customer is the ultimate goal and objective. Various important parts of banking sector like operations, service quality, employee satisfaction, customer satisfaction, financing products, efficiency, financial performance are being studied by many researchers to better understand and serve the community at large (Arokiasamy, 2013).

This study work focused on determinants of service quality and their impact on customers' satisfaction in Commercial bank of Ethiopia. The history of the Commercial Bank of Ethiopia (CBE) dates back to the establishment of the State Bank of Ethiopia in 1942. CBE was legally established as a share company in 1963. In 1974, CBE merged with the privately owned Addis Ababa Bank. Since then, it has been playing significant roles in the development of the country. Pioneer to introduce modern banking to the country. It has more than 1100 branches

stretched across the country. The leading African bank with assets of 359.3 billion Birr as on March 31<sup>th</sup> 2016 plays a catalytic role in the economic progress and development of the country. The first bank in Ethiopia to introduce ATM service for local users. Currently CBE has more than 12.4 million account holders and the number of Mobile and Internet Banking users also reached more than 600,000 as of March 31<sup>th</sup> 2016. Active ATM card holders reached more than 1.1 million. It has strong correspondent relationship with more than 50 renowned foreign banks like Commerz Bank A.G., Royal Bank of Canada, City Bank, HSBC Bank, etc.

CBE has a SWIFT bilateral arrangement with more than 700 other banks across the world. CBE combines a wide capital base with more than 25,000 talented and committed employees. Pioneer to introduce Western Union Money Transfer Services in Ethiopia early 1990s and currently working with other 20 money transfer agents like Money Gram, Atlantic International (Bole), Xpress Money, etc.

CBE has opened four branches in South Sudan and has been in the business since June 2009. It has reliable and long-standing relationships with many internationally acclaimed banks throughout the world.

Source: (CBE) Company Profile dated 25 June 2016.

## **1.2 Statement of the Problem**

Parasuraman, Zeithaml and Berry (1985) state that service quality is more difficult to define and measure than product quality because services are intangible, heterogeneous (service quality can vary by customer or producer), and production is inseparable from consumption. As the competition in service industries is increasing from time to time, the notion of service quality has become increasingly important. Service quality has been identified as a determinant of market share, return on investment and cost reduction (Anderson, 1984). Therefore, in order to attract and retain customers by properly identifying and serving their need, service providers are actively involved in the process of understanding customers' perception of service quality.

Customers have expectations and its own criteria when they evaluate whether the provided banking services is satisfactory or not. Due to high competition in a banking sector, the

perception of customers and potential customers are also divided according to the services that they want to achieve.

Because customer satisfaction is the main concern of business sectors of today, their researchers are always conducting research about the customers especially on what relates to their satisfaction. Moreover, because this problem of satisfaction concerns the most unpredictable stakeholder in the business environment (the customers), who remains the main character that keeps the business in operation; and because satisfaction varies and changes among individuals, there is a need for continuous research in this area.

Service provided at a company may not be fully implemented yet and needs some improvements. Also, if a company would evaluate its own service, the understanding from the perspectives of customers is very important. What reflected from the customers' perspectives could provide a chance for a company to improve its service quality to the right direction.

Even as researchers continue to debate the determinants of service quality a few important issues remain unanswered. Is there a universal set of determinants that determine the service quality across a section of services? Does the service characteristic gets reflected in what customers expect out of delivery of a particular service? Is there an inherent difference in services because they must be delivered in a particular way and does that have a bearing on what becomes important for the customer? Practitioners continue to look for advice and suggestion as to what constitute service quality for their offers and furthermore, if they tend to reposition their offers by varying some characteristics of their offers, for example, by increasing or reducing tangibility or customer contact, etc.

With the current increased competition in the Ethiopian banking industry, studying the determinants of service quality and their impact on customer satisfaction is very much interesting. There are a number of complaints on the service delivery system of CBE, such as, long waiting at the banking hall, network failures, inefficient functioning and insufficient number of ATMS, are the most important problems most branches of CBE that can adversely affect the service quality and overall customer satisfaction level. No previous study had tested the service quality dimensions directly to see if it is related to customer satisfaction to my knowledge, therefore, the study has been designed to identify the determinants of service quality and their impact on



customer satisfaction using SERVQUAL model. A study is designed to examine service quality as an independent variable on dependent variable i.e. customer satisfaction.

### **1.3 Research question**

Based on the above problem statement the main research questions are,

1. What are the level of customers' expectation and perception towards service quality?
2. What are the discrepancies or gap between customers' expectation and perception towards service quality?
3. What is the relationship between service quality and customer satisfaction in the bank and to identify the benefits of these relationships?

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

#### **1.4.1 General objectives**

The main objective of this study is to identify the determinants of service quality and their impact on customer satisfaction rendered by CBE.

#### **1.4.2 Specific Objectives**

- To assess customers' levels of expectation towards service quality of Commercial Bank of Ethiopia in five dimensions.
- To analyze the discrepancy or gap between customers' expectation and perception towards service quality.
- To determine the relationship between service quality and customer satisfaction in the bank and to identify the benefits of these relationships.

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

Due to increased competition for greater market share, customers became a center for all banking activities. Focusing on customer satisfaction has been the key to increasing service quality according to customers' expectations in the banking sector (Zairi, 2000). So organizations must better their services to meet the customers' needs and requirements. Managers depend on customers' anticipation of service quality for the competition in the market (Hoffman and Bateson, 2002).

The outcome of this study will be developing the service quality of the bank in order to meet customers' needs and their satisfaction. Furthermore, the study will:

- Serve as guidelines for the formulation of policies on the quality of bank's services.
- Help recognize that customers hold different types of expectations for service performance.
- The study may help CBE management in decision making by understanding the problems from this findings with regards to the service quality provided.
- Finally, the study will be used as a guide for future researchers who are interested to conduct a study on the area.

### **1.6scope of the study**

This study covered Commercial Bank of Ethiopia selected branches in Addis Ababa area. It will focus on services quality and customers satisfactions.

### **1.7Limitation of the study**

As in the case of any other researches a number of constraints bound this research, accordingly the study faced some limitations such as time constraints to gather information and financial constraints.

### **1.8 Definitions of terms**

**Customer satisfaction:** is the future intentions of customers towards the service provider, which is more or less related to the attitude (Levesque, 1996).

**Service quality:** means the difference between the customer's expectation of service and their perceived service. In this study, the assessment standards of Zeithaml, Parasuraman & Berry (1990) will be used, which consist of five dimensions: tangibility, reliability, responsiveness, assurance, and empathy.

**SERVQUAL:** A multiple-item scale for measuring customer perceptions of service quality Zeithaml, Parasuraman & Berry (1988).

**Customer expectations:** define as beliefs about service delivery that function as standards or reference points against which performance is judged (Zeithaml & Betner, 2003).

## **1.9 Structure of the Paper**

Chapter One, 'Introduction', introduces to the importance of knowing customer expectation toward service quality; as it is a key tool by which customers evaluate the quality of a bank. Also, the company itself can understand that customers evaluate them based on some criterions and they can develop its service quality at the best possible. Hence, background of the study was given briefly in this part; followed by Statement of the problem, research question, Objective of the Study and Significance and scope of the Study and finally limitation of the study.

Chapter Two, 'Literature review', has been presented in three phases; it discusses, firstly, about the conceptual review; secondly, empirical review; and thirdly, conceptual/theoretical frame work. Chapter Three, 'Methodology', explains the research method, Source of Data, data collection instruments, sample and sample technique and method of data analysis.

Chapter Four, presents the analysis and discussion of the results of the study. Finally, chapter five presents a brief summary of the study and the main findings, conclusions with regards to the new knowledge derived from the research and recommendations for improving service quality.

## CHAPTER TWO

### Related literature Review

#### 2.1 Introduction

This chapter covers the theoretical reviewed of theories and models, empirical review and conceptual framework which serve as evidence of the Variables of the study i.e. Service Quality and Customer Satisfaction.

#### 2.2 Theoretical review

Literature review related to the research work as documented by authorities' on services quality and customer satisfaction.

##### 2.2.1 Definitions of Service

According to Phillip Kotler (1999), service is any activity or benefit that one party can offer to another that is essentially intangible and may not result in the ownership of anything. Cannon (1998), viewed services as those separately identified, essentially intangible activities which provide satisfaction and which are not necessarily tied to the sales of a product or another service. Gronroos (1983) defines service as: "An activity or series of activities of more or less intangibles nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and / or systems of service provider, which are provided as solutions to customer problems".

##### 2.2.2 Characteristics of Service

Kotler (1999), stated that a service has four major characteristics that greatly affect the design of marketing programs for it. These characteristics are as following:

**Intangibility:** A service is intangible and cannot be seen, tasted, felt, heard or smelled before it is bought. For example, a person receiving a haircut cannot see the result before purchase.

**Inseparability:** Services are produced and consumed at the same time. For instance, as it is in car hiring. The person rendering the service becomes part of the service as how he does it affect the quality of the service.

**Heterogeneity of Variability:** Services are highly variable as they depend on who provides them and when and where they are provided. For examples, although branches of a particular bank may be selling and delivering the same service, the quality may not be uniform or homogenous from branch to branch.

**Perishability or Fluctuating Demand:** Services are highly perishable since they cannot be stored. For example, hours when cashiers are idle at the bank cannot be used to expand service on a busy day when long queues are formed.

### **2.2.3 Classification of Service**

In the option of Churchill and Peter (1995), service can be classified in several ways. These include the way the service is delivered, the type of organization providing the service and the type of customers they target.

**Means of Delivering the Service:** this may be equipment based. In other words, services may be delivered primarily by equipment, as in the case of movies theatres and airlines or they may be delivered primarily by people, as in the case of janitorial service and accounting.

The means of delivery influence where quality is most at stake in the product mix. For equipment based service, Marketers must be concerned that the equipment is of good enough quality to meet customers need.

They must ensure that the employees who keep the equipment operating or come into contact with users are skilled and interested in meeting customer needs. Thus, the quality of computer programming service depends on both the user and the programmers themselves.

**Type of Providers:** This is another way of classifying service and it is in term of the kind of organization providing them. Service providers may include businesses, government and non-

government or not-for-profit making organizations. Business organizations offer goods and services in order to earn a profit.

Government organization also provides service; include mass transport, state lotteries and the military. The not-for-profit making organizations also use marketing to help them identify needs and target services build support for causes and solicit contributions.

#### **2.2.4 Banking Services**

Basically, banking is a business that is registered to accept deposits from the public and make out loans. Technically, banks mobilize funds from the surplus units and channel it to the deficit units of the economy (Luckett, 1994). The objective of this fund channeling is to earn profit. This function makes banks one of the most important financial intermediaries in every economy and also assists Central Banks in achieving their monetary policies. Banks earn money in servicing beyond selling money. Banking services are about the money in different types and attributes like lending, depositing and transferring procedures. These intangible services are shaped in contracts. The structure of banking services affects the success of institution in long term. Besides the basic attributes like speed, security and ease in banking services, the rights like consultancy for services to be compounded are also preferred.

