ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

THE IMPACT OF SERVICE QUALITY DIMENSIONS ON CUSTOMER SATISFACTION IN COMMERCIAL BANK OF ETHIOPIA FOREIGN TRANSFER & NR/NT ACCOUNTS BRANCH (CBE FTNR/NT)

BY:

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DECEMBER, 2016

ADDIS ABABA, ETHIOPIA

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ENDORSEMENT

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

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Advisor   Signature

St. Mary's University College, Addis Ababa   December, 2016

DECLARATION

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

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Name   Signature

St. Mary's University, Addis Ababa   **December,2016**

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ACKNOWLEDGEMENTS

ACRONYMS

1. ATM: Automated Teller's Machine

2. CBE FTNR/NT: Commercial Bank of Ethiopia Foreign Transfer Non Repartable/ Non Transferable

3. SERVQUAL: Service Quality

4 SPSS: Statistical Package for Social Sciences

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ABSTRACT

This research examined the impact of service quality dimensions on customer satisfaction in CBE FTNR/NT Accounts branch by applying SERVEQUAL model comprising five dimensions: Tangibility, reliability, responsiveness, empathy and assurance. To achieve the objectives of this study, data was collected through self-administered questionnaire from a sample of 358 CBE FTNR/NT Accounts branch customers. These respondents were selected using convenient sampling technique. The data collected from the questionnaire were analyzed using statistical tools such as mean, standard deviation, Pearson correlation, and multiple regression analysis. The results of this study indicate that responsiveness, reliability and assurance have positive and significant impact on customer satisfaction with responsiveness having the highest impact. However, tangibility has negative and significant impact on customer satisfaction and empathy has insignificant impact on customer satisfaction. The finding of this study also indicates that customers were most satisfied with Assurance dimension as compared to the other dimensions. On the contrary, customers were less satisfied with tangibility dimensions of service quality. Furthermore, the service quality dimensions explain 54.5% of the variations in customer satisfaction in CBE FTNR/NT Accounts branch. Therefore, the bank should improve its responsiveness to increase customer satisfaction. Furthermore, reliability dimension should also be improved by the bank.

Keywords: SERVQUAL, Tangibility, Reliability, Responsiveness, Assurance, Empathy, and Customer satisfaction.

CHAPTER ONE
INTRODUCTION

In this introductory chapter background of the study, background of Commercial Bank of Ethiopia(CBE), statement of the problem, research question, objectives of the study, definition of terms, significance of the study, scope of the study, limitation of the study and organization of the study are discussed.

1.1 Background of the Study

Service companies regard service quality an important tool to maintain their competitive advantage in the marketplace. Due to the fact that financial services such as banks' competition vary in the market using differentiated products, these services are regarded as a basically competitive tool (Logasvathi, &Haitham 2015).In other words, a banking sector can attract customers by providing high quality services. Therefore, structural adjustment has led to banks that are able to carry out various activities which in turn, allow them to be more competitive even against non-bank financial institutions (Angur, M, Nataraajan,R & JrJaherea, J,(1999).

The premise of "service quality" as a tool for gaining competitive advantage and lead in a market-driven system has been well recognized by the financial institutions. However in current highly competitive corporate environment it has become increasingly important to not only become the market leader but also to maintain that top position (Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996) and Boltan& Drew, 1991).

Banks are key players in financial markets operations and play an important role in keeping a country's economy running smoothly. In today's highly competitive corporate environment, quality of services is an essential element for enhancing customer satisfaction. Banks must consider various antecedents (tangibles, reliability, responsiveness, assurance and empathy) of service quality in order to have delighted customers (B. Sharp, & A. Sharp, 1997) and to enhance their performance and profitability (Hackl et al., 2000; Andereson et al., 1994; Lewis, 1993).

In any business–to-customer type of environment, satisfying a customer is the ultimate goal and objective. More often than not, it can be quite an issue. This is perhaps due to the fact that organizations sometimes do not really understand of what actually goes on in a customer's mind.

As such, this predicament has provided as a challenging task to most business conglomerates that places strong emphasis on customer relations. Although many researches and studies were conducted on the actual working of the customer's mind, till today it is a still a mystery (Jayaraman *&Ramaya*, 2010).

Therefore, this research will focus on assessing the impact of service quality on customer satisfaction in commercial bank of Ethiopia foreign transfer & NR/NT Accounts branch, Addis Ababa that functions with major problems such as inhospitable customer treatment, limited number of working counters, and improper way of dressing styles. Hence, studying these problems will bring about significant results to achieve the intended objective in general and uses as an input to the targeted bank in particular

1.2 Background of Commercial Bank of Ethiopia (CBE)

Among the banks operating in the Ethiopian economy Commercial bank of Ethiopia (CBE) is the one. Commercial bank of Ethiopia was established in 1942.It has more than 980 branches stretched across the country. It is the leading African bank with assets of 303.6 billion as of June

30, 2015.The bank plays catalytic role in the economic progress and development of the country.

Currently CBE has more than 11 million account holders and the number of mobile and internet banking users also reached more than 460,000.00 as of September 30, 2015. Active ATM card holders reached close to a million. CBE has opened four branches in South Sudan and has been in the business since June 2009.

