



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**THE EFFECT OF E-BANKING SERVICE ON CUSTOMER SATISFACTION: THE
CASE OF SELECTED COMMERCIAL BANKS IN ADDIS ABABA**

BY

ERMIAS TILAHUN

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE
STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)**

June, 2016

Addis Ababa, Ethiopia

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DECLARATION

I the undersigned, declare that this thesis is my original work, prepared under the guidance of **Temesgen Belayneh (Ph.D.)**. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of learning for the purpose of earning any degree.

Name

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St. Mary's University Addis Ababa

June, 2016

ENDORSEMENT

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

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St. Mary's University Addis Ababa

June, 2016

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ACKNOWLEDGEMENT

First of all, I would like to praise almighty God for helping me and enabling me to carry out this study.

I would like to express my gratitude to my advisor Dr. Temesgen Belayneh for the useful comments, remarks, and engagement through the learning process of this master thesis. My appreciation also goes to the management and staff members of Wegagen Bank and Dashen Bank for their cherished comments and support in data collection.

Furthermore, I would like to thank Hana Argaw for introducing me to the topic as well for the support on the way. Also, I like to thank the participants in my study, who have willingly shared their precious time during the process of questioner collection and interviewing.

I would like to thank my loved ones, who have supported me throughout the entire process, both by keeping me harmonious and helping me putting pieces together. I will be grateful forever for your love.

Ermias Tilahun

June, 2016

Addis Ababa

ACRONYMS AND ABBREVIATIONS

ATM	Automated Teller Machine
CSEB	Customer Satisfaction in Electronic Banking
EBSQ	Electronic Banking Service Quality
EFT	Electronic Fund Transfer
ICT	Information and Communication Technology
POS	Point of Sale
SERVQUAL	Service Quality
SMS	Short Message Service
TA	Technology Associate
TOE	Technology Organization Environment
E-banking	Electronic banking

ABSTRACT

The purpose of the study is assessment of the effect of e-banking service on customer satisfaction the case of selected commercial banks in Addis Ababa. The prime objective of this study was to investigate the electronic banking service dimensions that have effect on customer satisfaction at Dashen bank and Wegagen bank. The study used both quantitative and qualitative research approach using Chi-square and linear regression model for customer satisfaction in electronic banking. To produce this study the researcher designed questionnaire and distributed to 450 respondents. This study used both primary and secondary data to conduct the research. Five point lickert scale questionnaire and interview questions were used to collect primary data of the research selected commercial banks. The secondary data was obtained from published documents such as reports of each bank, related websites, research articles, and organization's publications relevant to this study of the selected commercial banks. The empirical result shows that service quality dimensions; This study ranked the seven dimensions of customer satisfaction as ease of use, customer support, service security ,service content, performance, safety reliability and transaction efficiency have strong influence on e-banking user's satisfaction level in the selected commercial banks in Addis Ababa. Challenges of electronic banking operations: national poorly developed telecommunication infrastructure and Lack of infrastructure for telecommunications, internet and online payments impede smooth development and improvements electronic banking operations of the banks. The study recommends a sequence of actions which could be done by the banks and stakeholders. The banks should have to focus on Easy-to-use electronic and also awareness creation programs have to be done redundantly on the existence of e-banking, formal trainings. In addition to these the successful process of E-banking system information communication technology infrastructure, is a major precondition, hence, government, should assist banking sector by investing on information communication technology infrastructure development.

Keywords: E-banking, customer satisfaction, commercial banks, regression

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globalization and deregulations have increased competition in the marketplace, as nowadays it has become much easier for companies to cross borders and compete internationally. This has made companies become more involved in increasing their productivity and still at the same time reduce costs and investing in information Technology is one of these ways (Fredriksson, 2003). The recent developments in has led to major adaptations to how customers are now transacting and accessing products and services by getting into the self-service systems which are easier to use and offer convenience and efficiency. There has been an upsurge and increased use of banking services online known as E-banking.

This was initially looked at as an added advantage but it is now become a basic necessity that banks have to endear their clients (Oyieke, 2008). These services rendered vary from bank to bank due to competition and search for new features to attract clients, but most general of them includes viewing balances, paying bills, view statements of transactions, transfer money between accounts and even change profile details of the account holder (Buzzle, 2010). The benefits of Electronic banking are diverse and for the customers in particular the benefits are more information, more options hence more choices, faster service, better value for money, privacy concerns, profitability and reduction of operational costs (Boss et al, 2000). Banks offer the interface and E-banking in a user friendly manner which enables customers to transact with ease.

Timothy (2012) posits that three or four decades ago, banking was a simple business; consumers saved their money with and received their financial services from banks. When customers open savings account, they received passbook from the bank with which the account would be operated; and when it is a current accounts, they received cheque books for the same purpose. Today, the banking industry has moved into an era of menu-driven ultra-robust specialized software programs called banking applications. These applications can carry out virtually all banking functions relying heavily on information collection, storage, and transfer and processing.

Timothy (2012), customer's satisfaction holds the potential for increasing an organization's customer base, increase the use of more volatile customer mix and increase the firm's reputation. Consequently, obtaining competitive advantage is secured through intelligent identification and satisfaction of customer's needs better and sooner than competitors and sustenance of customer's satisfaction through better products/services. Technology is then essential in providing faster and more efficient services to customers. Technology acquisition must be based on actual needs and the proven ability to deliver customer – friendly solutions.

It should be realized that electronic banking services is a brain child of Information and Communication Technology (ICT) that made it possible for service providers and their customers in developing economies to enjoy a good semblance of the services enjoyed in the developed societies. Electronic banking services have afforded banks the opportunities to impress customers which encourage them to keep coming back. Today, it would be difficult to see any bank in the country that does not render one form of electronic banking service or the other, even banks in the most remote parts of the world.

When compared with the banking industry operated in developed country, without doubt the banking industry in Ethiopia is underdeveloped and therefore, there is an all immediate need to embark on capacity building arrangements and modernize the banking system by employing the state of the art of technology being used anywhere in the world. With a growing number of import-export businesses, and increased international trades and international relations, the current banking system is short of providing efficient and dependable services (Gardachew 2010).

1.2 Statement of the Problem

Banks are the major type of deposit taking institution; they make their living predominantly by taking deposits which represent their liabilities and loaning these funds to borrowers which represent their assets. In addition, banks can earn commissions and fees by selling various products such as foreign exchange services, safe custody services, advice, account management charges, credit card facilities, insurance and so forth (Pilbeam, 1998).

A customer is satisfied if the product performance meets his expectation and get dissatisfied if otherwise. In the context of e-banking services, the ability of the bank to maintain useful website and other e-banking channels will determine whether customer will be satisfied and adopt e-banking or not (Al-Majali & Mat, 2011; Chandio et al., 2013; Eid, 2011).

Despite the wide acknowledgments of the benefits of e-banking however, alternative channels of services are grossly faced with many difficulties as the rate of its adoption is dropping globally. Recent cases in this respect have revealed that using technology to provide financial services is not living up to expectation and promises (Chiou & Shen, 2012; Liébana-Cabanillas et al., 2013; Sohrabi Maryam, 2013). For instance, Chiou & Shen, assert that there are cases of e-banking abandonment as one out of every six users of e-banking in America is not ready to return to e-banking usage either because the operation of the channel is perceived to be too ambiguous or not user friendly thereby leading to dissatisfaction.

Dogarawa (2010) One of the benefits banks derive from electronic banking products and services delivery is improved efficiency and effectiveness of their operations so that more transactions can be processed faster and most conveniently, which will undoubtedly impact significantly on the overall performance of the banks. The customers on the other hand, stand to enjoy the benefit of quick service delivery, reduced frequency of going to banks physically and reduced cash handling, which will give rise to higher volume of turnover.

According to, Gardachew (2010) the customers of Ethiopian commercial banks have missed to enjoy with the technological advancement in banking sector which has been entertained elsewhere in Africa and the rest of the world. The modern e-banking methods like ATMs, Debit cards, Credit cards, Tele banking, Internet banking, Mobile banking and others are new to the Ethiopian banking sector. E-banking which refers to the use of modern technology that allows customers to access banking services electronically whether it is to withdraw cash, transfer funds, to pay bills, or to obtain commercial information and advices are not known in Ethiopia.

Milion Assefa (2013) in his study on the impact of electronic banking on customers' satisfaction in Ethiopian banking industry in Gondar city expressed, e-banking has impact in improving

customer satisfaction, impact in reducing waiting time for customers to get bank service and impact in improving customers to control their account movements.

Moreover, Abenet Yohannes (2010) in his study indicated that key factors that determine adoption of internet banking in Ethiopia and the majority of the respondents do agree that internet banking enables them to manage their account better than the ordinary banking. Occupation has an impact on the adoption of internet banking, demographic factors have a relationship with the adoption of internet banking and education levels are regarded as an influential factor in consumers' use of internet banking services with high education levels being particularly significant.

On the other hand, a study conducted by Philipos L (2013) about customer satisfaction and electronic banking service on some selected banks of Ethiopia listed that currently there are some factors which unfavorably affect customer satisfaction in electronic banking service in selected banks (Wegagen bank and Zemen bank) of Ethiopia. Deribe and Ebisa Deribie (2012) in their study of evaluation of customer satisfaction on bank services in Jimma Commercial bank of respondents found that there was no any change the benefits they got from e-banking in comparison to ordinary banking.

Recent growth in technology and innovation has fast-tracked the desire of customers of banks for exceptional services to meet the current trend of technological advancement. Therefore, the above researchers have found several obstacles to the effective use of e-banking in Addis Ababa and the nation at large. This study tried to assess the effect of e-banking service on customer satisfaction on the selected banks in Addis Ababa.

1.3 Research Questions

- What are the key electronic banking service dimensions that have impact on customer satisfaction within the selected banks Dashen Bank and Wegagen Bank?
- What is the level of customer satisfaction in e-banking in the two commercial banks?
- What are the difficulties in e-banking activities to satisfy the customers?

1.4 Objectives of the Study

1.4.1 General Objective of the Study

The prime objective of this study is to identify the electronic banking service dimensions that have effect on customer satisfaction at Dashen Bank and Wegagen Bank in Addis Ababa.

1.4.2 Specific Objective of the Study

Exactly, this study aims to attain the subsequent objectives;

- To identify the major electronic banking service dimensions that have effect on customer satisfaction.
- To examine the level of customer satisfaction in e-banking in the selected banks.
- To find out the difficulties in e-banking activities to satisfy the customers.

1.5 Scope of the Study

This study will be restricted only to know effects of e-banking service on customer satisfaction. In assessing the impact of e-banking on customers satisfaction customers of two commercial banks that is Dashen and Wogagen bank which were chosen because these banks were banks that have started to provide all electronic banking payment systems to customers in Addis Ababa

1.6 Significance of the Study

The outcome of this study has immense benefit to the management of Dashen Bank and Wogagen Bank, since it will help identify most of the challenges faced by the banks as well as the complains table by the customers. Solutions will then be proffered on theses identified challenges. This will go a long way to help the banks achieve their stated objectives, and in the long run increase shareholder's wealth. Furthermore, the study would enable banks executives and indeed the policy makers of the banks and financial institutions to be aware of electronic banking system as a product of electronic commerce with a view to making strategic decisions, hence this would enable customers of the banks to have enabling environment in using their e-banking outlets.

1.7 Organization of the Study

This study is organized into five chapters. The first chapter deals with background of the study, statement of the problem, Research questions , objective of the study, scope of the study, significance of the study, and organization of the study. The second chapter deals with review of related literature on E-banking and customer satisfaction. The third chapter describes research approach and method, source and types of data, population and sample size, data collection and sampling techniques, method of analysis and interpretation techniques. The fourth chapter discusses the analysis and result of the study. The fifth chapter presents summary of the major findings and recommendation of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 The Concept of Electronic Banking

Different authors have defined Electronic Banking in different ways based on their understanding of its application. E-banking is the term used for new age banking system and it is also called online banking (Auta, 2010). E-banking uses the internet as the delivery channel by which to conduct banking activities, for example, transferring funds, paying bills, viewing checking and savings account balances, paying mortgages and purchasing financial instruments and certificates of deposits (Mohammed, Siba & Sreekmar, 2009 cited in Auta, 2010). Electronic banking is the delivery of banking services and products through the use of electronic means irrespective of place, time and distance. Such products and services can include deposit-taking, lending, account management, the provision of financial advice, electronic bill payment, and the provision of other electronic payment products and services such as electronic money (Dogarawa, 2005). Electronic banking is also known as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels (Daniel, 1999; Sathye, 1999).

2.2 Types of E-Banking

2.2.1 Internet Banking

Internet banking refers to systems that enable bank customers to get access to their accounts and general information on bank products and services through the use of bank's website, without the intervention or inconvenience of sending letters, faxes, original signatures and telephone confirmations (Thulani, Tofara & Langton, 2009 cited in Yahiya, 2011). Siyanbola (2013) puts it that internet banking involves conducting banking transactions on the internet (www) using electronic tools such as the computer without visiting the banking hall. E-commerce is greatly facilitated by internet banking and is mostly used to effect payment. Internet banking like mobile banking also uses the electronic card infrastructure for executing payment instructions and final settlement of goods and services over the internet between the merchants and the customers.