#### **2.2.5 Service quality**

Service quality is an imperative element impacting customers' satisfaction level in the banking industry. In banking, quality is a multi-variable concept, which includes differing types of convenience, reliability, services portfolio, and critically, the staff delivering the service.

Service quality is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Gronroos, 1984; Parasuraman, 1985, 1988). Parasuraman (1988) define service quality as the gap between customers' expectation of service and their perception of the service experience. A number of experts define service quality differently.

The service quality from the customer's perspective means how well the service meets or exceeds expectations. Because of the customer-oriented market, service quality is generally defined from the customer's perspective, which is usually termed as perceived service quality

(Fisk, Grove & John 2004). Fisk (2008) define service quality from the service provider's perspective as the degree to which the service's features comply with the organization's specifications and requirements; from the customer's perspective this implies whether the service meets or exceeds his or her expectations.

The study showed that increased use of service quality and professional behaviors (such as formal greetings) improved customer satisfaction and reduced customer attrition. This is well documented in a study by Leeds (1992), who documented that approximately 40 percent of customers switched banks because of what they considered to be poor service. Leeds further argued that nearly three-quarters of the banking customers mentioned teller courtesy as a prime consideration in choosing a bank.

Banks everywhere are delivering the same products. For example, there is usually only minimal variation in interest rates charged or the range of products available to customers. Bank prices are fixed and driven by the marketplace. Thus, bank management tends to differentiate their firm from competitors through service quality.

Parasuraman, Zeithaml and Berry (1985) described service quality as perceived by consumers starting from a comparison of how they feel firms should perform on this dimension with what they actually perceive. Success of a service provider depends on the high quality relationship with customers. According to (Parasuraman, 1988) Service quality is defined as the overall evaluation of a specific service firm that results from comparing that firm's performance with the customer's general expectations of how firm in that industry should perform.

Kotler and Armstrong (2012) state that satisfaction is the post-purchase evaluation of products or services taking into consideration the expectations. Research has shown repeatedly that service influences on customer satisfaction. Hazlina (2011) proves, Service quality is a magnificent tool to measure the customer satisfaction.

### **2.2.5.1 The Need for Service Quality**

Ennew, Watkins and Wright (1993), mentions that the need for service quality is driven by customers, employees and a changing business environment. Customers, be the individuals, households or organizations are increasingly aware of alternatives of the financial services on

offer, provider organizations and also of rising standard for service. Consequently, expectations rise and consumers become more critical of quality of service received and so companies can be complacent.

Furthermore, knowledge of the cost and benefits of keeping existing customers relative to attracting new ones draws companies' attentions to looking after present customers, responding to their needs and problem developing long-term relationships.

### **2.2.5.2 Benefits of services Quality**

Without the focus on service quality, financial service organizations may face complaints from customers. Further, a proportion of dissatisfied customers will complain and tell a number of others, generally it is stated that, if a financial company gives a service to one customer, it gain three, and loses nine when give poor service to one customer, hence it is better to gains three than losing nine, generating adverse word ofmouth publicity and some may switch to companies. However, with focus on service quality, an organization can expect a number of benefits. Customer loyalty through satisfaction increased business and this may lead to attract new customers; hence customer retention is more cost effective than trying to attract new customers.

Good service quality enhance corporate image and may provide insulation from price competition. By excelling service quality of the Bank, customer satisfaction lead to increase in opportunities for cross-selling, comprehensive and up to date service knowledge and sales techniques among employee, combined with developing relationships.

### **2.2.5.3 The SERVQUAL approach**

The SERVQUAL approach has been applied in service and retailing organizations (Parasuraman, 1988 and 1991). A more reasonable approach to SERVQUAL is to develop or design action plans that will lead to the improvement of service quality. SERVQUAL provides a technology for measuring and managing service quality (SQ). Since 1985, when the technology was first published, its innovators Parasuraman, Zeithaml and Berry, have further developed, promulgated and promoted the technology through a series of publications.



A more pragmatic approach to SERVQUAL is to develop or design action plans that will lead to the improvement of service quality. It is one thing to know that the gap exists but it is perhaps more important to find ways to close the gap. Berry (1990) also pointed out five imperatives for improving service quality: defining the service roles, competing for talent, emphasizing service teams, going for reliability, and being great at problem resolution.

#### **2.2.5.4 SERVQUAL dimensions**

One of the most frequently used measures is the SERVQUAL (the name stands for Service Quality). Which emerges from extensive research in generic determinants of perceived service quality (Parasuraman, Berry 1985; Parasuraman, Berry 1988; Zeithaml, Parasuraman 1990; Parasuraman, Berry 1991; Parasuraman, Berry 1993; Parasuraman, Berry 1994).

The developers of the scale contend that, while each service industry is unique in some aspects, there are five finalized dimensions of service quality that are applicable to service-providing organizations in general. These dimensions are; Tangibility, Reliability, Responsiveness, Assurance and Empathy.

##### **a. Tangibility:** representing the service physically

This includes physical facilities, equipment, and the physical appearance of an employee. Parasuraman (1985) defined tangibility as the appearance of physical facilities, equipment, personnel, and written materials. Ananth (2011) referred to tangibility in their study of private sector banks as modern looking equipment, physical facility, employees are well dressed and materials are visually appealing.

##### **b. Reliability:** delivering on promise

This refers to the ability to provide the exact required service according to given specifications and conditions. Reliability depends on handling customers' services problems; performing services right the first time; provide services at the promised time and maintaining error-free record. Furthermore, they stated reliability as the most important factor in conventional service (Parasuraman 1988).

**c. Responsiveness:** being willing to help

The inclination and willingness of the employees to serve customer quickly and properly. Responsiveness defined as the willingness or readiness of employees to provide service. It involves timeliness of services (Parasuraman, 1985).

**d. Assurance:** inspiring trust and confidence

Feelings of trust and confidence in dealing with the organization. This reflects the workers' knowledge and experience and their ability to build self-confidence as well as confidence in the customers' themselves. Parasuraman (1985) defined assurance as knowledge and courtesy of employees and their ability to inspire trust and confidence.

**e. Empathy:** treating customers as individual

Understanding the customers' personal needs, taking care of them individually and showing them all sorts of sympathy and affection, looking at them as close friends and distinguished clients. Parasuraman (1985) defined empathy as the caring and individual attention the firm provides its customers. It involves giving customers individual attention and employees who understand the needs of their customers and convenience business hours.

### **2.2.5.5 Critiques of SERVQUAL**

Although SERVQUAL has been widely used in business-to-business and business-to-customer settings, this does not mean the scale has not been subject to constant re-examination and criticism. Ograjensek, (1999) the main objections to SERVQUAL are as follows:

- ✚ **Object of measurement.** It is not clear whether the scale measures service quality or customer satisfaction.
- ✚ **Length of the questionnaire.** The SERVQUAL questionnaire is too long. It could be shortened by elimination of expectation scores, elimination of certain items (those without the clear mode) and/or fusion of the interrelated dimensions of reliability, responsiveness and assurance into one dimension called task-related receptiveness.

- ✚ **Timing of questionnaire administration.** The main issue here is whether to distribute the questionnaire before or after the service experience. In other words, should expectations be solicited before the service experience or away from the actual point of service delivery and unrelated to an encounter? Some researchers compromise by collecting their data after the service experience at the actual point of service delivery. Consequently, they fear that this might have loaded their results towards performance, while those of other researchers might have been loaded towards expectations.
- ✚ **Use of the Likert scale.** The issues such as the number and labeling of points or the inclusion of a middle alternative in the scale are very important. SERVQUAL authors use a seven-point scale, while in many replication studies a five-point scale is adopted to increase response rate and response quality.

Another problem is the equality of distances between points on the Likert scale as perceived by the respondent. It should be noted that one person's 'complete satisfaction' might be less than another's 'partial satisfaction'. (Duffy, and Ketchard, 1998).

Furthermore, once the respondents have marked the extreme point and want to express an even stronger opinion on the next item, this can no longer be reflected in the answer, since the maximum score has already been given.

While some authors argue that none of these problems matter as long as the answers are normally distributed, others point out that in practice the majority of service quality surveys tend to result in highly skewed customer responses.

#### **2.2.5.6 Model of Service Quality Gaps**

The Gaps Model of Service Quality defines service quality as the difference between customers' perceived service and expectations of service or in terms of the gap between the customer's perception of what the service actually provides and what the service should provide. It assumes that the smaller the gap, the higher the quality of services. Moreover, if expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman, 1985). One of the purposes of the SERVQUAL instrument is to ascertain the level of service quality based on the five key dimensions and to identify where gaps in service exist and to what extent.

There are five major gaps in the service quality concept (Parasuman, 1991). The gaps are generally defined as:

Gap 1: Difference between customers' expectation and management's perceptions of those expectations, i.e. not knowing what customers expect. This gap is occurred as a result of the lack of a marketing research orientation, inadequate upward communication and too many layers of management. It is called positioning gap.

Gap 2: Difference between management's perceptions of customer's expectations and service quality specifications, i.e. improper service-quality standards. This gap is occurred as a result of inadequate commitment to service quality, a perception of unfeasibility, inadequate task standardization and an absence of goal setting. It is known as the specification gap.

Gap 3: Difference between service quality specifications and service actually delivered i.e. the service performance gap or the delivery gap. Guidelines for service delivery do not guarantee high-quality service delivery or performance.

Gap 4: Difference between service delivery and the communications to customers about service delivery, i.e. whether promises match delivery. It exists when the promises communicated by the business to the consumer do not match the consumers' expectation of those external promises. This is known as a communication gap.