CBE was incorporated as a share company in December 1963 GC, to take over the commercial banking activities of the former state bank of Ethiopia and carry on all types of banking business and operations. It's the commercial successor of the former state bank of Ethiopia to whom all the branch network and established business of its predecessor were transferred in 1963 GC.

Now a day, CBE carries a comprehensive banking business such as, providing different types of loans for borrowers, Internet Banking, Mobile Banking, ATM/Visa Card, Interest Free Banking, different types of saving deposits, providing local and foreign money transfer and facilitating domestic and international trade in and between the county. It has more than 900 branches stretched across the country and the leading African bank with assets of 242.72 billion Birr as on

June 30th 2014. It plays a catalytic role in the economic progress & development of the country. Currently commercial bank of Ethiopia has more than 8.5 million account holders and has a strong correspondent relationship with more than 50 renowned foreign banks like Commerz Bank A.G., Royal Bank of Canada, City Bank, HSBC Bank...and it has a SWIFT bilateral arrangement with more than 700 others banks across the world. Pioneer to introduce Western Union Money Transfer Services in Ethiopia early 1990s and currently working with other 20 money transfer agents like Money Gram, Atlantic International (Bole), Xpress Money... It has opened four branches in South Sudan and has been in the business since June 2009.Commercial bank of Ethiopia has reliable and long-standing relationships with many internationally acclaimed banks throughout the world. (http://wwwcombanketh.com)

The vision, mission and values of the bank are stated below.

Vision:

"To become a world-class commercial bank by the year 2025.''

Mission:

"We are committed to best realize stakeholders values through enhanced financial intermediation globally and supporting –national development priorities by deploying highly motivated skilled and disciplined employees as well as state of the art technology .we strongly believe that winning the public confidence is the basis of our success."

Values

1. Integrity

☐We are committed to the highest ideals of honor and integrity.

☐We strive to act in an honest and trustworthy manner.

☐We firmly adhere to ethical principles.

2. Customer satisfaction

☐We strive to excel in our business and satisfy our customers.

☐We are committed to offer the highest quality service to our customers and aspire to be
          branded with quality in the mind of our customers and general public.

3. Employee satisfaction

☐We are committed to employee training and professional growth.

☐We distinguish our employees as valuable organizational resources.

☐We recognize our employees for their achievements.

4. Learning organization

☐We are committed to anticipate and respond to internal and external changes through constant improvement and adaptation.

☐We strive to establish a culture that nurtures individual and group learning.

5. Teamwork and collaboration

☐We recognize the importance of teamwork for our success.

☐We support to one another and working co-operatively.

6. Public trust

☐We understand that the sustainability of our business depends on our ability to maintain and build up the public confidence.

7. Value for money

☐We use resources carefully to save expense, time or effort.

☐We deliver the same level of service for less cost, time or effort.

☐We deliver a better service or getting a better return for the same amount of expense, time or effort.

8. Decentralization

☐We are committed to delegate operations and decision making responsibilities.

9. Corporate Citizenship

☐We value the importance of our role in national development endeavor and step-up for commitment.

☐We care about society's welfare and the environment.

The CBE is expected to play a pivotal role in financing the development efforts of the country and national priority areas. Driven by the ambitious and ever-growing demand of stakeholders, the Bank has been working hard to become a World-Class Commercial Bank that meets the expectations of all stakeholders. To this end, CBE has re-engineered its business process and is being transformed from a functionally-oriented bank into a process based institution that strives for efficient and effective service delivery. (Source: CBE HR manuals)

1.3 Statement of the problem

Although studies on the quality of banking services based on customer perceptions have been extensively investigated, no recent researches have been performed to investigate the impacts of the dimensions of service quality on customer satisfaction in the integrated model (Kheng et al., 2010). Furthermore, improving service delivery in the banking business is expected to affect the quality of service and customer satisfaction. On the other hand, the client will use a variety of dimensions / attributes that are important to customers to identify the quality of service through the customer satisfaction. These service

dimensions/attributes play a significant role within service measurement, since they serve as indicators of service quality and customer's satisfaction (Crane and Clark, 1988). As described before, service quality was found to influence the customer satisfaction.

In this regard, from the researcher observation the researcher knows that the customers of this branch are relatively different from other branch's customers since they are Diplomats, Diasporas, International organizations, Embassies, NGO's and Investors who have a great exposure of international Banking service. By taking in to acvount the customer's compliants the researcher also comes to identify the problems CBE FTNR/NT Accounts branch faces that can adversely affect the service quality and overall customer satisfaction. In which, waiting in queues, limited number of working counters, network failures, inhospitable customer treatment, improper way of dressing styles, not setting customer service standards, failing to measuring customer satisfaction level, assessment of customer needs and expectations being at a very low stage, not establishing system for handling customer complaints, not being cautious and strong in learning the changes taking place in the industry are the most important problems of this branch that can adversely affect the service quality and overall customer satisfaction.

Since service quality has been viewed as determinant of customer satisfaction. Therefore, this study will attempt to assess the impact of service quality on customer satisfaction in Commercial Bank of Ethiopia Foreign Transfer & NR/NT Accounts branch. Moreover, this study investigates the relationship between service quality and customer satisfaction using SERVQUAL instrument (Tangibility, Reliability, Responsiveness, Empathy and Assurance).