Commonly used internet banking transactions in Nigeria are settlement of commercial bills and purchase of air tickets through the websites of the merchants. Level of awareness of the advantages of this product to the saving populace is still very low; hence, there is every room for improvement if cashless banking would be effective as expected (Siyabola, 2013). Funds transfer, airtime top up, balance enquiry, password change, bill payment etc. can also be conducted on the internet banking platform.

2.2.2 Telephone Banking

This is the most familiar of the tele-banking devices and it allows customers to transact banking business over the phone. It can be used as an alternative to the traditional branch banking or in conjunction with it (Stan, 1997 cited in Agboola, 2001). The customer can access their accounts using telephone lines as a link to the financial institutions computer center. Services rendered here include account balance, transfer, change of pin etc. This product has also experienced low patronage due to inadequate awareness and education of the customer on how to maximally use their phone to transact simple banking operations (Siyabola, 2013).

2.2.3 Mobile Banking

This involves the use of mobile phone for settlement of financial transactions. This is more or less fund transfer process between customers with immediate availability of funds for the beneficiary. It uses card infrastructure for movement of payment instructions as well as secure SMS messaging for confirmation of receipts to the beneficiary. It is very popular and exciting to the customers given low infrastructure requirements and a rapidly increasing mobile phone penetration in the country. Services covered by this product include account enquiry; funds transfer; recharge phones; changing passwords, bill payments. Even though the product is exciting most customers are yet to fully buy into it in Nigeria, hence, both the apex bank and other banks still have a lot to do in terms of increasing awareness of the product to the saving populace in the country (Siyabola, 2013).

2.2.4 Electronic card

An electronic card is a physical plastic card that uniquely identifies the holder and can be used for financial transactions on the internet. For instance, Automated Teller Machine (ATM) and Point-of Sales (PoS) terminal are used to authorize payment to the merchant or seller (James, 2009). The various types of electronic cards include debt, credit cards; releasable cards require visiting banks for replenishment. Debit cards are linked to local bank accounts and offer immediate confirmation of payment. Credit cards can be used to link a customer to a credit line and can also be used for accessing local and international networks and are widely accepted in most countries. The underlying infrastructure and operational rules are often provided by global trusted schemes (such as visa and master card) in addition to local lines (James, 2009).

2.3 Service and Service Quality

Banks provide financial inter-mediation, consultancy and agency services that are diversified with the passage of time. Services are different from goods because they are intangible as they cannot be seen, touched or felt; perishable as we are unable to store them; inseparable because they are attached with a service provider, and insubstantial due to heterogeneity (Parasuraman *et al.* 1985; Hoffman and Bateson, 2002).

Parasuraman *et al.* (1985) argued that evaluation of service quality is difficult as compared to physical goods. Physical existence of goods facilitates the customers to buy them due to its aesthetic characteristics. Services are considered as intangible because we are unable to see, touch or feel them (Hoffman and Bateson, 2002).

Hanson (2000) suggested that service quality shows the organization's ability to meet customers' desires and needs. So organization must improve their services to meet the customers' wants and requirements. It is found that customers' perception of service quality is very important for managers to compete in the market (Hoffman and Bateson, 2002).

Quality is an ability of any product to meet customers' expectations and requirements. It is a set of features, characteristics or attributes that are required or expected by the customers. There are

several studies that found a relationship between the service quality offered by banks and its consequences as satisfaction level among customers. It is reported that quality is observed as a major factor in reference to customer acquisition and retention (Galloway and Ho, 1996).

Morre (1987) identified that concentration on service quality leads to differentiation that enhance the competitive position of the organization for long term benefits. Service quality and customer satisfaction became core issues for the successful survival of any service organization. Service quality is considered very important indicator towards customer satisfaction (Spreng and Machoy, 1996). Service quality got popularity among professionals and academia due to increased competition. It contributes a lot to gain competitive advantage to maintain long-term relationship with customers (Zeithmalet *al.*2000).

Parasuraman *et al.* (1985, 1988) expressed service quality as customers' evaluation between service expectation and service performance. They compared customers' responses regarding their perceived quality of services and their pre-purchase expectations. It is said that service quality represents the answers to some queries like what is expected by customers? What is delivered? Finally is there any difference? (Woodside et al, 1989).

Asubonteng *et al.* (1996) defined service quality as the difference between customers' expectations about the service before its use and their perceptions after receiving the service. Quality factors vary from one to another in reference to the importance and their impact on the satisfaction level of the customers. It was found that specific activities like increasing the speed of processing information have resulted in delighted customers. Similarly, improvement in the reliability of equipment lessened dissatisfaction (Johnston, 1997). However, it was reported that service quality is the subjective comparison between what the customers require and what they actually get (Gefan, 2002).

Service quality is considered an important tool for a firm's struggle to differentiate itself from its competitors (Ladhari, 2008). Service quality has received a great deal of attention from both academicians and practitioners (Negi, 2009) and service marketing literature defined service quality as the overall assessment of a service by the customer (Eshghiet *al.*, 2007). Duff et al

(2008) pointed out that, by defining service quality, companies will be able to deliver services with higher quality level presumably resulting in increased customer satisfaction. Akroush (2008) also pointed out that service quality is the result of the comparison made by customers about what they feel service firms should offer, and perceptions of the performance of firms providing the services. Gronroos (2007) also defined service quality as the outcome of the comparison that consumers make between their expectations and perceptions. Customer's expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectation and quality is low when performance does not meet their expectation (Athanasopoulos *et al.*, 2001). Perceived service is the outcome of the consumer's view of the service dimensions, which are both technical and functional in nature. It is very vital to note here that, service quality is not only assessed as the end results but also on how it is delivered during service process and its ultimate effect on consumer's perceptions (Duncan & Elliot, 2004). Service quality has a strong correlation with customer satisfaction, financial performance, manufacturing costs, customer retention, customer loyalty, and the success of marketing strategy (Cronin *et al.*, 2000; Wong *et al.*, 2008). Organizations operating within the service sector consider service quality to be a strategic component of their marketing plan (Spathis *et al.*, 2004). Through service quality, organizations can reach a higher level of service quality, a higher level of customer satisfaction, and can maintain a constant competitive advantage (Meuter *et al.*, 2000).

2.3.1 Services Quality in Banking Sector

In the changing banking scenario of 21st century, the banks had to have a vital identity to provide excellent services. Banks nowadays have to be of world-class standard, committed to excellence in customer's satisfaction and to play a major role in the growing and diversifying financial sector (Guo *et al.*, 2008). There has been a remarkable change in the way of banking in the last few years. Customers have also accurately demanded globally quality services from banks. With various choices available, customers are not willing to put up with anything less than the best. Banks have recognized the need to meet customer's aspirations. Consequently service quality is a critical motivating force to drive the bank up in the high technology ladder. Banking industry is a demand driven industry, which constitute an important part of the service industry (Newman & Cowling, 1996). Banks have to redefine their corporate image to that

emphasizes service quality since it provides many advantages to a company such as allowing the company to differentiate itself from its competitors by increasing sales and market shares, providing opportunities for cross selling, improving customer relations thus enhancing the corporate image, reliability, responsiveness, credibility and communication results in the satisfaction and retention of customers and employee, thus reducing turnover rate (Newman, 2001).

2.3.2 E-Banking Services

E-Banking services are banking services delivered over the Internet. The services provided by banks over the Internet which once included only checking of accounts, have recently evolved to include a full range of banking services. It is not rare the case nowadays, when nearly all services accessible at the branch or by phone can be accessed on the Internet as well. The development of technology allows banks to offer not only “branch-based” services over the Internet, but also new added-value services which are available only online such as electronic commerce, real-time brokerage, financial information menus, e-mail alerts and third party services (tax payment, portals or management of electricity bills) (Centeno, 2003).

As a whole, customers’ motivation to use E-banking services comes from a number of factors: freedom of time and space, speed, convenience, 24 hours a day availability and price incentives (Mattila, Karjaluoto & Pento, 2002). Despite all the advantages the Internet offers to both banks and their customers in terms of increased productivity and reduced costs, it also hides a lot of disadvantages and challenges for the service providers. On the Internet, the comparison between different service offerings is much easier and switching costs are lower, which makes it easier for customers to change service providers (Santos, 2003). This, on its behalf, posts a challenge for the banks to not only acquire new customers, but retain their existing ones as well. To retain its customers, banks should try to make them satisfied with their services and offerings and this can be achieved through delivering high quality services. Delivering high quality online services requires understanding of the online service quality dimensions considered crucial and trying to improve the quality of the services provided over the Internet, so that a competitive advantage is gained.

E-service quality is overall customer assessment and judgment of e-service delivery in the virtual marketplace (Santos, 2003). Businesses that have been experienced and successful in offering e-services are starting to apprehend that besides website presence and low price, the important success or failure factors also include the electronic service quality (Yang, 2001; Zeithaml, 2002). One of the reasons for the increase importance of e-services quality is that over the Internet, it is much easier for customers to compare different service offerings than through traditional channels (Santos, 2003). Thus, customers of online services expect equal or higher levels of service quality than the customers of traditional services (Santos, 2003).

The importance of delivering high quality e-services has been recognized by many companies, but still there is the problem of how the quality of online services is defined, which its determinants are and how it can be actually measured. There exist many models and methods for measuring the quality of traditional services (Cowling & Newman, 1995; Johnston, 1995; Bahia & Nantel, 2000; Oppewal & Vriens, 2000), but there is not that much research made on the quality of services delivered over the Internet (Cox & Dale, 2001). Recently, there have been two approaches to studying e-services that can be distinguished. The first approach suggests the study of e-service quality on the basis of already existing service quality theory (Grönroos, 2000; Zeithaml et Al., 2000). The other approach suggests the study of e-service quality through empirical research and the development of new categories of e-services (Szymanski & Hise, 2000).

2.4 Satisfaction

Satisfaction means a feeling of pleasure because one has something or has achieved something. It is an action of fulfilling a need, desire, demand or expectation. Every rationale customer compares the cost (price) and benefit (utility) of any product or services. Customers compare their expectations about specific product/services and its actual benefits. This comparison results into three types of customers: dissatisfied customers (expectations are more than actual performance of the service); satisfied customers (actual benefits realized from services are equal to or more than expectations); indifferent customers (actual performance and expectation are exactly equal).

Westbrook (1981) reported that overall satisfaction is the outcome of customer's evaluation of a set of experiences that are linked with the specific service provider. It is observed that organization's concentration on customer expectations resulted into greater satisfaction (Peters and Waterman, 1982). Kotler (2000) defined satisfaction as a person's feelings of pleasure or disappointment resulting from the comparison of product's perceived performance in reference to expectations. Customers' feelings and beliefs also affect their satisfaction level. It is said that satisfaction is a function of customer's belief about fair treatment (Hunt, 1991).

2.4.1 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). 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.

A firm's primary strategic objectives are to minimize customer regress and to maximize customer intention rates to buy, as evidenced by the recent emphasis on customer relationship management. Thus, previously satisfied buyers may help firms both reduce marketing costs, and develop more stable levels of sales when a large number of satisfied buyers are retained to purchase again in the future. There are several definitions of customer satisfaction in the marketing literature. It is generally accepted that satisfaction is a psychological state that results from consumer experiences after consumption (Pleshko & Heiens, 1996).

According to a widely accepted conceptualization, customer satisfaction is “a customer's post-consumption evaluation of a product or service” (Mittal & Frennea (2010). This only “occurs if the perceived performance of a product or service meets or exceeds customers' prior

expectations” (Bearden & Teel, 1983; Oliver 1980, 2010). Thus, 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 (Fornell et al., 1996; Oliver 1980, 2010).

2.4.2 Customer Satisfaction in Banking Sector

In line with Tsoukatos and Rand (2006), customer satisfaction is a key to long-term business success. To protect or gain market shares, organizations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers. In proportion to Magesh (2010), satisfaction means a feeling of pleasure because one has something or has achieved something. It is an action of fulfilling a need, desire, demand or expectation. Customers compare their expectations about a specific product or services and its actual benefits. As stated by Kotler & Armstrong, (2010), satisfaction as a person’s feelings of pleasure or disappointment resulting from the comparison of product’s perceived performance in reference to expectations. Customer’s feelings and beliefs also affect their satisfaction level. Along with Zeithaml (2009), satisfaction or dissatisfaction is a measure or evaluation of a product or service’s ability to meet a customer’s need or expectations. Razaket *al.* (2007) also reported that overall satisfaction is the outcome of customer’s evaluation of a set of experiences that are linked with the specific service provider. It is observed that organization’s concentration on customer expectations resulted into greater satisfaction. If the customers of an organization are satisfied by their services the result is that, they will be loyal to them and consequently be retained by the organization, which is positive for the organization because it could also mean higher profits, higher market share, and increasing customer base (Karatepet *al.*, 2005). Customer satisfaction has become important due to increased competition as it is considered very important factor in the determination of bank’s competitiveness (Berry *et al.*, 2002). Continuous measurement of satisfaction level is necessary in a systematic manner (Chakravarty *et al.*, 1996). Because satisfied customer is the real asset for an organization that ensures long-term profitability even in the era of great competition. Cronin *et al.*, (2000) mentioned in their study that satisfied customer repeat his/her experience to buy the products and also create new customers by communication of positive message about it to others. On the other hand, dissatisfied customer may switch to alternative products/services and communicate negative message to others. Customer satisfaction is a set of

feeling or outcome attached with customer's experience towards any product/ service (Solomon, 1998). Hence, organizations must ensure the customer satisfaction regarding their goods/services.