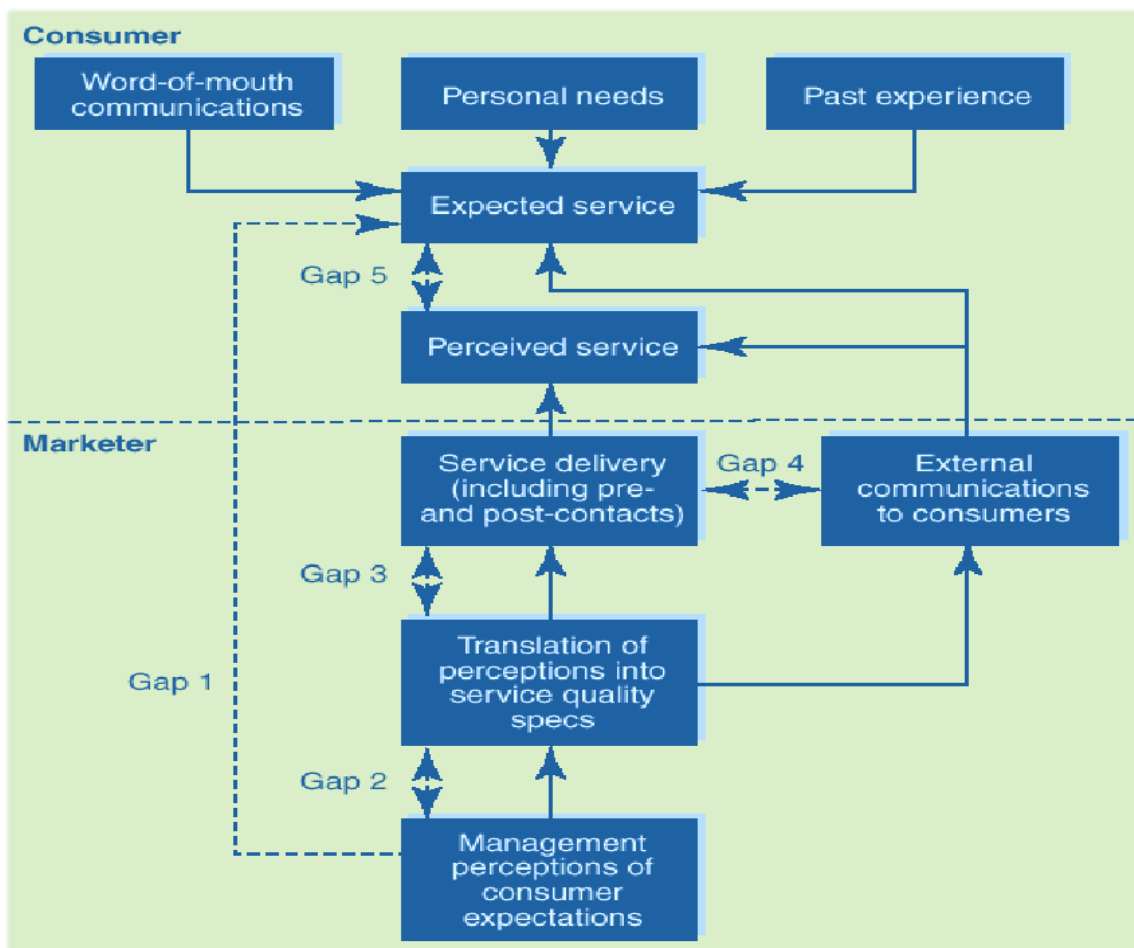
Gap 5: Difference between customer's expectation and perceived service. This gap depends on size and direction of the four gaps associated with the delivery of service quality on the marketer's side.

The Gap on which the SERVQUAL methodology has influence is Gap 5. Gaps 1-4 are within the control of an organization and need to be analyzed to determine the cause or causes and changes to be implemented which can reduce or even eliminate these four gaps emerge from an executive perspective on a service organization's design, marketing and delivery of service. Moreover, they contribute to another gap, mentioned earlier; Gap 5 Which is the discrepancy between customers' expected services and the perceived service actually delivered.

According to the Gaps Model of service quality, when what is delivered matches what is expected, customers find the service acceptable. If the service provided is better than what they expected that is when perception is better than expectation exceptional service materializes.

Consequently, when expectations and perceptions are ranked on a scale, the gap is a number reflecting the difference between the two expectation rankings minus perception ranking. If there is a poor service gap, a minus number occurs. If the number, by chance, is zero, service is acceptable (expectations match perceptions). If a positive value emerges (perceptions exceed expectations), the service organization has achieved exceptional service (Disend, 1991 as cited in Mussie, 2011).

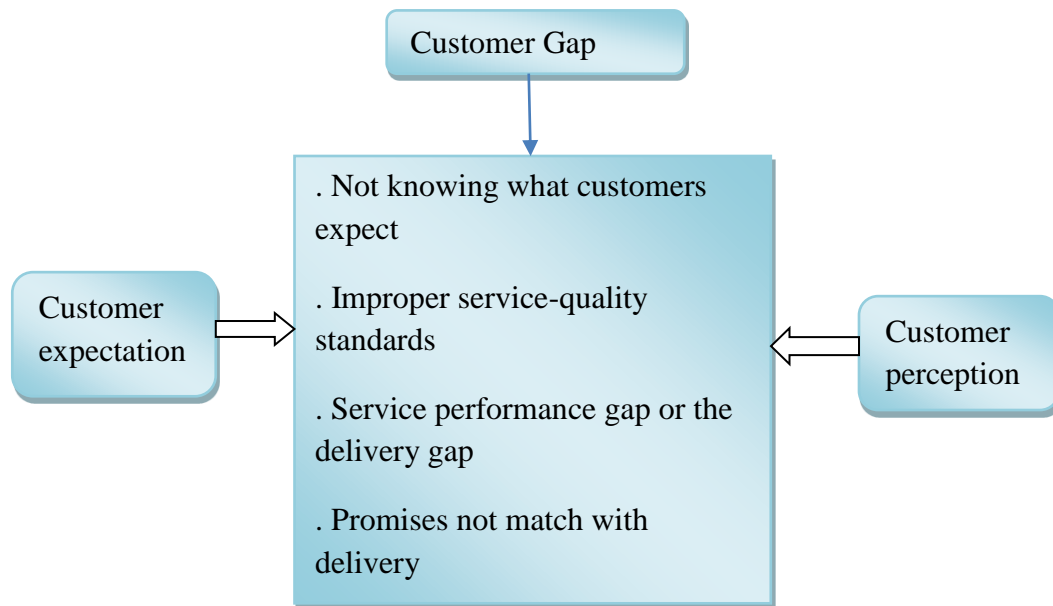
**Figure 2.1: Service Quality Gaps Model**



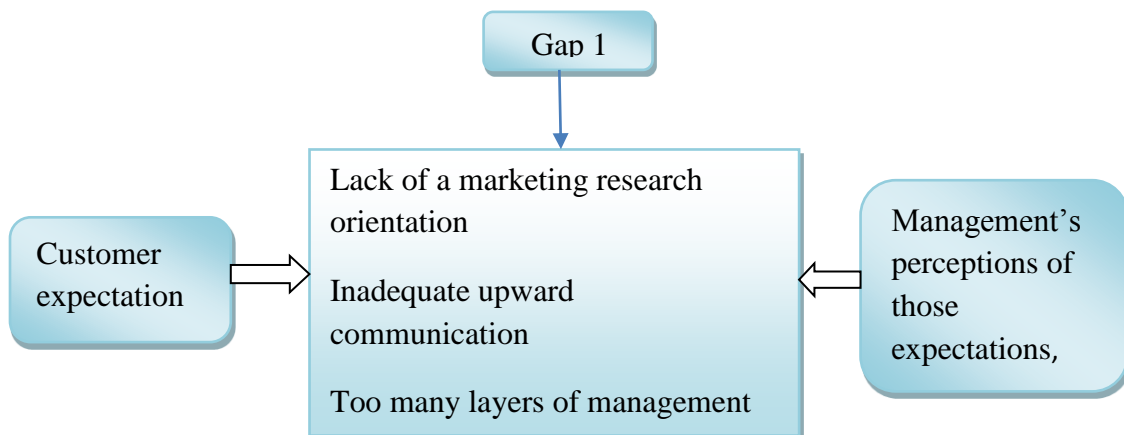
*Source: Zeithaml and Bitner, 2003*

### 2.2.5.7 Closing the Customer Gap

The gaps model says that a service marketer must first close the customer gap.



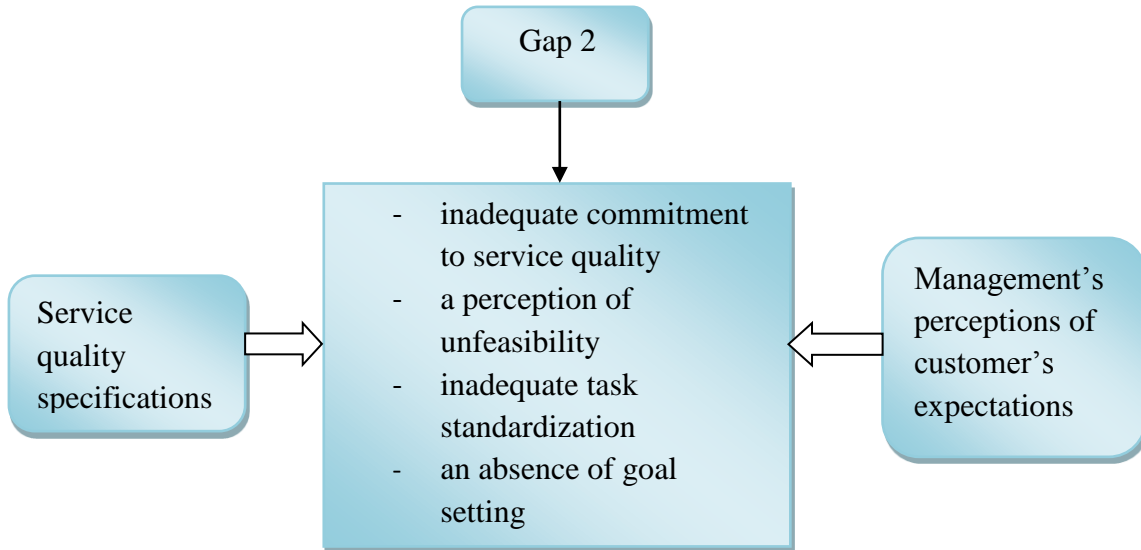
**Gap 1: Difference between customers' expectation and management's perceptions of those expectation.**



To fill the gap the managements must be set strategies like,

- Building adequate upward communication.
- Understand customer needs over time and build strong relationships.
- Avoiding too many layers of management.

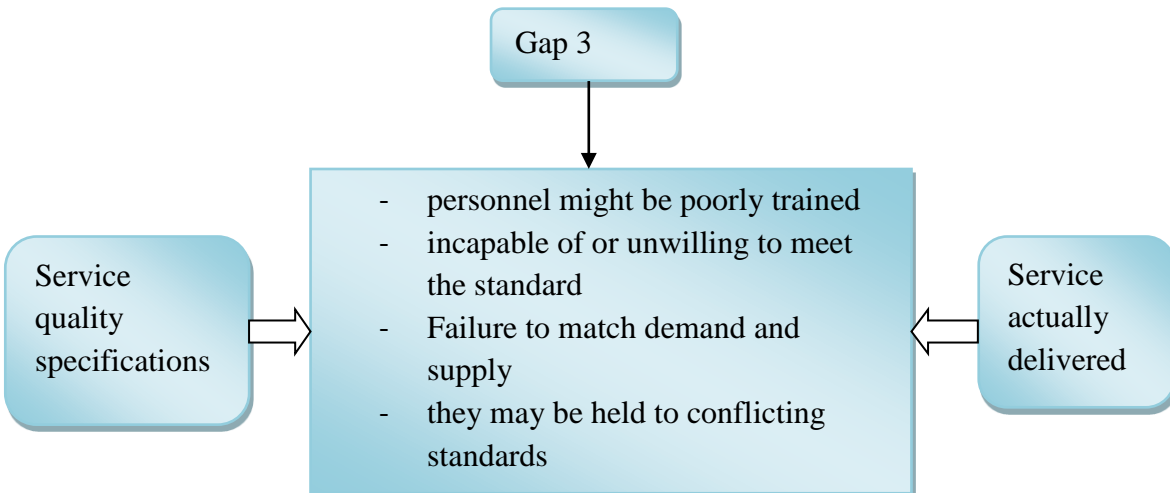
Gap 2: difference between management perceptions of consumer expectations and service quality specifications.