1.4 Research Questions

With the help of sufficient and appropriate empirical data on the impact of service quality on customer satisfaction, this study is going to answer the following Questions:

Q1: What is the level of service quality offered by CBE FTNR/NT Accounts branch when measured by service quality dimensions?

Q2: What is the impact of tangibility on customer satisfaction?

Q3: What is the impact of reliability on customer satisfaction?

Q4: What is the impact of responsiveness on customer satisfaction?

Q5: What is the impact of empathy on customer satisfaction?

Q6: What is the impact of assurance on customer satisfaction?

1.5 Research Objectives

1.5.1 General Objective of the study

The main objective of this study is to assess the level and impact of service quality dimensions on customer satisfaction at Commercial Bank of Ethiopia Foreign Transfer & NR/NT Accounts branch (CBE FTNR/NT).

1.5.2 Specific Objective of the study

The specific objectives of the study are:

- ❖ To assess the level of service quality dimensions in Commercial Bank of Ethiopia Foreign Transfer & NR/NT Accounts branch.

- ❖ To determine the impact of tangibility on customer satisfaction of CBE FTNR/NT Accounts branch.

- ❖ To determine the impact of reliability on customer satisfaction of CBE FTNR/NT Accounts branch.

- ❖ To determine the of impact responsiveness on customer satisfaction of CBE FTNR/NT Accounts branch.

- ❖ To determine the impact of empathy on customer satisfaction of CBE FTNR/NT Accounts branch.

- ❖ To identify the impact of assurance on customer satisfaction of CBE FTNR/NT Accounts branch.

1.6 Research Hypothesis

The research hypotheses is on the fact that service quality dimension had significant relationship with customer satisfaction and with service quality dimensions. The hypothesis is:

Hypothesis 1

Ho1: Tangibility will not have a positive and significant effect on customer satisfaction.

Hypothesis 2

Ho2: Reliability will not have a positive and significant effect on customer satisfaction.

Hypothesis 3

Ho3: Responsiveness will not have a positive and significant effect on customer satisfaction.

Hypothesis 4

Ho4: Empathy will not have a positive and significant effect on customer satisfaction.

Hypothesis 5

Ho5: Assurance will not have a positive and significant effect on customer satisfaction.

1.7 Significance of the study

The purpose of this study is to assess the impact of service quality on customer satisfaction in CBE FTNR/NT branch with respect to the service quality dimensions.

A research like this is essential to assess and improve service delivery and design especially in areas where gaps between expectations and perceptions are so wide to enhance customer satisfaction, because it will provide management with data that they can use in making inferences about the customers. (Wilson et al. 2006, 27).Thus the results of this study will be proved useful

for academics; business in the field of marketing and management researchers of customer satisfaction and service quality especially in service sector organizations.

1.8 Scope of the study

Because of the broad nature of this area of study, the researcher could not access all the literature concerning customer satisfaction and service quality because it would have been very voluminous. Thus, the researcher hovered in a limited aspect within the literature, thereby around the relationship between customer satisfaction and service quality dimensions of the SERVQUAL model. Although this topic concerns both the employees

and customers, the researcher focused on customers because the researcher is interested in viewing this subject from the customer perspective and customers who consume services.

1.9 Organization of the study

The study contains five chapters. The first chapter is introductory part that contains background of the study, background of the company, problem statement, research questions, objective of the study, significance of the study, scope and limitation of the study. The second chapter presents literature review that contains theoretical review, empirical review and the conceptual framework of the study. Then third chapter deals with methodology that specifies type of research, research design, sampling design, research instrument, methods of data collection, procedures of data collection, data analysis methods, validity, reliability and research ethics. In chapter four data analysis & discussion of result are included. In chapter five conclusion and recommendations are presented. Finally, references and copy of the questionnaires and SPSS outputs are annexed.

CHAPTER TWO
REVIEW OF RELATED LITERATURES

2.1 Chapter Introduction

The second chapter discusses the literature review. Related work and theories of different authors is discussed. This chapter comprises of seven sections. These are definitions of service quality and customer satisfaction, relationship between service quality and customer satisfaction, SERVQUAL, impact of service quality on customer satisfaction, factors that affect customer satisfactions, and the conceptual framework.

Successful business companies must obtain new and existing customers to be capable of obtaining the products and services provided rather than switch to competitors. Quality of service is considered a critical success factor for banks to differentiate from competitors. Several researches have been performed to determine the factors of service quality. For instance, studies have discovered that service quality can lead to customer satisfaction (Kheng et al., 2010; Muslim, &Isa, 2005). Customer satisfaction will tend to repurchase from the same service provider (Eshghi et al., 2008); in turn, company revenue will increase in the long run. Variations in service performance may provide opportunities to service quality, and customer satisfaction. Therefore, the relationships between these two aspects can provide bankers with insights into both tangible and intangible service development, particularly to develop a competitive edge in the Jordanian banking industry. The present study uses the SERVQUAL scale to measure customer satisfaction in the banking industry (Parasuraman et al., 1988).