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2.4.3 E-Satisfaction

The trend of customer satisfaction has become a center point in service setting and among the marketing scholars. It is often used to evaluate the process of buying, consuming and measuring the performance of a product or service either in the short or long run and it is therefore essential for the responses of consumers (Liébana-Cabanillas et al., 2013). The entire teams of marketing and management expert have displayed strong interest in the ability of organizations to go the extra miles of meeting and exceeding the needs of customers as this will determine future purchase behavior and repeated patronage (Musiiime & Ramadhan, 2011; Yap et al., 2012). Most importantly, the era of banking where the nature and feature of services being rendered can be difficult to measure has ushered in new ways of satisfying the customers.

This is especially important in the emergence of e-banking where customers do not interact directly with the official of the bank but the alternative channels such as website, mobile phone, Automated Teller machine and so on (Auta, 2010; SadiqSohail & Shanmugham, 2003; Wessels & Drennan, 2010). E-banking users therefore become satisfied with the nature of service rendered if the e-channel is perceived useful to achieve daily objectives and if they can easily operate the channels with less stress (Eid, 2011; Liébana-Cabanillas et al., 2013).

2.5 Relationship Between Service Quality and Customer Satisfaction

Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market. Regarding the relationship between customer satisfaction and service quality, Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson *et al.*, 2008). Although it is stated that other factors such as price and product quality can affect

customer satisfaction, perceived service quality is a component of customer satisfaction (Zeithaml & Bitner, 2003). As said by Wilson et al. (2008), service quality is a focused evaluation that reflects the customer's perception of reliability, assurance, responsiveness, empathy and tangibility while satisfaction is more inclusive and it is influenced by perceptions of service quality, product price and quality, also situational factors and personal factors. The relationship between service quality and customer satisfaction is becoming crucial with the increased level of awareness among bank customers Demographic characteristics should be considered by the bank managers to understand their customers (Suresh chander *et al.* 2002).

2.6 Empirical evidences in E-banking

Some related studies have been conducted by different researchers in different parts of the world. But, there are inadequate records of studies conducted in Ethiopia on Effects of E-banking on customer satisfaction. Hence, the studies are briefly reviewed as below.

Philipos L. B. (2013) in his study of customer satisfaction and e-banking service in some selected banks of Ethiopia found out that customer satisfaction in e-banking has significant relationship with convenience, reasonable and fair fees (charges) during transaction, efficient service of e-banking, privacy, security, reliability and responsiveness of employees to solve e-banking service failure and these variable determined 84% customer satisfaction in e-banking.

Gardachew (2010) conducted research on the opportunities and challenges of E-banking in Ethiopia. The aim of his study was focused on analysing the status of electronic banking in Ethiopia and investigates the main challenges and opportunities of implementing E-banking system. The author conducted a survey on the existing operating style of banks and identifies some challenges of using E-banking system, such as, lack of suitable legal and regulatory frame works for E-commerce and E- payments, political instability in neighbouring countries, high rates of illiteracy and absence of financial networks that links different banks. According to Gardachew (2010), Opportunities offered by ICT through e-learning programs and Commitment of the governments on development of ICT infrastructures is considered as drivers of using E-commerce and E-payment systems.

Wondwossen and Tsegai (2005) also studied on the challenges and opportunities of E-payments in Ethiopia; their objective was studying of E-payment practices in developing countries, Africa and Ethiopia. The authors employ interview and on site observation to investigate challenges to E-payment in Ethiopia and found that, the main obstacles to the development of E-payments are, lack of customers trust in the initiatives, Unavailability of payment laws and regulations particularly for E-payment, Lack of skilled manpower and Frequent power disruption. According to Wondwossen and Tsegai (2005), an adequate legal structure and security framework could foster the use of E-payments, which is contradicting with the finding of the previous study.

Abenet Yohannes (2010) in his study of key factors that determine adoption of internet banking in Ethiopia findings revealed that demographic factors including age, income, education level and occupation have a relationship with the adoption of internet banking. In his study, the age group 30-39 accounts for 52 percent of internet banking users, which is relatively high proportion of younger users and based on his data, concluded that age has an impact on the use of internet banking in Ethiopia. In his study findings education levels were regarded as an influential factor in consumers' use of internet banking services with high education levels being particularly significant. In the study, 81 percent of internet banking users have a higher education level (diploma or degree), whereas only 34 percent of non-users have tertiary education level qualification and confirmed that education levels have an impact on the use of internet banking in this study. In the study 80% of the users were employed and concluded that occupation has an impact on the adoption of internet banking. 85 percent of the study sample agreed that internet banking enables them to manage their account better. 95 percent of users agree that internet banking allows them to conduct transactions at any time, from any location, with time savings being the end result. Thus internet banking eliminates time and place constraints. The results indicated that internet banking charges are a key factor in motivating the use of internet banking.

Geeta Sharma & Surendra Malviya (2014) in his study "Internet Banking Service Quality and Its Impact on Customer Satisfaction in Indore District of Madhya Pradesh" mainly focus on internet banking service quality to maintain customer satisfaction. The work attempts to develop a model based on service quality dimensions, with the purpose to investigate impact of service quality on customer satisfaction. The main objectives of this empirical study is to explore internet banking service quality factors and to analyze its impact on customer satisfaction .The study found that there is a positive impact of service quality dimensions like website ease of use,

comfort, accessibility are influential factors while confidence and responsiveness also have significant impact on satisfaction of the online customers. The empirical results show that there is a direct relationship between internet banking service quality dimensions and customer satisfaction in the banking industry.

Manilall Dhurup, Jhalukpreya Surujlal & Ephraim Redda (2014) in their paper “Customer Perceptions of Online Banking Service Quality” provides an insight of customer perceptions of technology-based banking service quality in a developing country. The results show that periodic measurements of the levels of online banking service quality should become an integral part of any bank’s effort and strategy in improving service quality levels.

Justus Muthuri Marete, Henry Peter Gommans & Gongera Enock George (2014) in their study “Evaluation of E-Banking Services on Customer Satisfaction: Case of National Bank of Kenya” provide empirical evidence regarding satisfaction of customers with e- banking and provide recommendations. It also evaluated customer satisfaction with e-banking service at National Bank of Kenya. The main objective of the study is to investigate e-banking web design; exploration of e-banking customer service; assessment of e-banking assurance and examination of preferential treatment of e-banking effect on customer satisfaction in the banking industry. It is found that more customers were satisfied with most dimensions of e-banking service in NBK.

Ogunlowore Akindele John & Oladele Rotimi (2014) made “An Analysis of Electronic Banking and Customer Satisfaction in Nigeria.” This study examines the impact of electronic banking on satisfaction of corporate bank customers in Nigeria. The study found that there is a significant relationship between electronic banking and customers’ satisfaction. The paper suggests that critical infrastructure like power; security and telecommunication should be strengthened to ensure the application of electronic banking in Nigeria and optimum satisfaction on the part of customers. There is a significant improvement in general banking services as a result of the introduction of electronic banking, while the level of profit made by banks can be attributed partly to the introduction of electronic banking. Electronic banking has help to increase banks market share.

S. Fatemeh Sakhaei Ahmad J. Afshari Ezzatollah Esmaili (2014) assesses the impact of Service

Quality on Customer Satisfaction in Internet Banking. This study attempts to investigate service quality indexes in Internet Banking. The purpose of this research is to understand the impact of service quality factors of Internet Banking on customer satisfaction in Iran. The paper also attempts to evaluate the influence of service quality on customer satisfaction in Internet Banking. The study found that the reliability has most relation and website design has least relation to customer satisfaction.

Shankar, Sanjay in his article (2000). "Marketing of Banking Services", discussed the necessity of marketing of banking service such a frequent meeting with customers, marketing services to attract NRI deposits and application of special technique etc. Karpagavalli, R. (2000). "A study on Kisan Credit Card of Canara Bank". Her study reveals that the validity period of the card can be increased. The maximum ceiling of this loan per card can be increased.

Sangeetha, R. (2003) discussed in her study "Customer awareness and satisfaction regarding services rendered by commercial bank with reference to State Bank of India and ICICI Bank" that gender, occupation, monthly income, type of account and period of holding account with bank is not associated with awareness level. On the other hand there is association between ages, education quickly.

Nittala, Rajyalakshmi and Kameswari, Vijaya (2011) in their article "Service Quality and Customer Satisfaction in State Bank of India" have suggested that several studies have been carried out by various researchers of India and abroad, to find out the various service quality factors that lead to customer satisfaction. There is a growing body of literature regarding the effect of quality service on the functioning and success of the banks. Given the growth of services over the past several years, there have been a variety of studies on different issues pertaining to service quality; many researchers have recognized the need to develop measures of service quality.

Johnston (1995, 1997) examined the link between service transactions and overall satisfaction and has found that the causes of dissatisfaction and satisfaction are not necessarily the same.

Shajahan, S. (2005) in his article "A Study on the Level of Customers' Satisfaction on Various Modes of Banking Services in India" explained that the Indian banking industry is on a major

technological up gradation drive after having successfully absorbed the international standard in its operating norms. The Discriminant Analysis, which emerged out of the study findings, explicitly takes a logistic form that is typical of adoption behavior of new Internet-based banking services, which enhances the level of satisfaction among bank customers.

Carlson, John et al (2001) in their article “Internet Banking: Market Developments and Regulatory Issues” discuss that Internet banking is a subject receiving great attention in the banking industry and the regulatory community. As with other areas of e-commerce, discussions about Internet banking often proceed without reference to the actual state of market developments.

Sanmugam, A (2004) in his article “Factors determining consumer adoption of Internet Banking” described that the rapid changes in Malaysian banking system have created a new dimension in the banking industry with the emergence of Internet banking. The study also explores the consumer’s adoption behavior driven by the evolution of new, banking technology in Malaysia. The result implies that a social norm effect dominates Internet banking adoption.

Mobarek, Asma (2009) in her article “E-Banking Practices and Customer Satisfaction - A Case Study in Botswana” cleared that Banks' external environment, including globalization and deregulations, have made the banks highly competitive. Banks find it difficult to compete on price, and need to look at other ways to retain customers. Sultan Singh, Ms.Komal (2009). Impact of ATM on Customer Satisfaction (A Comparative Study of SBI, ICICI & HDFC bank) presents the impact of ATM on customer satisfaction. This is a comparative study of three major banks i.e. State Bank of India, ICICI bank and HDFC bank.

Khaled, Al-Hashash and Bahzadi, Abdulrasoul Hussain (2008) in their article “Bank's Customer Satisfaction in Kuwait: An Exploratory Study” explained that Customer satisfaction is a significant subject for most marketers. Their proposal project aimed to investigate customer satisfaction in the retail banking in state of Kuwait.

In general most of the studies are far away from Ethiopian context and yet the focus area is not done exhaustively this study is designed to examine the impact of e-banking on the satisfaction of customers in two Private Banks in Addis Ababa

2.7 Features of Independent Variables

The main construct in this study is effect of e-banking service on customer satisfaction and its dimensions as the study seeks to investigate and evaluate e-banking service on customer satisfaction: the case of selected commercial banks in Addis Ababa. Based on the existing literature customer satisfaction is looked at as a cumulative concept and hence the study will look at the e- banking service from respondents who have used the e- banking services.

Customer Satisfaction is also conceptualized as a process of customer evaluation as they use the E-Banking services, and that this evaluation is based on customer expectation and perceived performance of the e-banking service quality. Based on Danaher and Haddrell (1996), a disconfirmation scale was found to be the most appropriate to measure customer satisfaction based on specific variables that constitute e-banking structure in the delivery process including reliability, transaction efficiency, and customer support among other variables. After a thorough review of the literature, models and concepts the following model was formulated for the study.

Safety and reliability is important to customer satisfaction as customers expect that services are provided right the first time and always after that. It involves accuracy, time sensitivity and consistency. Parasuraman et al., (1988, 2000), in their research also found that reliability consists of dependability of a process, provision of promised services that what is advertised is actually what one gets when they visit the website, timeliness and maintaining error free process. They also state that reliability is one of the most important aspects of satisfaction as this encourages the customer to continue using the online service because they can depend on the system.