To fill the gap the managements must be set strategies like,

- By setting customer-defined performance standards.
- Use service blueprinting as an implementation tools.
- To meet customer expectations, design physical evidence.

Gap 3: difference between service quality specifications and the service actually delivered



To fill the gap the managements must be set strategies like,

- Make sure that the companies have trained personnel.
- Willing to meet the standard.
- Matching demand and supply.
- Taking time to listen to customers and serving them fast.

**Gap 4: difference between service delivery and what is communicated about the service to the consumer.**



To fill the gap the managements must be set strategies like,

- Matching promises with delivery.
- Effectively coordinating actual service delivery and external communications.

**Gap 5: difference between consumer expectations and perceptions.**

This gap is a function of the other four gaps: that is,  $\text{Gap 5} = f(\text{gaps 1, 2, 3, and 4})$ . Parasuraman (1985) seek to measure gap 5 using the SERVQUAL instrument.

#### **2.2.5.8 Using SERVPERF to Measure Service Quality**

SERVPERF directly measures the customer's perception of service performance and assumes that respondents automatically compare their perceptions of the service quality levels with their expectations of those services. The SERVPERF model was carved out of SERVQUAL by Cronin and Taylor in 1992.



### **2.2.6 Customer satisfaction**

Customer satisfaction is one of the most important issue concerning business organization of all types, which is justified by the customer oriented philosophy and the principles of continues improvement in modern enterprise” (Arokiasamy, 2013). Overall customer satisfaction with a company’s offerings is determined by comparisons between customers’ expectations of the company’s products or services and their perceptions of the products’ or services’ performance (Oliver1980).

In banking industry, being competitive is already a given factor. Customers expect that banks should be strong enough even if there are uncertainties in the country, most especially in the financial stream. In the long run, the customer satisfaction can be the key element of the organization to prepare another strategy (Gitman and McDaniel, 2005). Thereby it can enhance its further success and long life cycle.Reichheld and Sasser (1990) suggested that new buyers cost more to serve than repeat customer, which means that repeat customers are benefiting a firm’s cost structure.

The dream of every organizations and so the banks; having a satisfied customer will be injection for its success and basis to continue its business lifecycle, if achieved through continuous delivery of satisfactions by reducing resistance and reluctance of the customers towards the bank’s offered products and services. If not, just waste of time and fund.

Several studies are conducted in this setting regarding the customer satisfaction. In those studies, the contradiction occurs in variables that affect the Customer satisfaction. In some studies, price and variety of product/services are major factors affecting the customer satisfaction with some other. While in some other studies there is an inverse finding that there is no possibility to differentiate their price and services, thereby they have less or no impact in Customer satisfaction.It is generally accepted that satisfaction is a psychological state that results from consumer experiences after consumption (Pleshko, &Heiens, 1996).

#### **2.2.6.1Customers’ Expectations of Service quality**

Customer’ expectations are believesabout service delivery that function as standards or reference points against which performance is judged” (Zeithaml, and Bitner, 1996). These authors develop an argument which is that customers hold different types of expectations for service

performance (Zeithaml and Bitner, 2003). For example as a result the self-service approach used in food retail sector, supermarket customers may hold different expectations of service performance compared to those they would have when visiting a bank.

Customers compare their perceptions of service delivery with these reference points when evaluating service quality and therefore knowing what customers expects is critical in gaining competitive advantage (Zeithaml and Bitner, 2003). Failure to understand the levels of service customers expects can mean losing a customer to competitors who are able to meet customers' expectations and therefore be at a risk of losing business (Zeithaml and Bitner, 2003).

#### **2.2.6.2 Customers' Perception of Service quality**

Literature maintains that customers' total perception of a service is based on their perception of the outcome and the process; where the outcome is either value added or quality and the process is the role undertaken by the customer (Edvardsson, 1998). Customers' perception of performance is what they experienced (Parasuraman, 1988). The customer's perception of quality of service is based on the degree of agreement between expectations and experience (Kandampully, 1998).

The result of this comparison is perceived service quality (Gronroos, 1982, 1984; Takeuchi and Quelch, 1983; Parasuraman, 1985, 1988). Parasuraman, (1988) define perceived quality as a form of attitude, related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance. Therefore, having a better understanding of consumers attitudes will help know how they perceive service quality in banking operations.

The pivot to the concept of service quality is gap model, which stipulates that service quality is a function of the difference scores or gap between expectations and perceptions ( $P - E$ ). The gap between expectation and performance can be positive (satisfactory), when performance exceeds expectations or negative (dissatisfaction), when performance falls short of expectations (Anderson, 1973). Service quality is low, if what is perceived is below expectation, and is high, if what is perceived meets or exceeds expectation. The result of this comparison is perceived service quality (Gronroos, 1982, 1984; Takeuchi and Quelch, 1983; Parasuraman, 1985, 1988).

### **2.2.6.3 Levels of Expectations**

Customers hold different types of expectations about service, the highest type of these are desired service and adequate service (Zeithaml, Bitner and Gremler, 2009) “Desired service is the level of service the customer hopes to receive” (Zeithaml, Bitner and Gremler, 2009). It is a combination of what customers believe “can be” and “should be” (Zeithaml, Bitner and Gremler, 2009). The expectations signal the level of customer hopes and wishes and belief that they may be fulfilled, thus failure to meet these expectations may result to customers cutting down on purchase (Zeithaml, Bitner and Gremler, 2009). Customers generally accept that the service would not always be performed according to their expectations and this is formerly known as adequate service (Zeithaml, Bitner and Gremler, 2009). Adequate service is the level of service that customers will accept (Zeithaml, Bitner and Gremler, 2009). Though customers’ hopes and wishes may still be high, they however have a certain level of understanding in cases where receiving desired service does not seem possible at all (Zeithaml, Bitner and Gremler, 2009). For example customers are used to the self-service approach used in supermarket and therefore have certain levels of understanding or tolerance towards food retailers’ service delivery.

## **2.3 Empirical review**

Empirical studies show that the quality of service offered is related to overall satisfaction of the customer. Most researchers suggest that a high level of service quality should be delivered by the service provider is the tool for achieving a high level of customer satisfaction. As the quality of services improves the level of customer satisfaction will increase.

Regarding the competitive environment, there is a need for banks to plan their strategies that will differentiate them from others. This can be achieved through the delivery of high service quality. The practice of excellent service quality has been proven that customer satisfaction will significantly lead to customer loyalty (Caruana, 2002).

Banks that excel in quality service can have a distinct marketing edge since improved levels of service quality are related to higher revenues, increased cross-sell ratios, higher customer retention (Bennett and Higgins, 1988), and expanded market share (Bowen and Hedges, 1993). Likewise, provision of high quality services enhances customer retention rates, helps attract new

customers through word of mouth advertising, increases productivity, leads to higher market shares, lowers staff turnover and operating costs, and improves employee morale, financial performance and profitability (Julian and Ramaseshan, 1994). Therefore, delivering quality service to customers is a must for success and survival in today's competitive banking environment (Samli and Frohlich, 1992).

In the "age of customer" delivering quality service is considered an essential strategy for success and survival in today's competitive environment (Dawkins and Reichheld, 1990). What constitutes service quality has attracted the attention of researchers all over the world.

The marketing concept suggests that a satisfied buyer will be more likely to repurchase again, or at least has the intention of repurchasing again, than those who are dissatisfied. They consider that customer satisfaction and retention the most important long-term objectives of firms. Reichheld and Sasser (1990) suggested that new buyers cost more to serve than repeat customer, which means that repeat customers are benefiting a firm's cost structure.

Satisfaction is a post consumption experience which compares perceived quality with expected quality, whereas service quality refers to a global evaluation of a firm's service delivery system. (Beliyu Girma 2012).

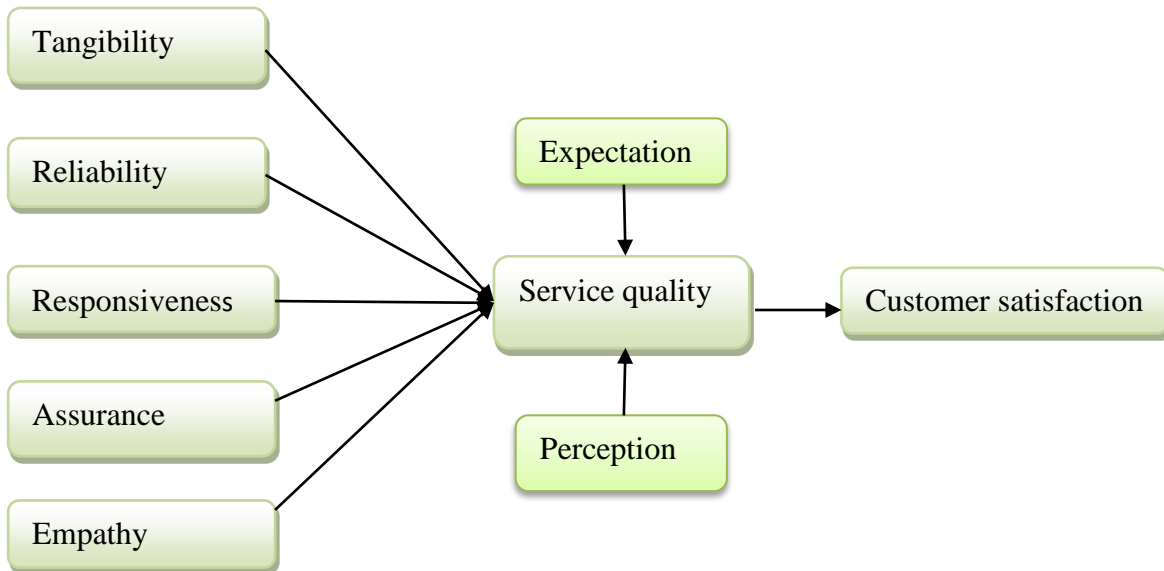
According to Kotler and Armstrong satisfaction is the post-purchase evaluation of products or services taking into consideration the expectations. Researchers are divided over the antecedents of service quality and satisfaction. Some believe service quality leads to satisfaction, others think it's not. To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction. As service quality improves, the probability of customer satisfaction increases. (Mesay2012).

## **2.4 Conceptual framework**

There are several variables that affect the Customer Satisfaction level. The study investigates how service quality affects customer satisfaction. Customer satisfaction is a dependent variable which occurs when the services provided by Commercial Bank of Ethiopia is rated by customers

as high quality. The study postulates that the quality of the services provided by the Bank determines the satisfaction rate of customers with the bank. CBE can ensure customer satisfaction when service performance of the Bank exceeds customers' expectation.

When service performance, also known as perception is higher than customers' expectation of SERVQUAL variables, customers will be satisfied and CBE is likely to retain the customers. However, if service performance is lower than customers' expectation of the service, customers become dissatisfied and they will switch to a competing bank which offers superior service. When a service provider has excellent physical facilities that are aesthetically appealing; insist on on-time service delivery which is free from errors; and knowledgeable employees who consider the customers as the company's total wellbeing will result in high quality service delivery which will lead to customer satisfaction. Notwithstanding, CBE will ensure customer satisfaction on the ground that service performance is exceedingly higher than customers' expectation rather than a mere satisfaction. By this customers will be committed to do business with CBE, repeat business, and recommend the Bank to friends and associates. A real customer satisfaction is exhibited when the customer becomes an advocate for the organization without incentive, maintains or increases its purchases from the Bank as a result of exceptional services.