2.2 Activities and Services of Banking

Many financial institutions are operating in every country. The bank is a one of the financial institution. But it differs from other firm because the bank collects money from

customer as a deposit and gives money to customer as a loan. So the bank acts as financial intermediaries between the depositors and borrowers. Deposits are liabilities to the bank. Deposit must be maintained by the bank to maximize the profit (Shelagh Heffernan2005). The bank acts as a debtor and creditor, principal and agent, bailer and bile and mortgagor and mortgagee between the customer and the bank.

The banks have expanded their services for the traditional important purpose. Generally the banking sector consists of processing in niche markets and the banks agree to give wide

range of additional financial product. These financial products include saving and current account , long term and short term loan , insurance services, real estate service, and stock broking services. Bank's non-financial service includes unit trust, pension fund, stock broking, and insurance and real estate services. Almost all banks are also active in off balance sheet business to improve their profitability. (Shelagh Heffernan 2005). The bank maintains financial statement such as balance sheet and profit and loss account to measure their financial performance. Main source of bank is a customer deposit. Deposits are reported on the balance sheet as a liability. These deposits are used by the bank for investment. This is assets for the bank. The bank capital arises from different between the total liability and total asset. On the other hand bank increasing their fund by issuing bonds and equity. (Barbara Casu 2006).

2.3 Service Quality

Services are a continuous process of on-going interactions between customers and service providers comprising a number of intangible activities provided as premium solutions to the problems of customers and including the physical and financial resources and any other useful elements of the system involved in providing these services (Grönroos, 2004).

Premium service quality is a key to gain a competitive advantage in services industry.The satisfaction level of customers is dependent on their perception of service quality andthe trust in service provider (Ismail et al., 2006; Aydin&Özer, 2005; and Parasuraman etal., 1988). By providing better quality services to customers, a firm revives the perceptionof customers about quality of services.

Parasuraman et al. (1985) defined service quality as the global evaluation or attitude of overall excellence of services. So, service quality is the difference between customers'

expectation and perceptions of services delivered by service firms. Buttle (2000) defined service quality in terms of meeting or exceeding customer expectations, or as the difference between customer perceptions and expectations of service.

2.4 Customer Satisfaction

It is important to understand what 'customer satisfaction' actually means. In business circles, the term refers to the kind of products and services a company provide in order to meet and exceed its customers' expectations. Organizations within the same market sector must assess the quality of their services if they are to attract and retain customers. It appears as though many researchers have conceptualized customer satisfaction as the feeling of pleasure or disappointment that an individual gains from comparing a perceived performance or outcome against their expectations (Oliver, 1981; Brandy and Robertson, 2001; Lovelock, Patterson and Walker, 2001).

The following criteria are laid down by Liu et al. (2008) for measuring the satisfaction level of customers regarding purchase and subsequent consumption of goods or services:

- ❖ *Satisfaction:* The perception developed by the customers that the goods or services are acceptable or tolerable.
- ❖ *Content:* The features of goods or services and the underlying benefits gives customer a positive consumption experience.
- ❖ *Relived:* The alleviation of the negative state of customers' mind of by the goods or services provided.
- ❖ *Novelty:* The goods or services bring freshness and excitement in customers.
- ❖ *Surprise:* The amazement and unexpected pleasure brought to people by goods or services consumed.

Additionally, studying the different phases of the customer relationship life-cycle highlights important issues and helps to depict the level of customer satisfaction at each phase. It also helps to emphasize on specific customer needs and expectations at each stage of the relationship (Ravald & Grönroos, 1996). Customer satisfaction signifies the relationship between customer and service provider. It brings about customer loyalty and incites a long term relationship between both sides.

2.5 Service Quality and Customer Satisfaction

The relationship between service quality and customer satisfaction has received considerable attention in the marketing literature (Brady & Cronin, 2001;2002; Cronin

&Taylor, 1992; Meuter, et al., 2000; Oliva, et al., 1992; Al-Hawary, et al., 2011; Kordnaeij, et al., 2013).

The concepts service quality and customer satisfaction appears in the literature as a separated constructs (Bitner, 1994; Sprenget al., 1996), sharing a close relationship (Cronin & Taylor, 1992), being necessary to identify the differences between them. The quality perceptions do not require experience with the service and its dimensions are specific while the concept satisfaction judgments require experience with the service or provider and also can result from any dimension, not even related to quality.

From the literature that has been reviewed, customer satisfaction is an important aspect for services industries and has presented intensive relationship with service quality(Cronin & Taylor, 1992; Al-Hawary, et al., 2011) and it relationship have been recognized as a key factor of success to survive in a competitive environment (Bolton & Drew, 1991; Cronin & Taylor, 1992; Fen &Lian, 2007).

The measurement of service quality has been identified as a crucial factor responsible for influence customer satisfaction or dissatisfaction, being considered the most critical determinant of satisfaction(Bolton & Drew, 1991;Tripathi, 2013;Joukes, et al., 2013), and had been pointed with strong positive correlation between those constructs, and also can result in a positive word of mouth and loyalty intention(Vanpariya&Ganguly, 2010), it means, the service quality and customer satisfaction has direct positive effect on customer retention intentions and has being recognized as strong predictor for retention (Gopalakrishnan, et al., 2011).

According by the relationship between service quality and customer satisfaction, researchers have found empirical evidences that customer satisfaction is a result of service quality, being an antecedent of that (Oliver, 1993; Anderson & Sullivan, 1993). Definitely, the service quality and customer satisfaction have present relationship in many empirical studies and its constructs are somewhat correlated, in terms of cause and effect (Iacobucci&Ostrom, 1995).