Transaction efficiency refers to the ability to access the system and find the information they are looking for without struggling and going through a long process. It is also referred to in terms of the quality of information posted, the time it takes to download a product, the navigation assistance of the website and completeness of the processes is. (Parasuraman et al, 2000)

Customer support is inclusive of the marketing of the system before the client accepts to take it

up and also after the customer has acquired the service and is now using it- After sales service. The bank should be on hand to resolve or clarify any difficulties or queries the customers may be faced with as they use the system. This is done by having a customer care centre that customers can call into to get assistance of a web dialog box that enables the client to communicate their issues and get timely and quality response. The availability of a link on the website that gives a tutorial demonstration of the website is also another way of offering customer support. (Parasuraman et al, 2000)

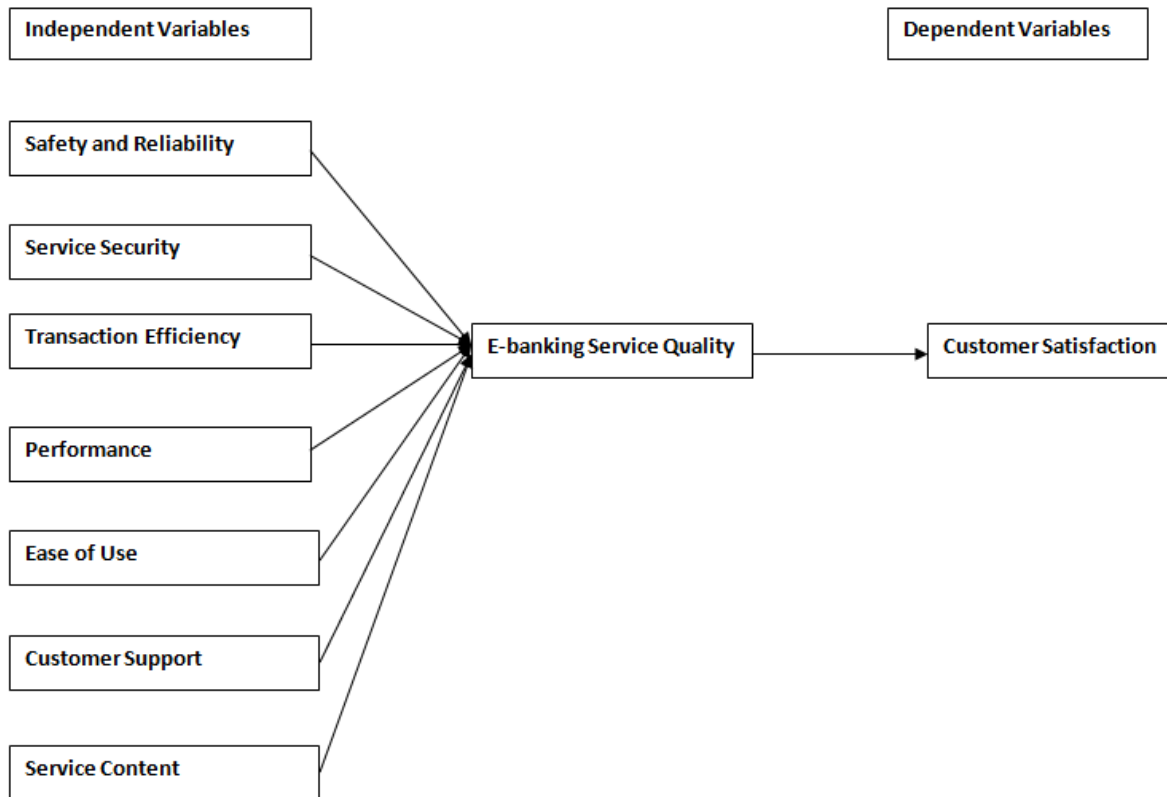
Service security describes the impression by the providers that bring forth a sense of security and credibility. It is the freedom from risk and doubt for the customer and it involves a system that ensures the feeling of safety in their transactions. It also provides a sense of confidentiality where the customer knows his or her access to the system and transactions therein are private. They are assured that online system is secure from hackers and third party infiltration so they feel more at ease to use the system (Parasuraman et al., 2002)

Ease of use deals with the navigation ability of the website, how the links are arranged is well presented and easy to navigate, the web address is easy to remember, the website is straight forward and the terms of using the site are easily understandable. (Parasuraman et al., 1988)

Performance refer to product's primary operating characteristic which is based on functional requirement, not taste with is circumstantial preferences. Performance is the operating quality of each Internet banking service and feature offered by each bank.

2.8 Conceptual Framework

Figure 2.1 Conceptual Frameworks



Conceptual Model developed for this study: Adapted from Parasuraman et al (2000 and 2002)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Approach and Method

Research method referred as the techniques and procedures used to obtain and analyze research data, including questionnaires, observation, interviews, and statistical and non-statistical techniques whereas research methodology is the theory of how research should be undertaken, including the theoretical and philosophical assumptions upon which research is based and the implications of these for the method or methods adopted (Saunders et. al., 2009).

According to Robson, (2002) case studies a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence. The case study strategy will be of particular interest to you if you wish to gain a rich understanding of the context of the research and the processes being enacted (Morris and Wood 1991).

To get a clear understanding on effects of e-banking service on customer satisfaction in the selected commercial banks a case study research methodology were used in this study. The case study has been conducted on two purposely selected Ethiopian private Banks; Dashen Bank and Wogagen Bank. Currently there are sixteen private banks in Ethiopia and three state owned banks. However, the researcher purposively selected the two banks as they are pioneer in adopting new technologies. The research approach applied in this study was Quantitative and Qualitative approach.

3.2 Sources and Types of Data

There are two types of data which are usually used in researches, primary and secondary data. Primary data does not actually exist until and unless it is generated through the research process as part of the consultancy or dissertation or project. Often it is collected through techniques such as experimentation, interviewing, observation and surveys. On the other hand Secondary data is information which already exists in some form or other but which was not primarily collected, at least initially, for the purpose of the consultancy exercise at hand. In fact, secondary data is often

the start point for data collection in as much as it is the first type of data to be collected (Lancaster, 2005).

This study used both primary and secondary data to conduct the research. Five point likert scale questionnaire and interview questions were used to collect primary data of the research selected commercial banks. While the secondary data was obtained from published documents such as books, reports of each bank, related websites, research articles, and organization's publications relevant to this study of the selected commercial banks.

3.3 Population and Sample Size

Dashen Bank headquartered in Addis Ababa, is private Bank in Ethiopia. It operates through a network of 146 Area Banks, nine dedicated Forex Bureaus, 170 ATMs and 834 plus Point-of-Sale (POS) terminals spread across the length and breadth of the nation. It has established correspondent banking relationship with 464 banks covering 71 countries and 175 cities across the world.

Wegagen Bank has launched Payment Card services as part of ensuring service excellence, keep abreast with the developing global banking technology and satisfy the increasing needs and wants of banking products Wegagen Bank has a network of 125 branches of which 57 are in Addis Ababa and the remaining 68 are located in other cities and towns of the country. So far, the Bank has availed 98 ATMs and 172 POS at national level (<http://www.wegagenbanksc.com> on November 30, 2015)

The population of this study was e-banking customers of the selected commercial banks Dashen Bank and Wogagen Bank. Accordingly, the total study population was 402,000 as of November 30, 2015 in the two banks. Yamane (1967:886) provides a simplified formula to calculate sample sizes.

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

Where, n = number of sample size,

N = Total number of study population,

e = level of precision to have in the data or degree of freedom which is 95.29% for this study.

$$= \frac{402,000}{1+402,000 (0.0471)^2}$$

$$= 450.26 \sim 450$$

Table 3.1 Population and sample size determination

Banks	Number of E-banking users	Sample size
Dashen	272,000	304
Wegagen	130,000	146
Total Number of E-banking users	402,000	450

Source: Annual reports 2014 of each bank

The Total Samples from the two banks is 450. It was calculated total number of E-banking users of Dashen bank (272,000) divided by total number of E-banking users 402,000= 0.6766169154228856 X the total sample size 450= 304.4776119402985~304 for Dashen Bank. Likewise to calculate for Wegagen Bank total number of E-banking users of Wegagen bank (130,000) divided by total number of E-banking users 402,000 = 0.3233830845771144 X the total sample size 450= 145.5223880597015~146 for Wegagen Bank. Hence, the total sample size (450) = Dashen Banks 304 samples + Wegagen Banks 146 samples.

Proportional sampling (Van Dalen, 1979) provides the researcher a way to achieve even greater representativeness in the sample of the population. Hence, Proportional sampling method has been used for selecting a sample from each banks.

Multi-stage sampling is a further development of the idea of cluster sampling. This technique is meant for big inquiries extending to a considerably large geographical area like an entire country. Under multi-stage sampling the first stage may be to select large primary sampling units such as states, then districts, then towns and finally certain families within towns. If the technique of random-sampling is applied at all stages, the sampling procedure is described as

multi-stage random sampling (Kothari 2004) the population is physically scattered and the researcher desired to guide each respondents during filling their questionnaire . Hence, multi stage sampling technique was used to select the sample.

Simple random sampling is also known as chance sampling or probability sampling where each and every item in the population has an equal chance of inclusion in the sample and each one of the possible samples, in case of finite universe, has the same probability of being selected (Kothari 2004). Consequently, first Simple random sampling has been used to select branches and purposive sampling to select the actual cases used. Therefore, the Addis Ababa City Administration was divided into four areas geographically (North, South, East and West). For each bank one branch was selected from each direction using simple random sampling method. Therefore, each selected 4 branches of Dashen Bank comprised 76 actual cases. Whereas Wegagen Bank 4 branches, from the first two branches selected 37 actual cases each and from the next two branches selected 36 actual cases from each.

3.4 Data Collection and Sampling Techniques

Curran and Blackburn 2001, states that single researches study may use quantitative and qualitative techniques and procedures in combination as well as use primary and secondary data. Both Secondary and primary data used to collect data for this study. Tashakkori and Teddlie (2003) argue that multiple methods are useful if they provide better opportunities for you to answer your research questions and where they allow you to better evaluate the extent to which your research findings can be trusted and inferences made from them.

Therefore, the study used both qualitative and quantitative research approach. The techniques were a five-point Likert-scale questionnaire, which was quantitatively analyzed using frequency, mean and standard deviation, chi-square and regression test and semi-structured interview, which was qualitatively analyzed and triangulated with the quantitative result.

Methods of Analysis and Interpretation Techniques

In order to reach on meaningful facts and conclusions, the research provides explanation on the effect of e-banking service on customer satisfaction: the case of selected commercial banks in

Addis Ababa and answered the basic questions of the research. The data collected via the questionnaires analyzed by Statistical Package for Social Sciences (SPSS) version 20. In generating the actual results, frequency tables generated to determine the number of respondents who express their opinion on particular item. Descriptive statistics used to analyze the demographic profile of respondents. Moreover, mean and standard deviation, chi-square and regression were applied.

3.5 Research Model

To determine the significance level of the variables for customer satisfaction in e-banking model would be used. The basic model is as follows: E-banking customer satisfaction = f (Safety Reliability, Transaction Efficiency, Customer Support ,Service Security, Ease of Use, Performance and Service Content). Fundamentally, EBCS= $\beta + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + U$

Where,

EBCS= E-banking customer satisfaction

X1= Safety Reliability

X2 = Transaction Efficiency

X3 = Customer Support

X4 = Service Security

X5 = Ease of Use

X6 = Performance

X7 = Service Content

There is β constant and β 's ($\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ and β_7) are coefficients to estimate for the independent variables β_1 means to measure the effect of safety Reliability, β_2 to measure transaction Efficiency, β_3 to measure Customer Support, β_4 to measure Service Security, β_5 to measure Ease of Use, β_6 to measure Performance, β_7 to measure Service Content on customer satisfaction, and U is the error term.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This part of the study deals about data analysis and interpretation. The researcher has distributed 450 questionnaires and the result the data which was obtained from questionnaire interpreted as follows.

4.2 Socio - Demographic Characteristics of the Respondents

Socio- demographic characteristic which was included in the questionnaire were sex, age, marital status, and educational level.

Table 4.1: Socio-Demographic Characteristics of Respondents

No	Item	Category	Frequency
1	Gender	Male	307
		Female	143
		Total	450
2	Age	18-24	141
		25-35	247
		36-50	62
		Total	450
3	Marital status	Single	313
		Margie	130
		Divorced	5
		Widowed	2
		Total	450
4	Educational level	Primary school	2
		High school	21
		TVET	36
		BA/BSC	301
		MA/MSC	88
		Ph.D	2
		Total	450
5.	Occupation	Unemployed	20
		Student	80
		Employed	327
		Business	22
		man/woman	
		Retired	1
		Total	450

Table 4.1 depicted that the socio-demographic characteristic of respondents. From the table, 307 (68.2%) of the respondents were male sex category, 143 (31.8%) of the respondents were female sex category. Thus, from the above information, it is possible to infer that the majority of respondents were male sex category

Item 2 was Age. Regarding age, 247 (54.9%) respondents were in age category of 25-35. Moreover, 141 (31.3%) of respondents were in the age category of 18-24 and 62 (13.8%) of respondents were in the age category of 36-50. Thus, from the above information, it is possible to conclude that the majority of respondents were in the age category of 25-35.

Item 3 was Marital status, 313 (69.6%) of the respondents were marital status of single and 130 (28.9%) of the respondents were in marital status of married. From this it is possible to conclude that the majority of respondents were single marital status.

Item 4 was Educational level of respondents. 301 (66.9%) of respondents were at educational level of BA/BSC, 88 (19.6%) of the respondents were at educational level of MA/MSc, 36 (8%) of respondents were at educational level of TVET, 21 (4.7%) of the respondents were at educational level of High school thus, from the above information, it is possible to conclude that the majority of respondents were at educational level of BA/BSC.

Item 5 was occupation of respondents regarding occupation of respondents 327 (72.7%) reported as they were employed, 80 (17.8%) of the respondents were students, 22 (4.9%) of respondents were Business men/women 20 (4.4%) of the respondents were unemployed. From the above information it is possible to conclude that the majority of the respondents were employed individuals.