**Figure2.2:** The conceptual frame work of this study

## **CHAPTER THREE**

### **Research Design and Methodology**

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*This chapter consists of research design, population, sample and sampling techniques, data collection instruments, method of data analysis.*

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#### **3.1 Research Design**

According to Kothari, (2004), a research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. Descriptive method used, to describe the average member, or the average performance of a member, of the particular group being studied. In addition, in order to explain the relationship between service quality and customer satisfaction, explanatory method used.

Descriptive: description refers to the process of defining, classifying, or categorizing phenomena of interest. Descriptive research is useful because it can provide important information regarding the average member of a group (Geoffrey Marczyk, 2005). Specifically, by gathering data on a large enough groups of people, a researcher can describe the average member, or the average performance of a member, of the particular group being studied.

Explanatory: Being able to describe something and having the ability to predict one thing based on knowledge of another are important goals of scientific research, but they do not provide researchers with a true understanding of a phenomenon (Geoffrey Marczyk, 2005). One could argue that true understanding of a phenomenon is achieved only when researchers successfully identify the cause or causes of the phenomenon. One of the common problems is that descriptive designs do not provide direct cause and effect relationships (Pauravshukla, 2008).

The emphasis here is on studying a situation or a problem in order to explain the relationship between variables.

### **3.2 Population and Sampling Techniques**

A population is a complete group of entities sharing some common set of characteristics. A target population is the complete group of specific population elements relevant to the research project (Sigmund, 2003). Based on the CBE (MIS report of March 2016), there is above 12.4 million account in CBE; out of which, 3,614,981 are found in A.A. The target population for this research is 1,333,678 from customer data base of twenty three grade four branches.

CBE is organized in fifteen districts. The population belongs to some of these categories have homogenous behavior. Hence, taking in to account the nature of the study and structure of the company, the researcher used convenient sampling technique, which is a specific type of non-probability sampling method that relies on data collection from population members who are conveniently available to participate in the study. The researcher used convenient sampling technique, because the sample selected are convenient to approximate the truth. As the researcher mentioned above out of 3,614,981 customers in Addis Ababa, 1,333,678 are taken as the target population for this study. The size of the sample depends on the kind of data analysis the researcher want to perform. The sample size of this study is determined by using the formula developed by Yamane (1967).

Sample size obtained as;

$$n = \frac{N}{1 + N(e)^2} = \frac{1,333,678}{1 + 1,333,678(0.05)^2} = 400 \text{ customers}$$

Where, n – designates the sample size the research uses.

N - Designates the total number of customers in the target population.

e – Designates maximum variability or margin of error 5% (0.05).

1 – Designates the probability of the event occurring.

**Table 3.1: Status of Questionnaires Distributed to CBE customers**

District	Number of Grade four branches under each districts	No. of respondents
West	5	87
East	5	87
North	5	87
South	8	139
Total	23	400

*Source: Researcher's calculation (2016)*

A precise definition of the target population is essential and usually done in terms of elements, sampling units, and sampling frame (Pauravshukla, 2008). A sampling frame is a representation of the elements of the target population. It consists of a list or set of direction for identifying the target population.

### **3.3 Types of Data and data collection instruments**

In this study both primary and secondary data are used. The secondary data about customer satisfaction and service quality will be collected from journals, the company's websites, books, and articles and from different research previously done.

The primary data is collected through questionnaires prepared for the bank's customers. Questionnaires were distributed to the customers of the bank at selected branches during the service hours to customers visited the branch.

### **3.4 Questionnaire Design**

Questionnaire survey is used in this study. Questionnaires are defined as the series of questions aim to gather prompt and accurate information from respondents. The first part of the questionnaire sought information on demographic characteristics of the respondents. Structured questionnaire was used to gather relevant data for the study. The second parts of the questionnaire sought information on customers' expectations and performance of service quality delivery of the bank. The respondents were required to rate their expectations and performance of bank's services on level of importance on a predefined five-point Likert Scale (strongly agree, agree, neutral, disagree and strongly disagree). The last part of the questionnaires (i.e overall



customer satisfaction) are measured using five-point scale (very satisfied, satisfied, neutral, dissatisfied and very dissatisfied).

### **3.5 Method of Data analysis**

The data was gathered from customers through questionnaire. Statistical Package for Social Science (SPSS) software version 20 was employed to analyze and present the data through the statistical tools (descriptive statistics, correlation, and regression data analysis techniques) used for this study.

#### **3.5.1 Model specification**

In this study the equation of multiple regressions is generally built around two sets of variable, the dependent variables (customer satisfaction) and independent variables (Tangibility, reliability, responsiveness, assurance and empathy). By using regression equation on this study the researcher was able to be more effective at describing, understanding and controlling the stated variables.

In multiple regressions we use an equation of

$$y_i = (b_0 + b_1X_1 + b_2X_2 + \dots + b_nX_n) + E_i$$

Where:  $y$  = the outcome variable

$b_0$  = the coefficient of the first predictor ( $X_0$ )

$b_1$  = the coefficient of the second predictor ( $X_1$ )

$b_n$  = the coefficient of the  $n$ th predictor ( $X_n$ )

$E_i$  = the difference between the predicted and observed value of  $y$  for the  $i$ th participant

### **3.6 Validity and Reliability test**

#### **3.6.1 Validity**

- Data were collected from the reliable sources, from respondents who have experiences in using the service of the bank.
- Survey questionnaires were made based on literature review and frame of reference to ensure result validity.

Validity is concerned with whether the findings are really about what they appear to be about (Sounders, 2003). Validity defined as the extent to which data collection method or methods accurately measure what they were intended to measure (Sounders, 2003).

### **3.6.2 Reliability**

A measuring instrument is reliable if it provides consistent results Kothari (2004). Cronbach's coefficient alpha has been used to identify the reliability of items used in survey. The higher Alpha Coefficients indicate higher scale reliability (Santos, 1999: as cited in Eze et al., 2008).

According to Sekaran (2000), reliabilities less than 0.6 are considered to be poor, those in the 0.7 range, acceptable, and those over 0.8 good. The closer the reliability coefficient gets to 1.0, the better.

**Table 3.2: Reliability Statistics**

Reliability Statistics		
Servqual dimension	Cronbach's Alpha	N of Items
Tangibility	.977	4
Reliability	.987	5
Responsiveness	.986	4
Assurance	.984	4
Empathy	.985	4

Cronbach's alpha, a statistical test used to examine the internal consistency of the attributes, was determined for each dimension. As shown in table 3.2 the value of Cronbach's Alpha for five dimensions were found to be above 0.70, it is an indication of acceptability of the scale for further analysis.

## CHAPTER FOUR

### Data analysis and presentation

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*This chapter presents analysis, interpretation and findings of information collected through self-administered questionnaires.*

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A total of 400 questionnaires were distributed out of which 372 were returned, eleven questionnaires were rejected due to invalid. Therefore, 361 questionnaires served as data for analysis to present the findings and draw conclusion. The valid questionnaires which formed the analysis yielded 90% response rate.

#### 4.1. Background Information of Respondents

The first part of the questionnaire consists of the demographic information of the respondents. This part of the questionnaire requested information related to demographic characteristics of respondents. Accordingly, the following variables about the respondents were summarized and described in the following table. These variables includes: sex, age and educational level.

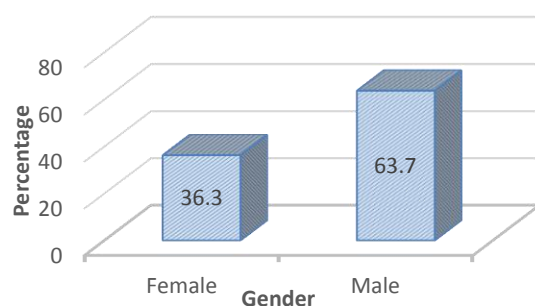
**Table 4.1: Gender Distribution of the Respondents.**

Sex	Frequency	Percentage (%)
Female	131	36.3
Male	230	63.7
	361	100.0

*Source: Researcher's calculation (2016)*

According to Table 4.1 above 36.3% of the respondents were females and the rest 63.7% were males. This shows that majority of the respondents were male.

**Figure 4.1: Gender of respondents**



*Source: Researcher's calculation (2016)*

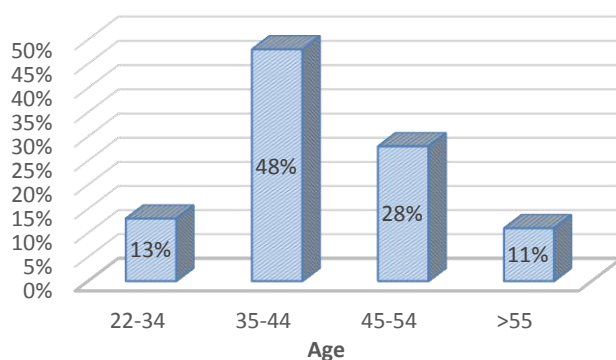
**Table 4.2: Age Distribution of Respondents**

Age	Frequency	Percentage (%)
18-21	-	-
22-34	46	13
35-44	174	48
45-54	100	28
>55	41	11
Total	361	100.0

*Source: Researcher's calculation (2016)*

Regarding the age of the respondents, according to table 4.2 above, the largest group (48.2%) were in the 35-44 years age group.

**Figure 4.2: Age of respondents**



*Source: Researcher's calculation (2016)*

**Table 4.3: Educational level of respondents**

Level of education	Frequency	Percentage (%)
School leaving certificate	78	21.6
Diploma	144	39.9
Degree	134	37.1
Masters	2	.6
Others	3	.8
Total	361	100.0

*Source: Researcher's calculation (2016)*

As we can observe from table 4.3 above, the majority of the respondents were grouped under the educational level of Diploma covering 39.9% of the total respondents. The rest of the

respondents were categorized under the educational level of Degree, School leaving certificate, others and Masters with covering 37.1%, 21.6%, .8% and .6% respondents respectively.