Figure 2.1 Service Quality and Customer Satisfaction
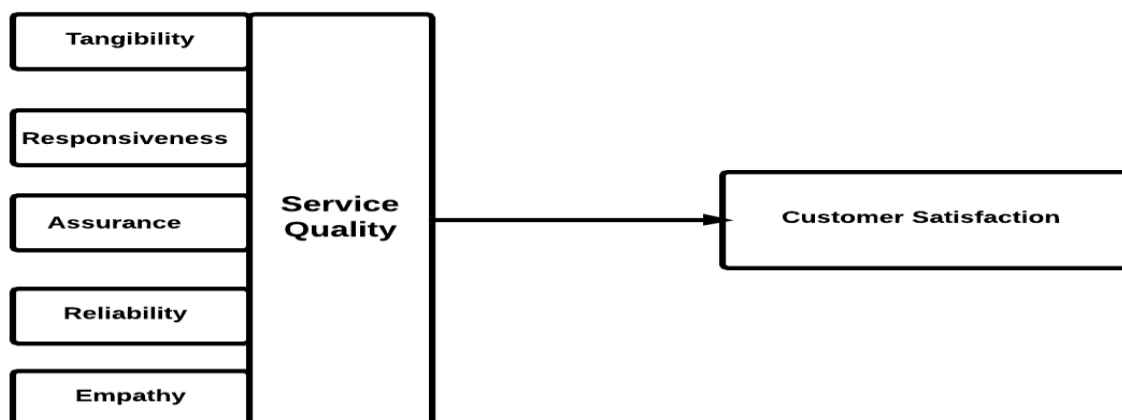
Source: Parasuraman et al., (1988).

The Figure 2.1 presents the relationship between service quality and customer satisfaction. The reflection of service quality is based on customer's perception about the dimensions of service quality, empathy, reliability, assurance, responsiveness and tangibility, and as cause-effect, the customer satisfaction appears as a result of customer's perception faced service quality (Zeithaml, et al., 1996; Zeithaml et al. 2006; Ngan, 2013).

In a competitive environment that most industries have facing, the key factor of success is deliver high quality of service focusing on satisfying customers (Shemwell, et al., 1998) and based in this association, these topics has been recognized as a relevant area of research for several industries and support for decision making (Bolton & Drew, 1991; Cronin & Taylor, 1992).

In the literature is possible to identify many empirical studies that investigated the relationships among the dimensions of service quality (tangibility, reliability, responsiveness, assurance and empathy) and customer satisfaction in a diverse industries and has identified the strong positive correlation between them (Andaleeb& Conway, 2006; Al-Hawary, et al., 2011; Shanka, 2012; Suki&Suki, 2013).

2.6 SERVQUAL

Several evidences found in literature establish that there is a significant correlation between service quality and customer satisfaction (Sureshchandar et al., 2002; Boulding et al., 1993; and Bitner, 1990).

Customer satisfaction and service quality are inter-related. The higher the service quality, the higher is the customer satisfaction. Many agree that in the banking sector, there are no recognized standard scales to measure the perceived quality of a bank service. Thus,

competitive advantage through high quality service is an increasingly important weapon to survive. Measuring service quality seems to pose difficulties to service providers because of the unique characteristics of services: intangibility, heterogeneity, inseparability and perishability (Bateson, 2009). Because of these complexities, various measuring models have been developed for measuring perceptions of service quality (Buttle, 2002).

The SERVQUAL instrument, developed by Parasuraman et al. (1990), relates to the customer's perceived measurement of service quality, where perceived service quality is defined as the degree and direction of the discrepancy between a customer's perceptions and their expectations (Parasuraman et al., 1990). The measurement methodology involves determining the customer's expectations of a particular service and then measuring the same customer's perceptions of the service he or she received on the same framework. SERVQUAL scale, developed by Parasuraman et al., (1988), is the most famous measure of service quality. It classifies and measures service quality in five dimensions.
A brief explanation of these dimensions is given below.

2.6.1 Tangibility
Those things which have a physical existence and can be seen and touched. In context of service quality, tangibles can be referred to as Information and Communications Technology (ICT) equipment, physical facilities and their appearance (ambience, lighting, air-conditioning, seating arrangement); and lastly but not least, the services providing personnel of the organization (Blery et al., 2009). These tangibles are deployed, in random integration; by any organization to render services to its customers who in turn assess the quality and usability of these tangibles.

2.6.2 Reliability
Reliability means the ability of a service provider to provide the committed service truth fully and consistently (Blery et al., 2009). Customers want trustable services on which they can rely.

2.6.3 Responsiveness
Johnston (1997) describes responsiveness as the speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service to respond promptly to customer service requests, with minimal waiting and queuing time. Fitzsimmons (2001) argues that when the customer is kept waiting for no apparent reason creates unnecessary negative perceptions of quality. Conversely, the ability for the bank to recover quickly

when service fails and exhibit professionalism will also create very positive perceptions of quality.

2.6.4 Empathy

Empathy means taking care of the customers by giving attention at individual level to them (Blery et al., 2009). It involves giving ears to their problems and effectively addressing their concerns and demands.