Table 4.2: Reliability Statistics

No	Variables	Cronbach's Alpha	N of Items
1	Safety reliability	.705	3
2	Transactions efficiency	.661	3
3	Customer support	.751	6
4	Service security	.735	6
5	Ease of use	.825	6
6	Performance	.546	3
7	Service content	.763	3
8	Overall	0.904	30

Table 4.2 illustrated that Cronbach's Alpha coefficient of reliability. Cronbach's Alpha coefficient reliability ranges 0 and 1. Safety reliability Cronbach's Alpha reliability was .705 which is greater than strong reliability starting point .70. This implies that safety reliability variable was strongly reliable.

The second variable was transactions efficiency and its reliability was .661. This implies that transaction efficiency has the internal consistency but it not strong because Cronbach's Alpha coefficient value needs to be .70. The data has reliability because alpha coefficient range is between 0 and 1 and the result (.661) relies between the ranges (0 and 1).

The third variable was 'customer support' with 6 items and its reliability was .751. This implies that the data which used to describe customer support was reliable.

The fourth variable was 'service security' with 6 item and its reliability was .735 this implies that the data which was used to describe service security was statistical reliable.

The fifth Variable was ease of use with 6 items with its Cronbach's Alpha coefficient .825. This implies that the data which was used to describe ease of use was statistical reliable.

The sixth variable was 'performance' with 3 items and its Cronbach's Alpha .546. This implies the data which was used to describe performance was reliable.

The seventh variable was 'Service Content' with 3 items and its Cronbach's Alpha .763. This implies the data which was used to describe Service Content was reliable.

The overall reliability for the questioner is 90.4% which shows the 30 questions can show strongly about the customer satisfaction of E-banking.

Table 4.3: Types of Customer with the Banks

Item	Response	Frequency	Percent
Which type of customer are you with the bank?	Depositor	337	74.9
	Borrower	22	4.9
	Both depositor and borrower	74	16.4
	Other Service Seeker	17	3.8
	Total	450	100

Table 4.3 illustrated that 337 (74.7%) of the respondents reported that type of customer they have with the bank was depositor 74 (16.4%) of the respondents were reported that type of customer they have with the banks was both depositor and Brower, 22 (44.9%) of respondents reported that the type of customer with the bank was Brower. From the above information it is possible to infer that the type of customer with the bank was depositor.

Table 4.4: Type of Account the Respondents Maintain With the Banks

Item	Response	Frequency	Percent
What type of account the respondent maintain with the bank	Checking account	42	9.3
	Saving account	401	89.1
	Both checking account and saving account	7	1.6
	Total	450	

Table 4.4 illustrated that type of account the respondents maintain with the bank. Regarding to this, 401 (89.1%) of respondents reported that the type of account the respondents maintain with the bank was saving account, 42 (9.3%) of the account the respondents maintain with the bank was checking account.

Table 4.5: Level of Satisfaction by the Respondents with the E-banking Service provided by the Bank

Item	Response	Frequency	Percent
Level of satisfaction by the respondents with the e-banking service provided by the bank	Very dissatisfied	36	8
	somewhat dissatisfied	78	17.3
	Neither satisfied nor dissatisfied	71	15.8
	somewhat satisfied	194	43.1
	very satisfied	71	15.8
	Total	450	100

Table 4.5 depicted that level of satisfaction by respondents with the e-banking service provided by the bank. Regarding to this 194 (43.18) respondents reported that level of satisfaction by the respondents with the e-banking service provided by the bank was somewhat satisfied. 78 (17.3%) of respondents reported that as they somewhat dissatisfied. Thus, from the above information the respondents were somewhat satisfied to the level of satisfaction with the E-banking service provided by the banks.

4.3 Dimensions of Customer Feelings about E-Banking Service

The researcher designed seven dimensions of customer feeling about E-Banking service the dimensions are safety reliability, transactions efficiency, customer support, service security, ease of use, performance and service content.

4.3.1 Safety Reliability Dimensions

Under this topic three hypothetical statements were designed to describe safety reliability which was evaluated by respondents by expressing their feeling by selecting from the scale (strongly disagree, disagree, neutral, agree and strongly agree). The obtained data interpreted as follows.

Table 4.6: Respondents Report on the Dimensions of Safety Reliability

No	Statement	Chi- square (X ²)	Degree of freedom	P-value
1	E-banking performance the service right at the first time	272.822	4	.000
2	E-banking, deliver the service exactly as promise	201.733	4	.000
3	E-banking completes a task accurately	256.511	4	.000

- P-value is calculated statistical significance value
- The usual statistical significance value= 0.05

Table 4.6 illustrated that statement related to reliability. The following are the result and its interpretations.

Hypothetical statement 1: E-banking performance the service right at the first time. Regarding to this statement the calculated chi-square value was 272.822 at 4 degrees of freedom. Additionally, the calculated statistical significance value associated with the data was .000 which was less than the usual statistical significance rejection value 0.05 ($P < 0.05$). This implies that E-banking performs the service right at the first time.

Hypothetical statement 2: E-banking delivers the service exactly as promise. Regarding to this hypothetical statement, the calculated chi-square value was 201.733 at 4 degrees of freedom. Furthermore, the calculated statistical significance value was .000 which was less than the usual statistical threshold rejection value 0.05 ($P < 0.05$). This implies that E-banking deliver the service exactly as promises.

Hypothetical statement 3: E-banking completes a task accurately-concerning to this hypothetical statement; the calculated chi-square value was 256.511 at 4 degrees of freedom. Additionally, the calculated statistical significance value was .000 which was less than the usual statistical threshold rejection value 0.05 ($P < 0.05$). This implies that E-banking complete a task accurately.

4.3.2 Dimensions of Transactions Efficiency

Under this topic three hypothetical statements were designed to describe transactions efficiency which was evaluated by respondents by expressing their feeling by selecting from the scale (strongly disagree, disagree, neutral, agree strongly agree). The obtained data interpreted as follows

Table 4.7: Respondents report on the dimensions of transactions efficiency

No	Statement	Chi-square (X^2)	Degree of freedom	P-value
1	Information in E-banking is up to date	189.867	4	.000
2	E-banking provide complete help functions	155.44	4	.000
3	Transaction process is fast	278.747	4	.000

Table 4.7 depicted that dimensions of transactions efficiency and respondents feeling E-banking to describe dimensions of transactions efficiency three hypothetical statement were designed and the reflection of the respondents summarized as follows

Hypothetical statement 1: Information in E-banking is up to date. Regarding to this, the calculated chi-square value was 189.867 at 4 degrees of freedom. Furthermore, the calculated statistical significance value was .000 which was less than the usual statistical rejection threshold value 0.05 ($P < 0.05$). This implies that information in E-banking is up to date.

Hypothetical statement 2: E-banking provides complete help functions. Regarding to this, the calculated chi-square value was 155.44 at 4 degrees of freedom. Furthermore, the calculated statistical significance value was .000 which was less than the usual statistical rejection value 0.05 ($P < 0.05$). This implies that E-Banking provide complete help functions.

Hypothetical statement 3: transaction process is fast. To this hypothetical statement, the calculated chi-square value was 278.747 at 4 degrees of freedom. Additionally, the calculated statistical significance value .000 which was less than the usual statistical significance rejection value 0.05 ($P < 0.05$). This implies that transaction process is fast.

4.3.3 Dimension of customer support

To describe the dimension of customer support six hypothetical statements were designed. The interpretation and the narration provided in the following table.

Table 4.8: Respondents Report on the Dimension of Customer Support

No	Statement	Chi-square (X^2)	Degree of freedom	P-value
1	E-banking contains enough services	156.400	4	.000
2	In case of problem happens I can contact staff immediately	115.800	4	.000
3	E-banking contains comprehensive section to guide for common problem	202.444	4	.000
4	E-banking process to solve problem fast	187.644	4	.000
5	E-banking provide knowledgeable staff to solve problem	184.289	4	.000
6	Staff can describe step to use and condition to use clearly	209.733	4	.000

Table 4.8 illustrated that respondents report on the demission of customer support. To describe the situation six hypothetical statements are designed as follows and narration given below.

Hypothetical statement 1: E-banking contains change services. Regarding this hypothetical statement the calculated chi-square was 156.400 at 4 degrees of freedom. Additionally, the calculated statistical significance value .000 which was less than the usual statistical rejection value 0.05 ($P < 0.05$). This implies that E- banking contain enough service.

Hypothetical statement 2: in case of problem happened I can contact staff immediately. Regarding to this, the calculated chi-square was 115.800 at 4 degrees of freedom. In addition to this, the calculated statistical significance value was .000 which was less than the usual statistical significance rejection value 0.05 ($P < 0.05$). This implies that in case of problem happened they can contact staff immediately.

Hypothetical statement 3: E-banking contains comprehensive section to guide for common problem. Regarding to this, the calculated chi-square was 202.444 at 4 degrees of freedom. In addition to this, the calculated statistical significance value .000 which was less than the usual statistical significance value ($P < 0.05$). This implies that E-banking contain comprehensive section to guide for common problem.

Hypothetical statement 4: E-banking process to solve problem fast. Regarding to this, the calculated chi-square was 187.644 at 4 degrees of freedom. The calculated statistical significance value was .000 which was less than the usual statistical significance rejection value .05. This implies that e- banking process to solve problem is fast.

Hypothetical statement 5: E-banking provides knowledgeable staff to solve problem. Regarding to this, the calculated chi-square was 184.289 at 4 degrees of freedom. In addition to this, the calculated statistical significance value .000 which was less than the usual statistical significance rejection value 0.05. This implies that E-banking provide knowledge staff to solve problem.

Hypothetical statement 6: staff can describe step use and condition to use clearly. Regarding to this, the calculated chi-square was 209.733 at 4 degrees of freedom. Additionally, the calculated

statistical significance value .000 which was less than the usual statistical rejection value 0.05 ($P < 0.05$). This implies that staff describe step to use condition of use clearly.

4.3.4 Dimension of Service Security

Regarding to service security six hypothetical statements were designed and the result was given as follows.

Table 4.9: Respondents Report on Dimension of Services Security

No	Statement	Chi-square	Degrees of freedom	P-value
1	E-banking keeps accurate record of transaction	256.002	4	.000
2	E-banking provide security for transaction data and privacy	283.533	4	.000
3	No problem during using E-banking service	116.11	4	.000
4	E-banking is secure	178.022	4	.000
5	Feel safe when using E-banking	205.400	4	.000
6	Can check validity and detail of past transaction every time	176.533	4	.000

Table 4.9 revealed that respondents report on dimension of service security. To this, six hypothetical statements was designed and described as follows.

Hypothetical statement 1: E-banking keeps accurate record of transactions. Regarding to this the calculated chi-square value was 256.022 at 4 degrees of freedom. Additionally, the calculated statistical significance value .000 which was less than the usual statistical rejection value 0.05 ($P < 0.05$). This implies that E-banking keep accurate record of transaction.

Hypothetical statement 2: E-banking provides security for transaction data and privacy. Regarding to this, the calculated chi-square was 283.533 at 4 degree of freedom. Additionally,

the statistical significance value .000 which was less than the usual statistical rejection value 0.05 (P<05). This implies that E-banking provide security for transaction and privacy.

Hypothetical statement 3: No problem during using E-banking service. Regarding to this, the calculated chi-square value was 116.11 at 4 degrees of freedom furthermore, the calculated statistical significance value .000 which was less than the usual statistical significance rejection value 0.05 (P<0.05). This implies that there was no problem during using E-banking services.

Hypothetical statement 4: E-banking is secure. Regarding to this, the calculated chi-square was 178.022 at 4 degrees of freedom. Moreover, the calculated statistical significance value was .000 which was less than the usual statistical significance rejection value 0.05 (P< 0.05). This implies that E-banking is secure.

Hypothetical statement 5: feel safe when using E-banking regarding to this, the calculated chi-square was 205.400 at 4 degrees of freedom. Furthermore, the calculated statistical significance value .000 which was less than the casual statistical rejection value 0.05 this implies that respondents did not feel safe when banking. Additionally, the calculated statistical significance value .000 which was less than the usual statistical significance rejection value 0.05 (P<0.05) . This implies that E-banking process to solve problem is fast.

4.3.5 Dimension of Ease of use

Regarding Ease of use, six hypothetical statement were designed and the obtained data summarized as follows

Table 4.10: Respondents report on the demission of Ease of use

No	Statement	Chi-square (X ²)	Degree of freedom	P-value
1	Easy to find information in the E-banking system	216.578	4	.000
2	The language in E-banking is easy to understand	309.178	4	.000
3	The output format is easy to read	377.244	4	.000
4	Information and text are clear and easy to understand	336.311	4	.000
5	E-bankin g system provide clear instruction	359.622	4	.000
6	E-banking display output or transaction fast	231.689	4	.000

Table 4.10 depicted that respondent's response on the demission of ease of use. The table it can be clearly observed that the calculated chi-square was non zero figure and with its degrees of freedom (9-1) i.e 5-1=4 and the hypothetical statement statistical significance value was .000 which was less than the usual statistical significance rejection value 0.05 This implies that all hypothetical statement were accepted .

4.3.6 Dimension of Performance

Concerning performance about the feeling of banking was three hypothetical statements were designed and the results described are follows.

Table 4.11: Respondents Report Regarding Performance of E-banking

No	Statement	Chi-square (X ²)	Degree of freedom	P-value
1	E-banking provide in Multilanguage	70.333	4	.000
2	E-banking provide 24 hours of days service	92.356	4	.000
3	Allow to transfer between bank	49.511	4	.000

Table 4.11 showed the dimension of performance of E-banking. Of the given hypothetical statement all of them failed to be accepted because the calculated chi-square value was non-zero at 4 degrees of freedom. Additionally, the calculated statistical significance value of all the hypothetical statements which was less than the usual statistical rejection significance value 0.05. This implement that all the hypothetical statement were accepted.