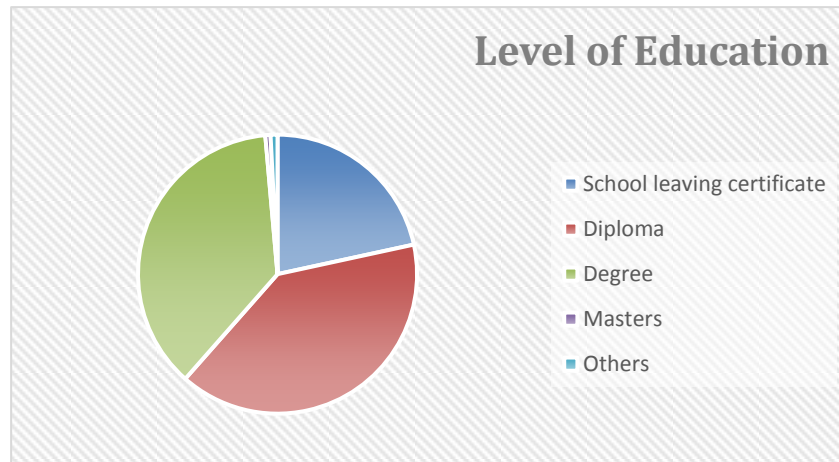


Figure 4.3: Level of Education

## 4.2 Service Quality Dimensions of CBE

After reviewing the literature, a five service quality dimensions made up of twenty one(21) factor questionnaire was developed to measure service quality in Commercial Bank of Ethiopia. Each question was based on a five-point weighted likert scale as shown below:

- 1- Strongly Disagree 2- Disagree 3- Neutral 4- Agree 5- Strongly Agree

In order to measure the level of service quality delivery, the five dimensions: tangibility, reliability, responsiveness, assurance and empathy developed by Parasuraman (1988) were used. The performance of the services delivered was measured by the customers' expectation and perception of the SERVQUAL dimensions, a descriptive statistics on the responds from the customers were used to undertake the needed measurements. The quality gap according to Parasuraman (1988) is the difference between perception (P) and expectation (E). ( $Q = P - E$ ). When Q is positive it implies customers are satisfied and when negative dissatisfied.

### 4.2.1 Tangibility Dimension

Tangibility deals with the appearance of physical facilities, equipment, and appearance of personnel, and communication materials, descriptive statistics were taken based on the expectation and the perception of the customers of the bank.

**Table 4.4: Descriptive Statistics on Tangibility Dimension**

	Tangibility Dimension	Mean		Gap P-E
		Perception	Expectation	
1	Commercial Bank of Ethiopia has up-to-date equipment and technology	4.10	4.06	0.04
2	CBE's physical facilities are visually appealing	4.04	4.00	0.04
3	CBE's employees are well dressed and neat	4.02	4.02	0.00
4	The physical facilities and technology of Commercial Bank of Ethiopia goes with the type of service provided.	4.00	3.99	0.01
	Average	4.04	4.02	0.02

*Source: Researcher's calculation (2016)*

From Table 4.4 indicate that customer perception of tangibles dimension was ranked at the highest level (4.04). This implies that customers of the bank are satisfied because their perceptions are higher than what they expect from the bank. Out of the items, customers are very much interested in CBE's up-to-date equipment and technology used to deliver the services. Among the tangibles, the item 'Commercial Bank of Ethiopia has up-to-date equipment and technology' produced the highest mean (4.10). This is consistent with the quality service practices of the Bank. Mean score for the perception were found to be relatively higher than its expectation for each of the factors considered.

### **4.2.2 Reliability Dimension**

Reliability dimension of a company is the ability to perform the promised service dependably and accurately, in this study, the researcher deals with the promise of performing a task, solving customer's problems and taking sincere interest in the problems solving and others.

**Table 4.5: Descriptive Statistics on Reliability Dimension**

	Reliability Dimension	Mean		Gap
		Perception	Expectation	P-E
5	The staff can provide you the services as promised	4.10	4.06	0.04
6	The staff provide you accurate information	4.11	4.09	0.02
7	The staff perform the service right at the first time	4.02	4.00	0.02
8	The staff offer you some help	4.06	4.02	0.04
9	Keep records accurately	4.03	3.98	0.05
	Average	4.06	4.03	0.03

*Source: Researcher's calculation (2016)*

On the issue of reliability of the services delivered by Commercial Bank of Ethiopia, five items were measured. The mean scores of the items in Table 4.5 for both expectation and perception indicate that the services of Commercial Bank of Ethiopia are reliable. Customers are provided with the services as promised and when there are problems, the bank shows interest and the preparedness to deal with the problems customers are encountered with. Out of the five items measuring service reliability, item 'the staff provides you accurate information' yielded highest score of (4.11) for its perception. This means that Commercial Bank of Ethiopia's staff are well trained to give accurate information.

### **4.2.3 Responsiveness Dimension**

Responsiveness is the willingness to help customers and provide prompt service and others such as making information available to customers and not appearing too busy to respond to request. It is essential that bank staffs are willing and able to help customers, provide prompt service and meet customers' expectation.

Table 4.6: Descriptive Statistics on Responsiveness Dimension

	Responsiveness Dimension	Mean		Gap
		Perception	Expectation	P-E
10	The staffs tells you exactly when services will be provided	4.17	4.04	0.13
11	The staff gives you prompt service	4.13	4.06	0.07
12	The employees are willing to help you	4.16	4.14	0.02
13	Staff respond to requests promptly	4.11	4.09	0.02
	Average	4.14	4.08	

Source: Researcher's calculation (2016)

Table 4.6 indicates that overall expectation towards responsiveness dimension was at the high level (4.08). ‘The employees are willing to help you’ received the highest ranking of expectation at (4.14). It shows that the customers are satisfied when they received help from the staff. The table also shows that overall perception towards responsiveness was at a high level (4.14). Generally, customers’ expectation and perception towards responsiveness of the bank falls under high level of customer satisfaction.

#### 4.2.4 Assurance Dimension

The assurance dimension refers to the knowledge and courtesy of employees and their ability to inspire trust and confidence including competence, courtesy, credibility and security.

Table 4.7: Descriptive Statistics on Assurance Dimension

	Assurance Dimension	Mean		Gap
		Perception	Expectation	P-E
14	The staff makes you feel safe	4.17	4.08	0.09
15	The staff have required skill to perform service	4.21	4.07	0.14
16	The staffs are trustworthy.	4.32	4.10	0.22
17	Employees have the knowledge to answer customers’ questions.	4.26	4.16	0.1
	Average	4.24	4.10	0.14

Source: Researcher's calculation (2016)



The descriptive statistics on the assurance shows that, the expectation of the customers as well as its perception was all recorded a mean far above 4.0; this shows that customers agree that there is an assurance to transact banking business with Commercial Bank of Ethiopia. An item ‘employees are trustworthy’ yielded the highest mean score of 4.32 for the perception factor. Meaning employees of Commercial Bank of Ethiopia are trustworthy in their dealing with customers. The grand mean score of 4.24 is also an indicator of customers having assurance in Commercial Bank of Ethiopia.

#### **4.2.5 Empathy Dimension**

The empathy dimension represents the provision of caring and individualized attention to customers including access or approachability and knowing specific needs, effective communication, and convenient time management to the customers.

**Table 4.8: Descriptive Statistics on Empathy Dimension**

	Empathy Dimension	Mean		Gap
		Perception	Expectation	P-E
18	Employees are able to communicate effectively with you.	4.17	4.07	0.10
19	Employees shows personal attention to you	4.37	4.01	0.36
20	Employees knows your specific needs	4.10	4.05	0.05
21	Convenient time management	4.20	4.12	0.08
	Average	4.21	4.06	0.15

*Source: Researcher’s calculation (2016)*

Table 4.8 shows that overall expectation concerning empathy dimension is the highest level (4.06). ‘Convenient time management’ yielded highest score of 4.12) was considered the most important expectation. Effective communication among divisions within the bank and with customers, and time management are some of the main factors that contribute to customer expectation. The table also indicates the overall perception of the empathy dimension which is at the highest level (4.21). ‘Employees shows personal attention to you’ yielded the highest mean score of 4.37 for the perception factor. Which indicate that customers are treated as ‘king’.

### 4.3 Overall customer satisfaction towards service quality

Table: 4.9 Overall means score of customer satisfaction on service quality and the Gap between customers' expectation and perception.

	Service Quality Dimensions	Mean		Gap P-E
		Perception	Expectation	
1	Tangibility	4.04	4.02	0.02
2	Reliability	4.06	4.03	0.03
3	Responsiveness	4.14	4.08	0.06
4	Assurance	4.24	4.10	0.14
5	Empathy	4.21	4.06	0.15
	Over all mean score	4.14	4.06	0.08

Source: Researcher's calculation (2016)

Table 4.9 shows that assurance dimension is the most important dimension with the highest mean value (4.24) and (4.10) perception and expectation respectively. The study reveals that, assurance such as the knowledge and courtesy of employees and their ability to inspire trust and confidence including competence, courtesy, credibility and security are the most vital factor in which both the customers' expectation and perception are very high as compared with the other dimensions.

Table 4.9 also shows that overall satisfaction of expectation on the five dimensions is at high level (4.06) which is significant. The result of customers expectation shows that assurance dimension is at the high level (4.10) followed by responsiveness (4.08), empathy (4.06), reliability (4.03), and tangibility (4.02) in descending orders. Most customers expect the employee to be effective in assurance and responsiveness, customers' expectation is high regarding these dimensions.

The table also indicates that overall satisfaction of perception on the five dimensions is at a high level (4.14). Most customers perceived assurance the most important dimension at (4.24), followed by empathy (4.21), Responsiveness (4.14), reliability (4.06), and tangibility (4.04) in the descending order.

The SERVQUAL gap is calculated between the mean score of perception and expectation. The findings of the study show the difference between perception and expectation as shown in table above 4.9. The study shows that the overall level of perception of tangibility, reliability,

responsiveness, assurance, and empathy are higher than level of expectation, which is positive gap.

#### **4.4 Satisfaction level of commercial Bank of Ethiopia’ customers**

The last questionnaire was presented in a five scale question about their view of the overall satisfaction they have experienced throughout their stay. That means, in order to know the overall customers’ satisfaction four question is asked concerning customers’ overall satisfaction of CBE.

Table: 4.10 Overall Customer Satisfaction Level

Customers Overall Satisfaction		Mean	Std. dev.
1	Over all I am satisfied with the service of bank.	4.10	1.246
2	I would continue with the bank in the future.	4.12	1.201
3	I would recommend the bank service for others.	4.16	1.242
4	Considering the type of bank services the quality of service is excellent.	4.08	1.133
Over all Mean score		4.11	

*Source: Researcher’s calculation (2016)*

According the above table 4.10 concerning the satisfaction issue, almost all the related question mean is positive which implies as more of CBE customers are satisfied with service of the bank. The item ‘I would recommend the bank service for others’ score the highest level (4.16).

#### **4.5 Correlation Analysis**

The correlation analysis was done to assess the relationship between service quality dimensions with satisfaction by overall service quality. 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 efficient (r) is as

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follows: 0.1 – 0.29 is weak; 0.3 – 0.49 is moderate; and > 0.5 is strong. The result is shown in table 4.11 below.