2.6.5 Assurance

Assurance is developed by the level of knowledge and courtesy displayed by the employees in rendering the services and their ability to instill trust and confidence in customer (Blery et al., 2009).

As discussed above, these dimensions of service are very different form manufacturing and reflect the close interaction that the employees have with the customer in service delivery. Some researchers have used SERVQUAL entirely to investigate bank service while others have chosen to use a smaller number of attributes to represent each of the five dimensions.

In addition, Parasuraman et al (1985) did much specific research and interviews related to service quality, and summarized five gaps between marketer and customer:

1: Consumer's Expectation--Management's Perception Gap, this gap will influence customer's evaluation on the quality of service.

2: The gap between Management's perception of customers' expectation and Service Quality Specifications. This gap may affect the quality of service from the customer's view.

3: The gap between Service Quality Specifications and Service Delivery, and this gap may influence the service quality from the customer's position.

4: The gap between Service Delivery and External Communications, and it will influence the quality of service from the customer's viewpoint.

5: The gap between Customer's Expected Services and Customer's perceived services.

2.7 Impact of service quality on customer satisfaction

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

Consumers are now demanding higher quality in products than ever before (Leonard and Sasser, 1982). The search for quality is arguably the most important consumer trend of the 1980s (Rabin, 1983).The important feature of service firms is to focus on quality, the way it is produced and being offered to the final customer. It is seen that continuous improvements in the quality of services perceived according to the consumer expectations positively affects the satisfaction level and customer's perceptions about the company.

However, it is worth noting that there are several distinct conceptualizations of quality. Just as current quality is expected to have a positive influence on overall customer satisfaction (Anderson et al., 1994). So we can say that, the impact of expectations of quality on customer satisfaction is positive and significant (Anderson et al., 1994). Delivering quality service is considered an essential strategy for success and survival in today's competitive environment

(Dawkins and Reichheld, 1990). The primary emphasis of both academic and managerial effort focused on determining what service quality meant to customers (Zeithaml et al., 1996).

Service quality is a determinant of whether a customer ultimately remains with or defects from a company (Zeithaml et al., 1996). In marketing management literature service quality takes a prominent position. It is usually defined as customer's impression of relative inferiority or superiority of service provide and its service. Also it is often considered similar to overall attitude of customer towards company.

It is also observed that the increased interest in service quality by the firms is due to the fact that service quality is proved to be beneficial to maintain bottom line performance of the firm. Both Service quality and Customer satisfaction terms is being widely used by researchers interchangeably (Sureshchandar et al., 2002).

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

2.8 Factors that Affect service quality and Customer Satisfaction

For marketers or service providers, achieving customer satisfaction is important because it is supposed to be an important motive of customer loyalty, repeated business (with customer) and positive word of mouth (Bearden and Teel, 1983). However quality is not the only factor that affects the customer satisfaction, there are other factors besides quality like Performance, Expectations, (Mohr, 1982) desires and price factor affect the customer perceptions and the overall satisfaction level. Where quality of service is a descendent of customer satisfaction as described by Cronin and Taylor (1992), Service quality is not the only factor that has direct impact on customer satisfaction.

Identification of other elements beside quality that effects the satisfaction is critical. The other factors as described by Woodruff & Albert (2002) are value, corporate reputation, image and transaction satisfaction. On other hand factors that affect the service quality other than those of

intangible nature like human interaction in service delivery, rest are of tangible nature, design and décor elements, the effect of atmospherics, employee appearance and appearance of equipment etc. (Sureshchandar et al., 2002). A clear understanding of all these factors that affect the relationship between service quality, and customer satisfaction results in overall performance of the firm and can help to ensure better implementation of resource that firm required putting in place

2.9 Previous Studies

Research on quality of service currently has received special attention from marketing researchers. Below is a summary of results of previous studies regarding the service equality and its influence on satisfaction, published in various scientific journals

Table 2.1: A summary of previous studies

Authors	Antecedents	Result
Munusamy et al., (2010)	Five dimensions of service quality (tangibility, reliability, responsiveness,	The three service quality dimensions (assurance, empathy, and responsiveness) have positive and insignificant effect on customer

		satisfaction. Tangibility has a positive and significant impact on customer satisfaction. However, reliability has a negative and insignificant effect on customer satisfaction.
Mohammad and Alhamadani (2011)	Five dimensions of Service quality(tangibility, reliability, responsive ness, assurance and empathy)	The five service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) have a positive and significant effect on customer satisfaction.
Al-Hawary et al., (2011)	Five dimensions of SERVQUAL (tangibility, reliability, responsiveness, assurance and empathy)	The four service quality dimensions (tangibility, reliability, assurance, and responsiveness) have a positive and significant effect on customer satisfaction. Empathy has a negative and significant effect on customer satisfaction.
Malik et al., (2011)	5 dimensions of SERVQUAL(tangibility ,reliability, responsiveness, assurance and empathy)	The two dimensions of service quality (reliability, assurance) have a significant and positive effect on customer satisfaction. However, the rest three service quality dimensions (tangibility and responsiveness and empathy) have no contribution to customer satisfaction.
Tizazu K. (2012)	Five dimensions of Service quality(tangibility, reliability, responsive ness, assurance and empathy)	The four service quality dimensions including tangibility, reliability, assurance and empathy have positive and significant effect on customer satisfaction .However, there is negative and insignificant relationship between responsiveness and customer satisfaction.