4.3.7 Dimensions of service content

Regarding dimension of service content three hypothetical statement were designed and described as follows

Table 4.12: Respondents Response Regarding Dimensions of service content

No	Statement	Chi-square (X ²)	Degree of freedom	P-value
1	E-banking provides information that exactly fits needs	167.400	4	.000
2	E-banking provide accurate information	210.822	4	.000
3	E-banking provides information that trust	238.267	4	.000

Table 4.12 illustrated that respondent's response to hypothetical statement that describes the dimension of service content. Regarding to this all the hypothetical statement were accepted because the calculated statistical significance value, which was less than usual statistical significance rejection value 0.05 ($P < 0.05$).

Table 4.13: Mean and Standard Deviation

	Safety reliability	Transactions efficiency	Customer support	Service security	Ease of use	Performance	Service content
N	450	450	450	450	450	450	450
Mean	3.3548	3.3993	3.2089	3.3611	3.6167	3.0044	3.4333
Std. Deviation	.75658	.79490	.66913	.66381	.66548	.86591	.80712

Mean and standard deviations of the respondents' scores were calculated. Analysis has been done by linking these mean scores and deviations among respondents. Mean and standard deviation values have been used to equate factors that affected level of customers satisfaction of the selected commercial banks. Hence, The average and standard deviation of safety reliability (3.3548, 0.75658) shows respondents safety reliability having neutral idea and the standard deviation shows the customers having common or homogenous about safety reliability.

The average and standard deviation of Transactions efficiency (3.3993, 0.79490) shows respondents Transactions efficiency having neutral idea and the standard deviation shows the customers having common or homogenous about Transactions efficiency.

The average and standard deviation of Customer support (3.2089, 0.66913) shows respondents Customer support having neutral idea and the standard deviation shows the customers having common or homogenous about Customer support

The average and standard deviation of Service security (3.3611, 0.66381) shows respondents Service security having neutral idea and the standard deviation shows the customers having common or homogenous about Service security

The average and standard deviation of Ease of use (3.6167, 0.66548) shows respondents Ease of use having strong idea and the standard deviation shows the customers having common or homogenous about Ease of use

The average and standard deviation of Performance (3.0044, 0.86591) shows respondents Performance having neutral idea and the standard deviation shows the customers having common or homogenous about Performance

The average and standard deviation of Service content (3.4333, 0.80712) shows respondents Service content having neutral idea and the standard deviation shows the customers having common or homogenous about Service content

4.4 Tests for the Linear Regression Model Assumptions

In order to make the data ready for analysis and to get reliable results from the research, the model stated previously was tested for five CLRM assumptions. Among them the major ones are: test for heteroscedasticity, normality and constant variable. Accordingly, the following subsection presents the tests made.

4.4.1 Assumption one: the errors have zero mean ($E(\epsilon) = 0$) or constant variable

The first assumption states that the average value of the errors should be zero. According to (Brooks 2008) if the regression equation contains a constant term, this presumption will never

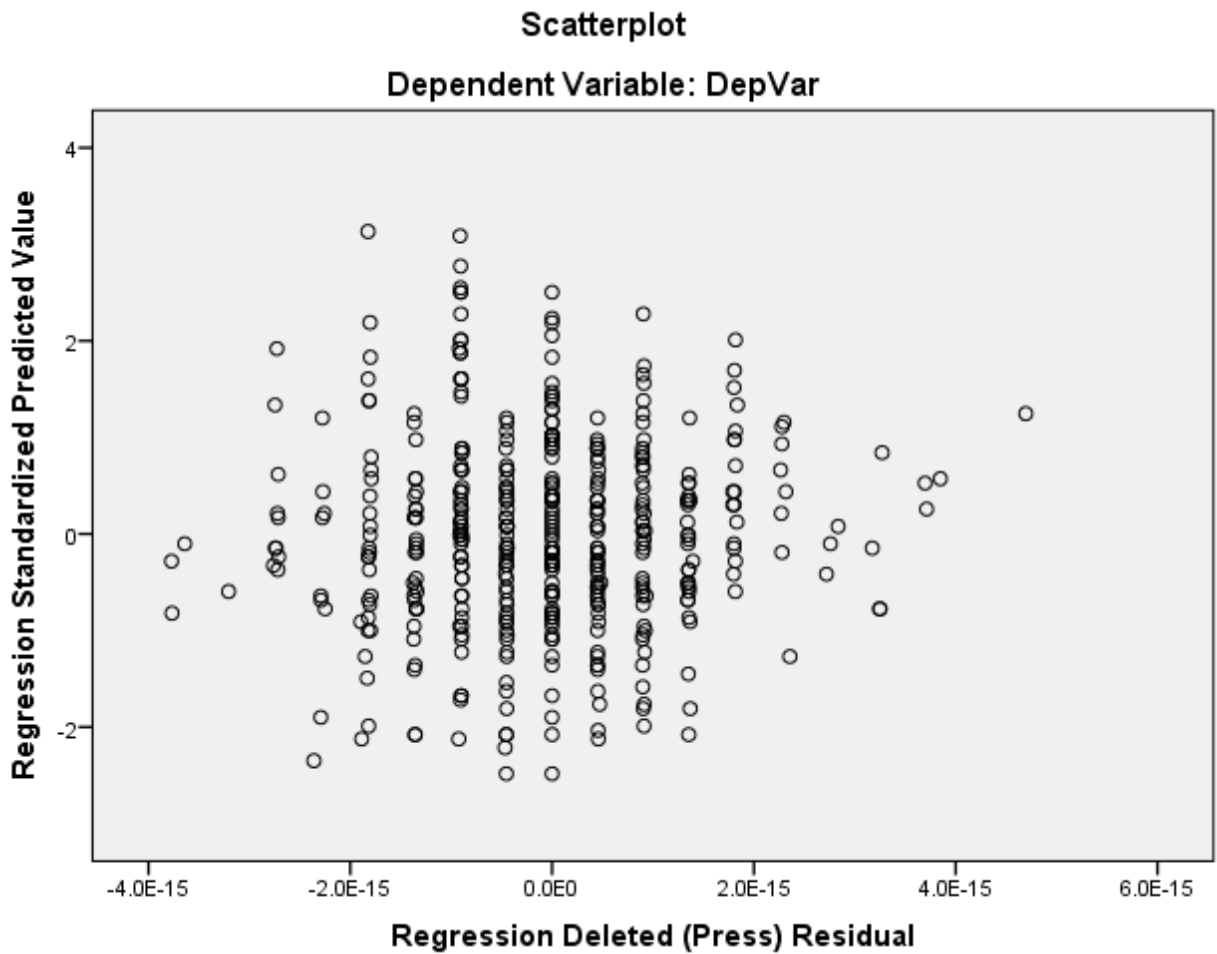
be breached. Therefore, since from the regression result table the constant term (i.e. β_0) was included in the regression equation; this assumption holds good for the model.

4.4.2 Assumption two: homoscedasticity (variance of the errors is constant)

$$(\text{Var}(\mu_t) = \delta^2 < \infty)$$

Heteroskedasticity is a systematic pattern in the errors where the variances of the errors are not constant. When the variance of the residuals is constant it is referred as homoscedasticity, which is desirable. To test for the absence of heteroscedasticity white test was used in this study. In this test, output residuals have no any kind shape as what we have seen from the following figure

Figure 4.1 Heteroskedasticity Test



4.4.3 Assumption three: Normality (errors are normally distributed $\mu_t \sim N(0, \sigma^2)$)

A normal distribution is not skewed and is defined to have a coefficient of kurtosis 3. Jarque-Bera formalizes this by testing the residuals for normality and testing whether the coefficient of skeweness and kurtosis are zero and three respectively. Normality assumption of the regression model can be tested with the Jarque- Bera measure. If the Jarque Bera value is greater than 0.05, it's an indicator for the presence of normality (Brooks 2008).

The normality tests for this study as shown in Figure 4.2 the kurtosis is close to 3, and the Jarque-Bera statistic has a P-value of 0.531003 which is well over 0.05 implying that the data were consistent with a normal distribution assumption.

Figure 4.2 Normality Test result

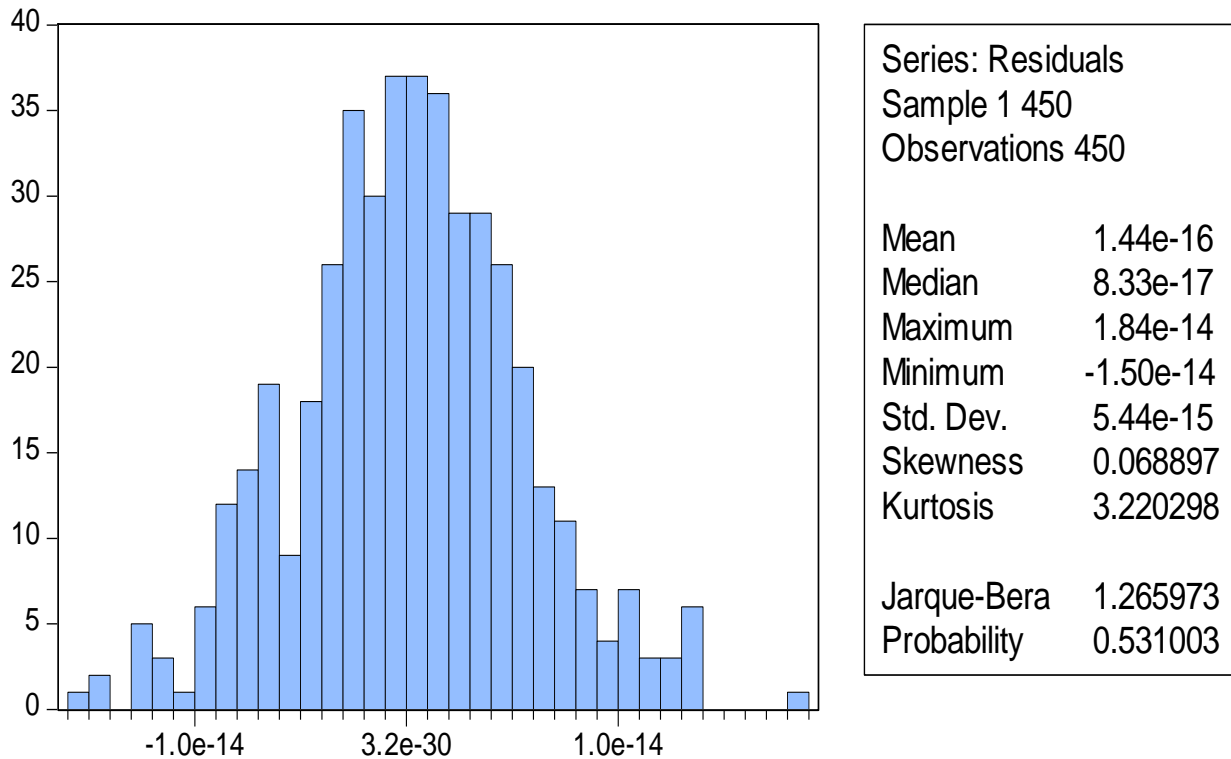


Table 4.14: Regression Coefficient Analysis of the Model

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	.034	.015	2.303	.022
	Safety reliability	.100	.004	26.852	.000
	Transactions efficiency	.098	.004	27.764	.000
	Customer support	.197	.004	46.987	.000
	Service security	.190	.004	43.749	.000
	Ease of use	.200	.004	47.313	.000
	Performance	.103	.003	35.223	.000
	Service content	.104	.004	28.151	.000

As we have seen from the regression table all the seven dimensions are highly significant for customer satisfaction. For example the p-value for safety reliability is 0.000 which is smaller than the significant level 0.001, the p-value for transaction efficiency is 0.000 for customer satisfaction. In addition to this, the remaining dimensions are also highly significant since their p-value is less than 0.001.

Based on unstandardized coefficient all the seven dimension for e-banking customer satisfaction their coefficient are (0.200,0.197,0.190,0.104,0.103,0.100 and 0.098) ease of use, customer support, service security ,service content , performance , safety reliability and transaction respectively.

Table 4.15: Goodness of fit the model

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	118.686	7	16.955	7699.010	.000 ^b
	Residual	.973	442	.002		
	Total	119.660	449			

a. Dependent Variable: E-banking customer satisfaction

b. Predictors: (Constant), Ave Service content, Ave Transactions efficiency, Ave Performance, Ave Customer support, Ave Safety reliability, Ave Ease of use, Ave Service security

The model that this study fit is good for our data, having goodness of fit model the dependent variable on the independent Variables.

4.5 Responses from Banks Interview

With the interview carried out on the Dashen bank and Wegagen bank about the issues of e-banking the following responses were found.

As to the use of e-banking with their customers Dashen Bank responded the younger the generation the more they used to the new technological advancement as compared to the older generation. The bank responded that those in their middle age were less likely to use e-banking than the youngest group of customers. Moreover, younger adults would be very much interested in utilizing innovative e-banking service

Concerning Gender the bank doesn't have a database which expresses proportion customers' sex, occupation, and highest percentage of the users of e-banking. In contrast, self-employed and employers are Minimum but students account is the second highest portion of the e-banking users. Customers with busy lifestyle would be very much likely to adopt e-banking since it is a necessity, accessible at anytime and anywhere and is convenient for them.