Table: 4.11 Correlation between service quality dimensions with overall customer satisfaction

	Tangibility Pearson Correlation	Reliability Pearson Correlation	Responsive ness Pearson Correlation	Assurance Pearson Correlation	Empathy Pearson Correlation	Overall Service quality	Overall customer satisfaction
Tangibility Pearson Correlation	1						
Reliability Pearson Correlation	.931**	1					
Responsive ness Pearson Correlation	.883**	.961**	1				
Assurance Pearson Correlation	.842**	.912**	.951**	1			
Empathy Pearson Correlation	.889**	.956**	.980**	.933**	1		
Overall Service quality	.912**	.973**	.974**	.930**	.975**	1	
Overall customer satisfaction	.915**	.978**	.969**	.925**	.967**	.995**	1

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

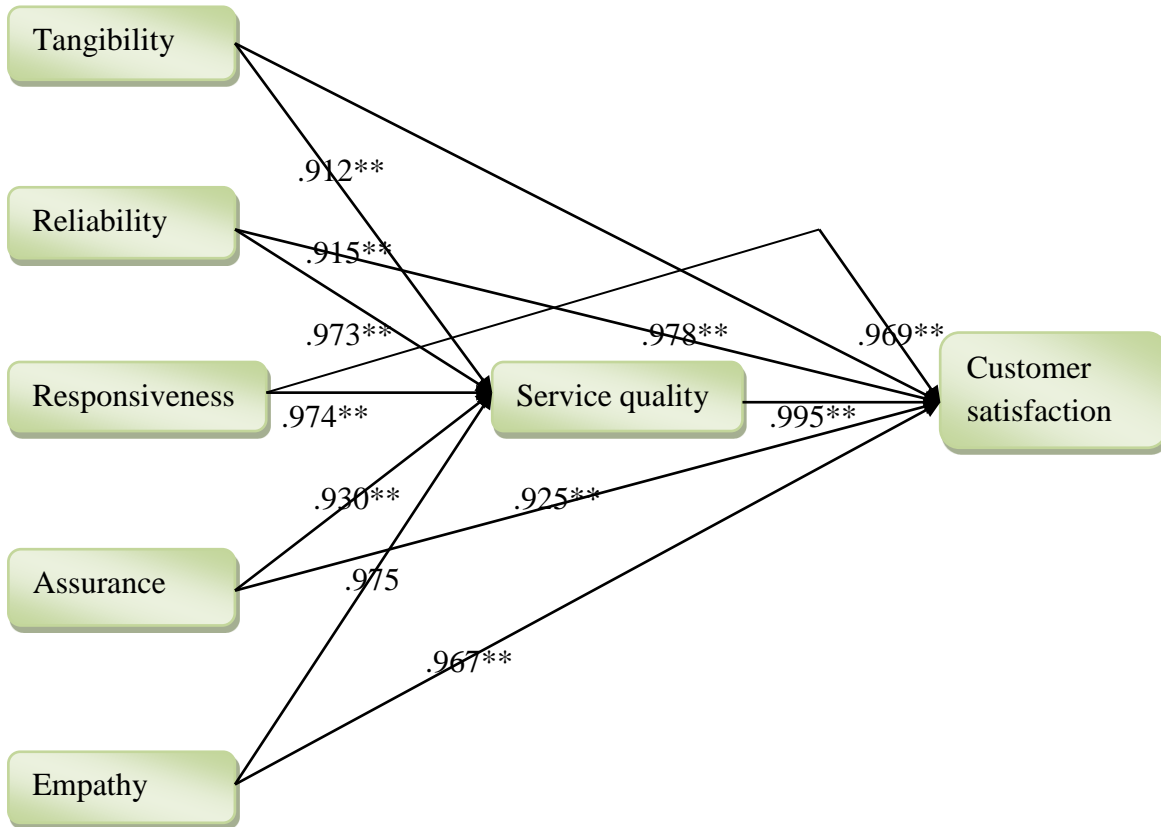
*Source: Researcher's calculation (2016)*

Table 4.11 shows that there is a positive and significant correlation between customer satisfaction and service quality dimensions. From which customer satisfaction has higher correlation with reliability ( $r = 0.978^{**}$ ) and lower correlation with tangibility ( $r = 0.915^{**}$ ) dimensions of service quality. Over all service quality dimension is strongly correlated ( $r = 0.995^{**}$ ) with customer satisfaction.

The higher inter-correlation among the independent variables is between responsiveness and reliability dimensions (correlation coefficient of  $0.961^{**}$ ). Next to responsiveness and reliability, assurance has been found to be statistically and positively correlated with responsiveness ( $r =$

0.951\*\*). In the third place, empathy is found to be statistically and positively correlated with assurance( $r = 0.933^{**}$ ), and finally reliability has been found to be positively correlated with tangibility ( $r=0.931^{**}$ ).

Figure 4.1: Correlation Model



Source: Researcher's calculation (2016)

### 4.6 Regression analysis

The regression analysis has been conducted to measure the variables that explain the variance in the overall customer satisfaction. The result has been shown in model summary below.

**Table 4.12: Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.985a	.971	.970	.234

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

b. Dependent variable: overall customer satisfaction

*Source: Researcher's calculation (2016)*

Analysis: The result indicated that correlation of the five independent variables with the dependent variable is (R = .985). From the table above, (R Square = .971).The model summary table reports the strength of the relationship between the model and the dependent variable, overall customer satisfaction. R, the multiple correlation coefficients, is the linear correlation between the observed and model-predicted values of the dependent variable. R Square, the coefficient of determination, is the squared value of the multiple correlation coefficients.

#### **4.7 Coefficients of Service Quality Dimensions**

**Table: 4.13 Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.022	.053		.413	.680
	tangibility	.053	.026	.051	2.021	.044
	reliability	.491	.041	.518	11.992	.000
	responsiveness	.186	.058	.186	3.208	.001
	assurance	.036	.033	.032	1.090	.276
	empathy	.228	.050	.214	4.512	.000

**a. Dependent Variable: customer satisfaction**

*Source: Researcher's calculation (2016)*

The coefficient table for service quality dimensions indicates the beta values of the independent variables. From this the regression equation is derived as:

**Regression Equation**

$$Y = a + bX1 + bX2 + bX3 + bX4...$$

$$CS = = .022 + -.051TAN + -.518REL + .186RES + .032ASS + .214EMP$$

Where,

CS = Customer satisfaction

TAN = Tangibility

REL = Reliability

RES = Responsiveness

ASS = Assurance

EMP = Empathy

**4.7.1 the Most Predictor of Overall Customer Satisfaction**

The findings of the regression analysis reveal that the customers’ perceived service quality provided by CBE and where by the overall customer satisfaction was determined largely by five factors respectively by their rank order; namely, reliability, empathy, responsiveness, tangibility, assurance.

The relative importance of the significant predictors is determined by looking at the standardized coefficients. Reliability has the highest standardized coefficient and the lowest significance, which means reliability, is the best predictor.

Table: 4.14 predictors of overall Customer Satisfaction

Dimension	Standardized Coefficients	T	significance	Rank
	Beta			
reliability	.518	11.992	.000	1 <sup>st</sup>
empathy	.214	4.512	.000	2 <sup>nd</sup>
responsiveness	.186	3.208	.001	3 <sup>rd</sup>
tangibility	.051	2.021	.044	4 <sup>th</sup>
assurance	.032	1.090	.276	5 <sup>th</sup>

Source: Researcher’s calculation (2016)

A regression analysis examines the relation of the dependent variable to specified independent variables. The objective is to identify whether relationship between variables exists, which is usually based on a study of the correlation between variables. In order to establish the impact that each dimension has on the dependent variable, the study checked the Standardized Coefficients. The impacts of “Reliability”, “Empathy”, “Responsiveness”, “Tangibility”, and “Assurance” on customers’ satisfaction with the bank are .518, .214, .186, .051, and .032 respectively, in their descending order indicating that Reliability has the highest impact on customer satisfaction. Therefore, CBEhas to work hard to improve the tangibility and assurance dimensions in order to enhance the customer satisfaction level.

#### **4.7.2 Normality and Multicollinearity Test**

Normality was assumed due to the large sample size (Green et al., 2000). The assumption of normality is important to select the data analysis method as Andy (2005) noted the whole rationale behind hypothesis testing relies on having normally distributed population and so if this assumption is not met then the logic behind hypothesis testing is flawed. Thus testing whether the sample data differ significantly from normal is important in addition to sample adequacy.

The issue of Multicollinearity that arises in multiple regression analysis also considered which means the effects of each independent variable are difficult to distinguish as they become more correlated (Hair et al., 1998). To measure this phenomenon tolerance, variable inflation factor (VIF), and the condition index are used which describe the “degree to which each independent variable in explained by other independent variables”.

**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	642.068	5	128.414	2337.788	.000 <sup>b</sup>
Residual	19.500	355	.055		
Total	661.568	360			

a. Dependent Variable: customer satisfaction

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



The above ANOVA tests table shows the acceptability of the model from statistical perspective. The regression row indicates information about the variation accounted by the model. While, the residual row indicates information about the variation that is not accounted for the model or show the variation as a result of extraneous variables. The regression and residual sum of squares are approximately 97/3, which indicates that about 97% of the dimension variation is explained by the model.

**Table: 4:15 Test of assumption Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.022	.053		.413	.680		
1 tangibility	.053	.026	.051	2.021	.044	.129	7.761
reliability	.491	.041	.518	11.992	.000	.045	22.458
responsiveness	.186	.058	.186	3.208	.001	.025	40.581
assurance	.036	.033	.032	1.090	.276	.095	10.565
empathy	.228	.050	.214	4.512	.000	.037	27.002

a. Dependent Variable: customersatisfaction

Collinearity diagnostics’ was performed on the variables as part of the multiple regression procedure. This can pick up on problems with multicollinearity that may not be evident in the correlation matrix. The results are presented in the above table of Collinearity Statistics. Two values are given: Tolerance and VIF. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated using the formula  $1-R^2$  for each variable. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity. The other value given is the VIF (Variance inflation factor), which is just the inverse of the Tolerance value (1 divided by Tolerance). VIF values above 10 would be a concern here, indicating multicollinearity (Julie Pallant, 2005).

Tolerance value of Reliability, responsiveness, assurance and empathy dimensions are very small which is less than 0.10, and their VIF value are greater than 10 indicating multicollinearity.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5 Introduction**

This chapter gives a summary of key findings of the study presented according to the objectives of the study. Conclusions are drawn from the findings and recommendations are given to help improve the quality of the services delivered by Commercial Bank of Ethiopia.

#### **5.1 Summary of Findings**

The finding demonstrated that there is positive significant relationship between the SERVQUAL dimensions and customer satisfaction. This means that the overall service quality dimensions have significant impact on customer satisfaction.

##### **5.1.1 Background Information of Respondents**

The demographic characteristics of respondents showed that the majority of the respondents (64%) are male and 48% of respondents are 35 to 44 years of age.

##### **5.1.2 Measure of Customer perception of Banking Services**

Service performance is based on the services received or experienced by a customer, in this study, the study of perceptions service dimensions were used to measure the service quality delivery of Commercial Bank of Ethiopia, hence the performance of the bank. Evidently, it was found that, all the service quality dimension factors used, had a mean score beyond 4.0 (80.00%) indicating a higher performance comparative to the scale of measurement.

Looking at the factors measuring tangibility, the highest mean score was (4.10) representing the factor ‘Commercial Bank of Ethiopia has up-to-date equipment and technology’ and the least mean score was (4.00) representing the factor ‘the physical facilities and technology of Commercial Bank of Ethiopia goes with the type of service provided’.

The five factors used to measure reliability all gave average score more than (4.0) and it is also on the high side of the scale of measurement. The items ‘the staff provide you accurate

information' gave the highest average score of (4.11) while the least average score (4.02) was the item 'the staff perform the service right at the first time'.