Source: Own compilation, 2016

2.10 Conceptual Framework for the Study

The study will investigate how service quality affects customer satisfaction. Customer satisfaction is a dependent variable which occurs when the services provided by Commercial Bank of Ethiopia Foreign Transfer & NR/NT Accounts is rated by customers as high quality and satisfactory. The study postulates that the quality of the services provided by the Bank determines the satisfaction rate of the customers with the bank. Commercial Bank of Ethiopia Foreign Transfer NR/NT Accounts branch can ensure customer satisfaction when service performance of the Bank exceeds customers' expectation.

To measure service performance and customer's satisfaction of a service, SERVQUAL model is applied. The SERVQUAL model is made up of five variables: tangibility, responsiveness, reliability, assurance and empathy. When service performance of SERVQUAL variables is higher than customer's expectation, customers will be satisfied and Commercial Bank of Ethiopia, Foreign Transfer NR/NT Accounts branch is likely to retain the customers. However, if service performance is lower than customers' expectation of the service, customers become dissatisfied and they will switch to a competing bank which offers superior service. When a service provider has excellent physical facilities that are aesthetically appealing; insist on on-time service delivery which is free from errors; and knowledgeable employees who consider the customers as the company's total well-being will result in high quality service delivery which will lead to customer satisfaction. Based on the above discussion, Figure 2.2 (adapted from Agus et al., 2007) shows the theoretical model that serves as a guide for the present study.

Figure 2.2 The Research Framework
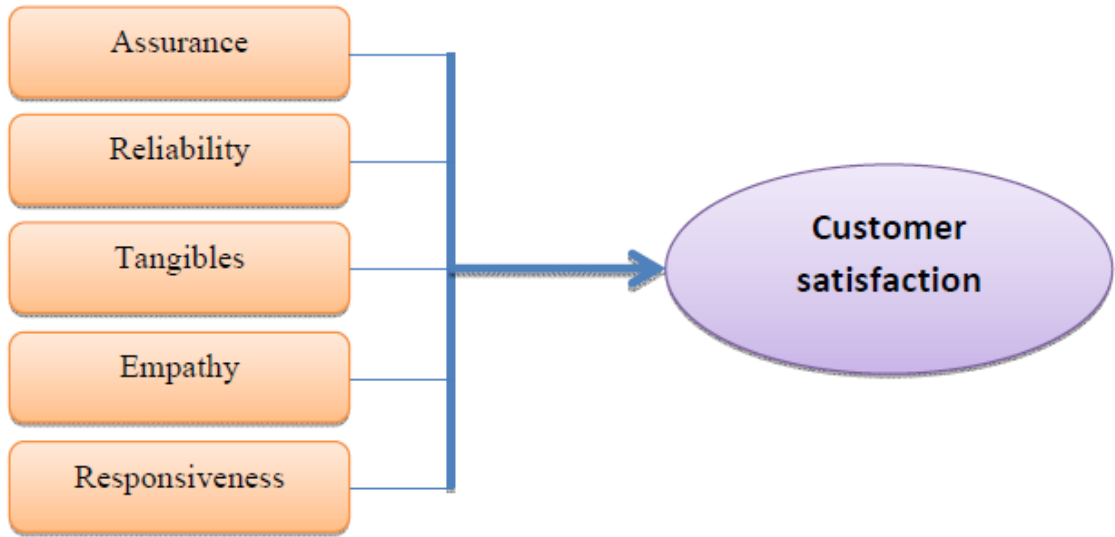
Source: Parasuraman et al., (1988).

CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.1 Chapter Introduction

This chapter of the study deals with the type of research, research design, sample, sampling techniques, data collection instrument, data collection procedures, methods of data analysis, validity, reliability and research ethics that are employed.

3.2 Research approach

Qualitative research involves studies that do not attempt to quantify their results through statistical summary or analysis. On the other hand quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and relationships.

A study that focuses primarily on the construction of quantitative data follows a quantitative method (Kent, 2007, p. 10, 570).This study is quantitative to describe service quality application in CBE under FTNR/NT Accounts branch by collecting quantitative data from customers of the bank. In addition the impact of the independent variables (Service quality dimensions) on the dependent variable (customer satisfaction) is quantitatively measured by this study.

3.3 Research type

Descriptive research attempts to describe systematically a situation, problem, phenomenon, service or program, or provides information about , say, living condition of a community, or describes attitudes towards an issue. Explanatory research is conducted when we encounter an issue that is already known and have a description of it, we might begin to wonder why things are the way they are.

This study collected data on five dimensions of Service quality from FTNR/NT Accounts branch customers of CBE to describe the present condition of service quality application in CBE under CBEFTNR/NT Accounts branch across five behavioral dimensions. This makes the study descriptive. In addition the study analyzed the casual relations between the dependent (customer satisfaction) and the independent variable (Service quality dimensions) using correlation and regression, which make the research explanatory. Therefore, this study is descriptive and explanatory.