About the educational background, those individuals who have a diploma, first degree, and masters are the largest group of people who uses e-banking according to the response. Education plays a significant role in the usage of e-banking technology.

Regarding e-banking customers account type the bank indicated that the customers use both checking account and saving account. Dashen Bank customers use ATM and POS cards for withdrawal of cash and shopping at enterprises by their account through any of E-banking. E-banking service are available linked with account information with view of all customers transaction that enables customers to access detail on dealing current and saving accounts, loan particulars, letters of credits, check book status and all customers financials demands they have with the bank 24/7. Dashen Bank works in partnership with brands in the electronic payments

industry (American express VISA, Master card, and union pay cards). Dashen Bank puts ATMS for its own cardholders as well as other international visas, master card, union pay, and American express cardholders visiting the country from abroad. Available service on Dashen bank service are cash withdrawal, balance inquiry, mini statement, fund transfer between accounts attached to a single card, PIN (Personal identification Number) change, PIN unblock.

Internet banking can be used at Dashen Bank using URL <http://www.dashenbankib.com.et> on all types of search engines like Mozilla Firefox and chrome. The major services in internet banking are account information, enquiries, mini statement, full statement, Daily exchange rate loan statement, fund transfer within Dashen Bank to other local bank accounts, salary and provident fund upload, electronic bill payment (utility payment, stop cheque payment, cheque book order, password change and other services.)

To use Dashen bank's mobile banking a customer is expected to install Dashen bank mobile apps. Hence, after installing the apps the service are fund transfer within own bank account and wallet accounts, fund transfer through mobile phone for those who registered for mobile, fund transfer to others who have only mobile phone/no, mini statement and checking account history of wallet account balance enquiry on bank account and wallet account, PIN change fund transfer from bank account to bank account for those who registered for mobile service, merchant payment and bill payment.

The mobile wallet (E-wallet account) is an account used to store electronic money on a mobile phone which used to deposit e-money, withdraw e-money and transfer money to others and to make payments.

Agency Banking "Ende bank" is the name derived from English word agent. The major at Dashen's agency banking are: E-wallet account opening /registration/ cash deposit to wallet account, cash withdrawal from wallet account, fund transfer to others who have only mobile phone/ No, bill payment and merchant payment.

The bank has got customer support office which works 24/7 to support e-banking users. The bank responded subsequent points as challenges in its e-banking service operation. The e-banking channels couldn't deposit, unable to work on the foreign exchange. Besides these, National poorly developed telecommunication infrastructure and Lack of infrastructure for

telecommunications, Internet and online payments impede smooth development and improvements electronic banking operations of the bank in the city.

Wegagen Bank in its part responded that the bank has deployed ATM mobile banking, Agency banking, internet banking, corporate internet banking and Retail internet banking even if there is no registered users list the bank disclosed that most of its e-banking users are college and university students, employees and sometimes businessmen.

As explained by the bank e-banking demands awareness to the existing technological advancement hence it is easy to customize those educated customers to use it. Concerning the account type the bank uses both checking account and saving account. Individuals are highly encouraged to open either one or both accounts than corporate accounts. The bank uses internet banking as for enterprise to easily run their money. Retail internet banking at Wegagen Bank offered to individuals and business whose accounts is run by a single signatory. This service enables customer to transfer funds to their own accounts and to others customers' accounts within the bank, transfer funds to non-account holders, request cheque book view, cheque status and stop cheque payments, view loan contract details and account balance, view mini and full statement of accounts and foreign exchange rate, corporate internet banking this is a service intended for companies or institution whose accounts are run by more than one signatory, on top of the service listed under retail internet banking allows companies or institutions to make bulk payments such as salaries and benefits to their employees. Regarding ATM Banking, the bank provides payment card service through its Agar debit card. Customers can withdraw money 24/7 from ATMS deployed at branches and other selected market sites. Besides, using this card customer can effect payments for goods and services rendering organizations such as supermarkets restaurants, hotels and travel and tour agencies in Addis Ababa and regional towns. The bank's payment card also accepts all visa international cards. With Mobile banking, by dialing to *866#, customers can get the following service transfer fund to own accounts and to other customers account within the bank, transfer funds to non-account holders request cheque book, view cheque status and stop cheque payments, Receive SMS alerts and view loan contract detail and account balance.

In relation to challenges, Wegagen bank expressed National bank e-banking supervision and regulation on electronic banking is very weak. The bank faced lack of suitable legal and

regulatory framework for e-banking. Ethiopian current laws do not accommodate electronic banking except the single electronic banking proclamation. Within the bank itself employee skill gap on e-banking operations, internal network band width limitation and telecom network are some of the obstacles in e-banking operations.

4.6 Discussion of the Study Result

The objective of the study was to assess the effect of E-banking on customer satisfaction. The researcher tried to assess the effect of e-banking in the context of seven dimensions which include (safety reliability, transaction efficiency, customer support, and service security, ease of use, performance and service content). The findings indicate that all the dimensions are affecting e-banking customer satisfaction. The following discussion was about e-banking and its impact on customer satisfaction and related factors.

Based on unstandardized coefficient all the seven dimension for e-banking customer satisfaction their coefficient are (0.200,0.197,0.190,0.104,0.103,0.100 and 0.098) ease of use, customer support, service security, service content, performance, safety reliability and transaction respectively. Parasurman et al, 1988, (Yang, Jun and Peterson, 2004), (Lui & Amett, 2000), (Storback et al, 1994) cited in (Thahkur, 2011) identified that ease of use and satisfaction are critical factors on the use of e-banking. The results are also consistent with other research findings like (Jun et al, 1999; Jannatul, 2009; Parsurman et al, 1988; Yang, Jun and Peterson, 2004, Lui & Amett, 2000) found that reliability provide higher degree of satisfaction on e-banking. Storback cited in (Thahkur, 2011) also empirically found that e-banking transaction efficiency and customer satisfaction have positive relationship.

Type of account the respondents maintain with the bank was 401 (89.1%) of respondents reported that the type of account the respondents maintain with the bank was saving account, 42 (9.3%) of the account the respondents maintain with the bank was checking account. Study result of Million Assefa indicate that the sample respondents 96.52% of 402 respondents were users of saving accounts and the rest 3.48% were users of current account and from the 96.52% who use saving account all of them were ordinary saving holders. There are no sample respondents for checking saving and other types of accounts from respondents. The interview

responses support this result of customers that is the interview result found that the bank provide the service for ordinary saving account holders and current account holders and almost majority of the users are ordinary saving account holders and there is no time limit set as pre condition for customers to be e-banking users.

Respondents level of satisfaction with the e-banking service rendered by the bank. Regarding to this 194 (43.18) respondents reported that as they were somewhat satisfied. 78 (17.3%) of respondents reported that as they somewhat dissatisfied. Thus, from the above information the respondents were somewhat satisfied to the level of satisfaction with the E-banking service provided by the banks. Regarding to this, Million indicate that the response of customers question which compare the satisfaction of customer between ordinary banking and e-banking 95.02% of the 402 respondents said that e-banking has given them more satisfaction than ordinary banking and only 4.98% said they are dissatisfied. The responses for e-banking service delivery channel 96.02% use ATM and 3.98% use both ATM and POS no user of internet banking and mobile banking and other types of delivery channels. The interview responses support the results obtained from customers that is the four branches said that the types of e-banking service delivery channels currently provided by them are ATM and POS and majority of the users use ATM to transact and from the oral feedback they got from customers the technology has given more satisfaction to customers.

Similarly, other studies conducted by Million Assefa, 2013 and others indicate that the level customers satisfaction was improved or increased after using e-banking than ordinary banking. The result of the study is against the findings of Ahmed B.(2005) who found Nigerian banks e-banking customers responded the improvement of their satisfaction in e-banking than ordinary banking. This study also disprove the findings of Belay Deribe and Ebisa Deribie (2012) in their study of the evaluation of customer satisfaction on bank services in Jimma Commercial bank of Ethiopia which was found from sample respondents that indicate absence of no change the satisfaction and the benefits they got from e-banking and ordinary banking and got best benefits and satisfaction through e-banking service than ordinary banking. But the findings of this study is supported by the findings of Fenuga O.J. (2010) from his study the effects of electronic

payment on customers satisfaction in Nigerian banks customers that electronic payment system have affected customer satisfaction increment by large than ordinary banking.

Philipos L. B. (2013) in his study of customer satisfaction and e-banking service in some selected banks of Ethiopia found out that customer satisfaction in e-banking has significant relationship with convenience, reasonable and fair fees (charges) during transaction, efficient service of e-banking, privacy, security, reliability and responsiveness of employees to solve e-banking service failure and assessed in the context of above variable that has impact on customer satisfaction in e-banking.

Geeta Sharma & Surendra Malviya (2014) in their study “Internet Banking Service Quality and Its Impact on Customer Satisfaction in Indore District of Madhya Pradesh” mainly focuses on internet banking service quality to maintain customer satisfaction. The work attempts to develop a model based on service quality dimensions, with the purpose to investigate impact of service quality on customer satisfaction. The main objectives of this empirical study is to explore internet banking service quality factors and to analyze its impact on customer satisfaction .The study found that there is a positive impact of service quality dimensions like website ease of use, comfort, accessibility are influential factors while confidence and responsiveness also have significant impact on satisfaction of the online customers. The empirical results show that there is a direct relationship between internet banking service quality dimensions and customer satisfaction in the banking industry.

Justus Muthuri Marete, Henry Peter Gommans & Gongera Enock George (2014) in their study “Evaluation of E-Banking Services on Customer Satisfaction: Case of National Bank of Kenya” provide empirical evidence regarding satisfaction of customers with e-banking and provide recommendations. It also evaluated customer satisfaction with e-banking service at National Bank of Kenya. The main objective of the study is to investigate e-banking web design; exploration of e-banking customer service; assessment of e-banking assurance and examination of preferential treatment of e-banking effect on customer satisfaction in the banking industry. It is found that more customers were satisfied with most dimensions of e-banking service in NBK.

Ogunlowore Akindele John & Oladele Rotimi (2014) made “An Analysis of Electronic Banking

and Customer Satisfaction in Nigeria.” This study examines the impact of electronic banking on satisfaction of corporate bank customers in Nigeria. The study found that there is a significant relationship between electronic banking and customers’ satisfaction. The paper suggests that critical infrastructure like power; security and telecommunication should be strengthened to ensure the application of electronic banking in Nigeria and optimum satisfaction on the part of customers. There is a significant improvement in general banking services as a result of the introduction of electronic banking, while the level of profit made by banks can be attributed partly to the introduction of electronic banking. Electronic banking has help to increase banks market share.

S. Fatemeh Sakhaei Ahmad J. Afshari Ezzatollah Esmaili (2014) assesses the impact of Service Quality on Customer Satisfaction in Internet Banking. This study attempts to investigate service quality indexes in Internet Banking. The purpose of this research is to understand the impact of service quality factors of Internet Banking on customer satisfaction in Iran. The paper also attempts to evaluate the influence of service quality on customer satisfaction in Internet Banking. The study found that the reliability has most relation and website design has least relation to customer satisfaction.

Nittala, Rajyalakshmi and Kameswari, Vijaya (2011) in their article “Service Quality and Customer Satisfaction in State Bank of India” have suggested that several studies have been carried out by various researchers of India and abroad, to find out the various service quality factors that lead to customer satisfaction. There is a growing body of literature regarding the effect of quality service on the functioning and success of the banks. Given the growth of services over the past several years, there have been a variety of studies on different issues pertaining to service quality; many researchers have recognized the need to develop measures of service quality.

Mobarek, Asma (2009) in her article “E-Banking Practices and Customer Satisfaction - A Case Study in Botswana” cleared that Banks' external environment, including globalization and deregulations, have made the banks highly competitive. Banks find it difficult to compete on price, and need to look at other ways to retain customers. Sultan Singh , Ms.Komal (2009).

Impact of ATM on Customer Satisfaction (A Comparative Study of SBI, ICICI & HDFC bank) presents the impact of ATM on customer satisfaction. This is a comparative study of three major banks i.e. State Bank of India, ICICI bank and HDFC bank.

Khaled, Al-Hashash and Bahzadi, Abdulrasoul Hussain (2008) in their article “Bank's Customer Satisfaction in Kuwait: An Exploratory Study” explained that Customer satisfaction is a significant subject for most marketers. Their proposal project aimed to investigate customer satisfaction in the retail banking in state of Kuwait.

In similar fashion, in this study result indicate that the majority of respondents were male sex category. The majority of respondents were in the age category of 25-35. The majority of respondents were at educational level of BA/BSC. The majority of the respondents were employed individuals. This study result was supported by the study result of Vijay M. (2012) the majority of respondents were male, the sample respondents age were 35 and below, the occupationally which was businessmen and retired and the rest where salaried and students. This study result also supports the result of study of Abenet Yohannes (2010) the study of key factors that determine the adoption of internet banking in Ethiopia in which his findings revealed that demographic factors have relationship with the adoption of internet banking in Ethiopia and also found that the majority of the users are younger and most of the current users of internet banking in the country are the educated who were diploma and above.