When we look the factors measuring responsiveness, the highest mean score was (4.17) representing the factor 'the staff tells you exactly when services will be provided' and the least mean score was (4.11) representing the factor 'Staff respond to requests promptly'.

Out of the four factors used to measure 'assurance' the factor 'the staffs are trustworthy' yielded the highest mean score of (4.32) while the least average score (4.17) were items 'the staff makes you feel safe'. The average scores of all the factors were more than 4.0, making it high and agree by the customers that the Bank gives assurance to customers.

The four factors used to measure 'empathy' gave average score of more than 4.0. Additionally, the highest average score of (4.37) was given by the factor 'employee's shows personal attention to you' while the least average score (4.10) was given by an item 'employee's knows your specific needs'.

### **5.1.3 Level of SERVQUAL Dimensions mostly utilized by CBE**

Ranking of perceived service quality dimensions show the most utilized service quality dimension of the bank, clearly it was found that, CBE is excelling in terms of performance, the factors of the dimensions were aggregated and the grand mean score computed. By comparing the responses of the customers to the service delivered, the grand average scores established that the most utilize dimension of CBE is the assurance which had the highest mean score of (4.24) relative to the rest of the SERVQUAL dimensions. Tangibility which yielded (4.04) the least average grand score.

### **5.1.4 Measure of Customer Expectations of Banking Services**

The expectations of customers on factors measuring service tangibility yielded various average scores. Out of the items, customers are very much interested in 'Commercial Bank of Ethiopia has up-to-date equipment and technology' used to deliver the services with the highest average score (4.06).

With regards to service reliability, the five items measured gave out high average scores above 4.00 except the item 'Keep records accurately' which yielded (3.98). Out of five measurement, 'the staff provide you accurate information' with highest mean score of (4.09).

The measure of customers' expectation on service responsiveness yielded high average scores for each item. Out of the four measurements 'the staffs are willing to help you' score highest i.e.(4.14).

With the service 'assurance', four items were measured. The highest score (4.16) of the item expect that 'employees have the knowledge to answer customers' questions.'

Customers' expectation on service empathy measures the relationship and interactions between the Bank and the customers. The results indicate that customers expect CBE to give 'Convenient time management' this yielded the highest score of (4.12).

#### **5.1.5 SERVQUAL gap**

The study focused further on the gap between customers' expectation and their perception of the bank. The results showed that the overall mean score of perception ( $m=4.14$ ) is higher than expectation ( $m=4.06$ ) in all dimensions, yielding (0.08) a positive SERVQUAL gap. Hence, customers are satisfied with all dimensions of service quality.

#### **5.1.6 Level of customer satisfaction**

In order to know the overall customers' satisfaction four questions were asked concerning customers' overall satisfaction of CBE. The mean score of overall customer satisfaction is 4.11 which imply that the customers of the bank are satisfied.

#### **5.1.7 Summary of Correlation and regression analysis**

Regarding correlation analysis, tangibility has been found to be significantly and positively correlated with customer satisfaction ( $r = .915^{**}$ ,  $p < .01$ ), reliability is found to be significantly and positively correlated with customer satisfaction ( $r = .978^{**}$ ,  $p < .01$ ), and responsiveness is found to be significantly and positively correlated with customer satisfaction ( $r = .969^{**}$ ,  $p < .01$ ). Assurance is found to be significantly and positively correlated with customer satisfaction ( $r = .925^{**}$ ,  $p < .01$ ), and Empathy is found to be significantly and positively correlated with

## *Determinants of Service Quality and their impact on Customer Satisfaction*

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customer satisfaction ( $r = .967^{**}$ ,  $p < .01$ ). The result shows that service quality dimensions are strongly correlated with customer satisfaction.

The regression analysis reveals that the customers' perceived service quality provided by CBE and where by the overall evaluations of customer satisfaction was determined. The relative importance of the significant predictors is determined by looking at the standardized coefficients. Reliability has the highest standardized coefficient and the lowest significance, which means reliability is the best predictor. This indicates that reliability has the highest impact on customer satisfaction.

## **5.2 Conclusions**

From the demographic data of the respondents one can concluded that, there is potential for the bank to retain its customer for long period of time as the majority of its customers are aged below 44 years.

The study assessed the level of quality service delivery and its effect on customer satisfaction at CBE. Generally, the responses to service quality dimensions used to measure the performance of the banking services provided by CBE established that the bank services are relatively high. All items measuring the service quality dimensions gave average score more than 4.0. The services are reliable, employees 'behavior response confidence in customers, the bank's physical facilities are attractive, equipment for service operations are efficient, and customers are given personal attention. Apart the high average scores, the level of service performance varies from one dimension to the other.

Despite the high average scores of service performance, the expectations of the customers on services also yielded high average scores beyond 4.0 for each of the items measuring the SERVQUAL dimensions.

The correlation analysis result shows that significant and positive relationships between the five service dimensions and customers satisfaction. Therefore, improvement in all service quality dimensions not only brings the level of the service quality to the customers' expectation but also increases customers' satisfactions.

By comparing the average scores of the respondents regarding the performance and expectation of customers of the banking services provided by CBE, the performance of the services provided yielded higher scores than customer expectation responses. It can be concluded from the analysis that customers are satisfied with the services of the Bank. To ensure customer retention, CBE needs to improve all the SERVQUAL dimensions to exceed what the customers expect. By this, there will be a guarantee to retain the customers.

### **5.3 Recommendations**

- ❖ Based on the analysis and the findings, delivering a quality service for customers have a tremendous effect on customers' satisfaction that in turn determines the existence and success of banks. So, it's mandatory that the bank should attempt to maintain consistent service quality at or above customers' expectation by assessing all the service quality dimensions regularly.
- ❖ By enquiring from prospective customers the level of satisfaction on the SERVQUAL dimensions of the banking services, CBE informed about the area that require improvement to enhance service performance. Also informed the Bank areas that have been given less attention, so that decision will be made to upgrade those areas.
- ❖ It is recommended that although, customer's perception did exceed the customer's expectation; certain service quality dimensions needs effort in the bank to ensure its improvement. Service dimensions like tangibility and reliability, effort is needed to ensure an improvement in these dimensions will help in the overall service quality and a better customer service delivery in the bank.
- ❖ A comparison between expectation and perception indicate a gap, which is positive. Thus, customer perceptions scores are higher than the scores of customer expectations. CBE is required to delight customer by perceived performance. This can be done by finding out from customers what they expect from the Bank and provide accordingly. By this customers will be compelled by quality of superior service to stay than switching to a competitor.
- ❖ The results of the parameters are determined by the score of the items; when the items are scored high, the score of the parameters will also be high. This means that when CBE give each items explained in the chapter four the necessary attention, it is likely that overall performance can be enhanced.
- ❖ In the present competitive banking environment, most of the banks offer the same or similar products around the world and service quality is a vital means to differentiate themselves in the market place. Therefore, to be successful, the bank must provide quality service to their customers that meets or exceeds their expectations, and the present study will provide at least some sorts of guidelines to the policy makers of the bank, to take right decision to improve the quality of services of the bank.

#### **5.4 Area for further studies**

CBE should carried out similar and regular researches on its services quality so as to learn what are the needs and wants of its customers and what changes have been performed in the customers service quality dimensions and improve its services quality accordingly.



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# **Appendix**

St. Mary's University  
Marketing Management Department  
Questionnaire to be filled by customers

Dear respondent,

This questionnaire is developed by a post graduate student of St. Mary's University in order to identify the Determinants of Service Quality and their impact on Customer Satisfaction: A case study on Commercial Bank of Ethiopia. As your responses to the statements below are of great importance to my study work, hence I kindly request you to answer the questions carefully and genuinely. This information will be used only for academic purpose and your responses are kept confidential.

Thank you in advance for your time and consideration.

Thank you  
Zewditu Kebede

**Part I: Personal data**

Please put a ( ) mark to indicate your preference.

1. Gender

Male  Female

2. Age

18-21  22-34  35-44  45-54  >55

3. Level of education

School leaving certificate  Diploma   
Degree  Masters   
Other

**Part II: Service quality dimensions**

This survey deals with your opinion about Commercial Bank of Ethiopia service delivery system. Please show the extent to which you expect and perceive the Bank's offering services should possess described by each statement. There are no right or wrong answers all I am interested in is a number that best show your expectations and perceptions about the service delivery system of Commercial Bank of Ethiopia. Based on this please put a tick (√) in the boxes which mostly explain your attitudes.

a) Level of **EXPECTATION** towards service quality of CBE

b) Level of **PERCEPTION** towards service quality of CBE

**The score levels are described as:**

1- Strongly Disagree 2- Disagree

3- Neutral 4- Agree

5- Strongly Agree

	Dimensios	Level of expectation					Level of perception				
		5	4	3	2	1	5	4	3	2	1
	<b>Tangibility</b>										
1	Commercial Bank of Ethiopia has up-to-date equipment and technology										
2	CBE's physical facilities are visually appealing										
3	CBE's employees are well dressed and neat										
4	The physical facilities and technology of Commercial Bank of Ethiopia goes with the type of service provided.										
<b>Reliability</b>											
5	The staff can provide you the services as promised										
6	The staff provide you accurate information										
7	The staff perform the service right at the first time										
8	The staff offer you some help										
9	Keep records accurately										
<b>Responsiveness</b>											
10	The staff tells you exactly when services will be provided										
11	The staff give you prompt service										
12	The staffs are willing to help you										

*Determinants of Service Quality and their impact on Customer Satisfaction*

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13	Staff respond to requests promptly											
<b>Assurance</b>												
14	The staff makes you feel safe											
15	The staff have required skill to perform service											
16	The staff are trustworthy.											
17	Employees have the knowledge to answer customers' questions.											
<b>Empathy</b>												
18	The staff are able to communicate effectively with you.											
19	The staff shows personal attention to you											
20	The staff knows your specific needs											
21	Convenient time management											

<b>Section II: customers overall Satisfaction</b>		very satisfied	satisfied	Neutral	Dissatisfied	very Disatisfied
1	Over all I am satisfied with the service of bank.					
2	I would continue with the bank in the future.					
3	I would recommend the bank service for others.					
4	Considering the type of bank services the quality of service is excellent.					

**DECLARATION**

I, hereby declare that the thesis entitled *Determinants of Service Quality and their impact on Customer Satisfaction: (The Case of Commercial Bank of Ethiopia)* is my original work prepared under the guidance of TesfayeWolde (PhD) and has not been presented for a degree in any other university except where due acknowledgement has been made in the text.

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Name

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Signature

St. Mary's University

June, 2016

Addis Ababa



### **Endorsement**

This is to certify that Zewditu Kebede has completed her thesis entitled *Determinants of Service Quality and their impact on Customer Satisfaction: (The Case of Commercial Bank of Ethiopia)*. As I have evaluated, her thesis, it is appropriate to be submitted as a partial fulfillment requirement for the Award of Degree in Masters of Marketing Management.

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Advisor

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Signature

St. Mary's University

June, 2016

Addis Ababa