In contrary this study result is against the study result of Jayaraman M.et.al. (2012) in Klang Valley, Malaysia, about the study of demographic factors in adoption of retail internet banking factors that found that there is no relationship between gender, age, education, occupation and annual income with that of adoption of retail internet banking and only race has relationship

CHAPTER FIVE

SUMMERY, CONCLUSION AND RECOMMENDATION

5.1 Summary of the Major Findings

The purpose of the study is assessment of the effect of e-banking service on customer satisfaction the case of commercial banks in Addis Ababa.

- Regarding the type of customers with the bank was depositor. The type of account that respondents maintain with the bank was checking account. From the mean and standard deviation table the respondents were somewhat neutral about the level of satisfaction by the respondents with the E-banking service provided by the banks.
- To assess the feeling of the respondents about E-banking seven dimensions were tested with chi-square. From the data regarding safety and reliability three hypothetical statements were designed which are E-banking performs the service right at the first time, E-banking deliver the service exactly as promise ,E-banking completes a task accurately. All of them are significant for customer satisfaction, because the calculated significance value was .000 which is less than the usual statistical significant value 0.05 ($P < 0.05$).
- Regarding Transactions efficiency three hypothetical statements were designed which are Information in E-banking is up to date, E-banking provide complete help function, Transaction process is fast. All of them are significant for customer satisfaction, because the calculated significance value was .000 which is less than the usual statistical significant value 0.05 ($P < 0.05$).
- About Customer support six hypothetical statements were designed which are E-banking contains enough services. In case of problem happened I can contact staff immediately, E-banking contains comprehensive section to guide for common problem, E-banking process to solve problem fast, E-banking provide knowledgeable staff to solve problem and Staff can describe step to use and condition to use clearly. All of them are significant for customer satisfaction, because the calculated significance value was .000 which is less than the usual statistical significant value 0.05 ($P < 0.05$).

- Concerning Service security six hypothetical statements were designed which are E-banking keeps accurate record of transaction, E-banking provide security for transaction data and privacy, No problem during using E-banking service , E-banking is secure, Feel safe when using E-banking , Can check validity and detail of past transaction every time. All of them are significant for customer satisfaction, because the calculated significance value was .000 which is less than the usual statistical significant value 0.05 ($P < 0.05$).
- Relating to ease of use six hypothetical statements were designed which are Easy to find information in the E-banking system, The language in E-banking is easy to understand, The output format is easy to read, Information and text are clear and easy to understand E-banking system provides clear instruction, E-banking display output or transaction fast. All of them are significant for customer satisfaction, because the calculated significance value was .000 which is less than the usual statistical significant value 0.05 ($P < 0.05$).
- In relation to Performance three hypothetical statements were designed which are E-banking provide in multi-language, E-banking provide 24hours -7 days service and Allow to transfer between bank. All of them are significant for customer satisfaction, because the calculated significance value was .000 which is less than the usual statistical significant value 0.05 ($P < 0.05$).
- About Service content three hypothetical statements were designed which are E-banking provides information that exactly fits needs, E-banking provides accurate information, and E-banking provides information that trust. All of them are significant for customer satisfaction, because the calculated significance value was .000 which is less than the usual statistical significant value 0.05 ($P < 0.05$).
- Besides these, National poorly developed telecommunication infrastructure and Lack of infrastructure for telecommunications, Internet and online payments impede smooth development and improvements electronic banking operations of the bank in the city.
- National bank e-banking supervision and regulation on electronic banking is very weak. The bank faced lack of suitable legal and regulatory framework for e-banking. Ethiopian current laws do not accommodate electronic banking except the single electronic banking proclamation.

- Within the banks employee skill gap on e-banking operations, internal network band width limitation and telecom network are some of the obstacles in e-banking operations

From the regression result all the seven dimensions are highly significant for customer satisfaction, the p-values for all the seven dimensions is 0.000 which is smaller than the significant level 0.001. and also Based on unstandardized coefficient all the seven dimension for e-banking customer satisfaction their coefficient are (0.200, 0.197, 0.190, 0.104, 0.103, 0.100 and 0.098) ease of use, customer support, service security, service content, performance, safety reliability and transaction respectively.

5.2 Conclusion

The purpose of the study is assessment of the effect of e-banking service on customer satisfaction the case of selected commercial banks in Addis Ababa. To produce this study the researcher designed seven dimensions which include safety and reliability, transaction efficiency, customer support, service security, ease of use and performance and service content. Under each dimension there are statements designed to describe the dimensions. The seven dimensions were significantly affecting the level of satisfaction of customers under study. Moreover test was done using chi-square and regression. From the descriptive statistics the study indicate that customers are neutral about their level of satisfaction on service quality dimensions in the banks.

In addition to this using qualitative interview for the representatives of the banks the study has identified the following points as challenges of electronic banking operations: National poorly developed telecommunication infrastructure and Lack of infrastructure for telecommunications, Internet and online payments impede smooth development and improvements electronic banking operations of the bank in the city. National bank e-banking supervision and regulation on electronic banking is very weak. The bank faced lack of suitable legal and regulatory framework for e-banking. Ethiopian current laws do not accommodate electronic banking except the single electronic banking proclamation and within the banks employee skill gap on e-banking operations, internal network band width limitation and telecom network are some of the obstacles in e-banking operations.

Future researchers can work on effects of e-banking on customer satisfaction if the setting is diverse, incorporating other variables which are new, customers which are using the traditional bank services and new banks which are emerging yet couldn't start e-banking services to their customers

5.3 Recommendations

Based on the information which is described above, the researcher attempted to recommend the following possible solutions.

- Easy-to-use internet banking is important for all customers so, Banks should aim to make their electronic banking as simple and easy to use as possible so that customers do not perceive them as being complicated or difficult to use. This gives insights for web page developers to design an internet banking system interface and Websites which are more user-friendly with clear instructions for users.
- Awareness creation programs has to be done redundantly on the existence of e-banking, formal trainings should be organized by the banks for customers in order to increase customers' awareness about e-banking and how to use rather than providing the card only.
- The commercial banks and other stakeholders should work on service security of E-banking. The banks should prepare typical security technologies applicable to control system networks such as firewall, intrusion detection and prevention.
- During design, and prior to implementation of service content, it is strongly recommended that users of different ages, and with a range of capabilities and limitations be engaged to trial the new service and provide feedback. The banks should test accessibility of their customer electronic banking with both automated tools and user-friendliness trials.
- Banks should regularly train their workers who in turn will educate their customers on electronic banking system and its products. This will enhance the in-depth understanding of the products and the way they are being used. Hence more customers with deposits will be attracted. Besides this, the bank should also organize seminars, workshops, symposia and public lectures to bank customers and general public on the application of

information and technology with E-banking system. This will aid to increase the use of various E-banking products

- The commercial banks and other stakeholders should work on awareness creation, conducting further research, organize symposium about E-banking safety reliability.
- The banks should provide e-banking service for other types of account holders and encourage customers to use other E-banking channels like they did on ATM.
- Banks should communicate frequently with their network providers to ensure that there is 24/7 network availability if e-banking must be improved
- For the successful process of E-banking system information communication technology infrastructure, is a major precondition, hence, government, should assist banking sector by investing on information communication technology infrastructure development.

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APPENDIX

QUESTIONNAIRE

Dear Respondents,

This questionnaire is designed to gather information about *the effect of e-banking service on customer satisfaction: the case of selected commercial banks in Addis Ababa*. All responses will be used to conduct a study for the partial fulfillment of Masters Thesis in Business Administration (MBA). I would like to assure you that you will be guaranteed anonymity as I do not ask your name here and your responses will not be used for any other purposes other than the intended purpose. Besides, this survey should only take about **10 minutes** of your time. I am grateful for your cooperation in advance!

N.B Please put a “√” mark to all your responses in the circle provided beside each statement.

1. Gender:	Male <input type="checkbox"/>	Female <input type="checkbox"/>			
2. Age:	18-24 <input type="checkbox"/>	25-35 <input type="checkbox"/>	36-50 <input type="checkbox"/>	51-60 <input type="checkbox"/>	Above 60 <input type="checkbox"/>
3. Marital status:	Single <input type="checkbox"/>	Married <input type="checkbox"/>	Divorced <input type="checkbox"/>	Widowed <input type="checkbox"/>	
4. Current Education level	Illiterate <input type="checkbox"/>	Primary <input type="checkbox"/>	High school <input type="checkbox"/>	TVET <input type="checkbox"/>	BA/BSc <input type="checkbox"/>
	MA/MSc <input type="checkbox"/>	PhD <input type="checkbox"/>	Above PhD <input type="checkbox"/>		
5. Occupation:	Unemployed <input type="checkbox"/>	Student <input type="checkbox"/>	Employed <input type="checkbox"/>	Business man/woman <input type="checkbox"/>	
	Retired <input type="checkbox"/>	Retired <input type="checkbox"/>			
6. Which type of customer are you with the bank?					
Depositor <input type="checkbox"/>		Borrower <input type="checkbox"/>		Both depositor& borrower <input type="checkbox"/>	
7. If you are depositor, which type of account do you maintain with the bank?					
Checking Account <input type="checkbox"/>			Saving Account <input type="checkbox"/>		
8. Do you use ATM e-banking service?					
Yes <input type="checkbox"/>		No <input type="checkbox"/>			
9. Do you use Point of Sale e-banking service?					
Yes <input type="checkbox"/>		No <input type="checkbox"/>			
10. Do you use Mobile banking e-banking service ?					
Yes <input type="checkbox"/>		No <input type="checkbox"/>			

11. Do you use Internet banking e-banking service ?				
Yes <input type="checkbox"/>	No <input type="checkbox"/>			
12. How satisfied are you with the e-banking service provided by your bank?				
Very Dissatisfied <input type="checkbox"/>	Somewhat Dissatisfied <input type="checkbox"/>	Neither Satisfied nor Dissatisfied <input type="checkbox"/>		
Somewhat Satisfied <input type="checkbox"/>	Very Satisfied <input type="checkbox"/>			
13. My expectations before the use of e-banking have been met with this current experience ?				
Strongly Disagree <input type="checkbox"/>	Disagree <input type="checkbox"/>	Neutral <input type="checkbox"/>	Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>
14. I find the E-banking application quite pleasant				
Strongly Disagree <input type="checkbox"/>	Disagree <input type="checkbox"/>	Neutral <input type="checkbox"/>	Agree <input type="checkbox"/>	Strongly Agree <input type="checkbox"/>

This part of the questionnaire covers about customer feelings about E-banking service rendered to them in bank's day-to-day operation. Please indicate how much you agree or disagree with each of the following statements by circling the number that best represents your opinion. 1 indicates strongly disagree, 2 indicates disagree, 3 indicates neutral, 4 indicates agree and 5 indicates strongly agree.

No	Dimensions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Safety reliability						
1	E-banking performs the service right at the first time	1	2	3	4	5
2	E-banking deliver the service exactly as promise	1	2	3	4	5
3	E-banking completes a task accurately	1	2	3	4	5
Transactions efficiency						
1	Information in E-banking is up to date	1	2	3	4	5
2	E-banking provide complete help function	1	2	3	4	5
3	Transaction process is fast	1	2	3	4	5
Customer support						
1	E-banking contains enough services	1	2	3	4	5
2	In case of problem happened, I can contact staff immediately	1 ⁱⁱⁱ	2	3	4	5

3	E-banking contains comprehensive section to guide for common problem	1	2	3	4	5
4	E-banking process to solve problem fast	1	2	3	4	5
5	E-banking provide knowledgeable staff to solve problem	1	2	3	4	5
6	Staff can describe step to use and condition to use clearly	1	2	3	4	5

Service security						
1	E-banking keeps accurate record of transaction	1	2	3	4	5
2	E-banking provide security for transaction data and privacy	1	2	3	4	5
3	No problem during using E-banking service	1	2	3	4	5
4	E-banking is secure	1	2	3	4	5
5	Feel safe when using E-banking	1	2	3	4	5
6	Can check validity and detail of past transaction every time	1	2	3	4	5
Ease of use						
1	Easy to find information in the E-banking system	1	2	3	4	5
2	The language in E-banking is easy to understand.	1	2	3	4	5
3	The output format is easy to read.	1	2	3	4	5
4	Information and text are clear and easy to understand	1	2	3	4	5
5	E-banking system provides clear instruction.	1	2	3	4	5
6	E-banking display output or transaction fast	1	2	3	4	5
Performance						
1	E-banking provide in multi-language	1	2	3	4	5
2	E-banking provide 24hours -7 days service	1	2	3	4	5
3	Allow to transfer between bank	1	2	3	4	5
Service content						
1	E-banking provides information that exactly fits needs.	1	2	3	4	5
2	E-banking provides accurate information.	1	2	3	4	5
3	E-banking provides information that trust.	1 ^{iv}	2	3	4	5

INTERVIEW QUESTIONS FOR THE COMMERCIAL BANKS

1. How do you express the demographic distribution of your bank's e-banking users?
2. Which type of e-banking channel does your bank render?
3. For which type of account holders does the bank provide e-banking service?
4. Does the bank consider its e-banking service meet customers satisfaction?
5. Is your bank's e-banking service as expected by customers and available 24/7?
6. Could you explain the e-banking service quality of your bank?
7. What are the impediments of your bank's e-banking service in relation to customer satisfaction?