3.4 Sample design

3.4.1 Population of the study

A population can be defined as all people or items (unit of analysis) with the characteristics that one wishes to study. The unit of analysis may be a person, group, organization, country, object, or any other entity that you wish to draw scientific inferences about.

Customers of Commercial bank of Ethiopia Foreign Transfer & NR/NT Accounts branch is purposely chosen because it is the center of foreign currency account opening and operations, the absence of specific similar study in this specific branch and the bank staff cooperation. The total number of customers who have an Account in FT NR/NT Accounts branch is 20,470.

3.4.2 Sampling techniques

Probability sampling is a technique, in which every unit in the population has a chance (non-zero probability) of being selected in the sample, and this chance can be accurately determined. All probability sampling have two attributes in common: (1) every unit in the population has a known non-zero probability of being sampled, and (2) the sampling procedure involves random selection at some point.

If a population from which a sample is to be drawn does not constitute a homogeneous group, and if there is no point in time during which all customers are available due to different reasons, it is not possible to contact everyone who may be sampled, convenience sampling technique is generally applied in order to obtain a representative sample. Therefore, convenience sampling technique is employed in this study.

3.4.3 Sample size

There is no single rule that can be used to determine sample size. Yamane (1967) cited in Israel
(1992) provides a simplified formula to calculate sample sizes. This formula was used to calculate the sample sizes. A 95% confidence level and P = .05 or 5% margin error are assumed. The researcher uses the following formula to determining sample size.

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

Where: n= Sample size N= Size of population e= the error of 5% points

By using Yamane's (1967) formula of sample size with an error term 5% and confidence coefficient of 95% the sample is calculated as follows

The total population is 20,470 which are account holders in the bank. Thus, at 5% error and 95% confidence coefficient

$$n = \frac{20,470}{1 + 20,470 * (0.05)^2}$$

n = 392.33 ~ 392

3.5 Sources of data

3.5.1 Primary Source

Self-administered structured questionnaires were used to collect primary data from customers of CBE FTN/NT Accounts branch. The questionnaires were handed to customers in English version.

3.6 Data collection instruments

The questionnaire based on literature review was adopted to undertake this study, which contains statements that are specifically designed to measure the level of service quality of firms in relation to the five behavioral dimensions of service quality- Tangibles, Reliability, Responsiveness, Empathy and Assurance.

The questionnaires compose three sections. The first section contain questioner items used to collect demographic data of respondents, the second section on five point Likert Scale to assess the service quality of CBE under FTNR/NT Accounts branch and the third section is to assess the level of customer satisfaction under CBE FTNR/NT Accounts branch.

3.7 Data collection procedures

Data was collected from survey through questioners. The questionnaire was handed over to the CBEFTNR/NT Accounts branch customers at head office when they arrived for the service at convenience. The questionnaire was handed over to the officers so that they distributed to CBE FTNR/NT Accounts branch customers when they arrived for the service. Collection of responded questionnaires was done after the customers have completed their response on the same day.

3.8 Method of data analysis

The study is designed to examine the level of service quality in CBE under FTNR/NT Accounts branch and its impact on customer satisfaction. After the data was collected through structured questionnaire, computation and analysis is done by using SPSS (Statistic Package for Social Science) version 16.0 software. Descriptive statistics Mean Score, Standard Deviation and inferential statistics like Correlation test using Pearson's correlation and Multiple Regression analysis are used in order to address the initial research question of the study.

3.9 Validity and reliability

3.9.1 Validity

The service quality best practice scale comprises best practices that are limited to the domain of service quality as explained by well-known re-searchers such as Sin et al (2005) each of which is different from any other.

The statements have been generated from an extensive review of literatures, the study assume that the construct validity will hold. For the content validity the researcher had a discussion with some customer relationship managers and operation expert of the CBE FTNR/NT Accounts branch. Their comments were taken in to consideration for developing the final version of the instrument and finally approved by the research advisor.

3.9.2 Reliability

Reliability concerns the extent to which an experiment, test or any measuring procedure yields the same results on repeated trials (Carmines and Richard, 1979). It is clear that when we measure anything there is always a chance for errors. In fact, the goal of error free measurements may not duplicate each other exactly even if we repeated the same study with the same sample.

In general we can say that reliability of a study is a pre-requirement for the result to be interpretable and help for generalization (Ghiselli, 1981). Internal consistency reliability is used to assess the consistency of results across items within a test and the method for assessing reliability of the current study. Typically this is done either by using Cronbach alpha or by split halves method where total set of items is divided into halves and scores of the halves are correlated to obtain an estimate of reliability (Carmines and Richard, 1979). The advantage of internal consistency measures is that there is no need for a second test,

and thus they are also widely used in practice. For this study reliability was checked by using Cronbach's alpha. The alphas for the current study were presented together with the research results in order to make the presentation more logical.

3.10 Ethical consideration

Every one of the respondents had the right to participate or not, to be safe from physical or psychological harm, to be informed of all aspects of research task and to privacy.

Moreover regarding confidentiality individual respondents was never being identified in reporting survey findings and no information was modified or changed.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Chapter Introduction

In this chapter, the collected data from CBE FTNR/NT Accounts branch are summarized and analyzed in order to realize the ultimate objective of the study.

4.2 Survey Response Rate and Reliability Test

The 392 questionnaires were administered in the second and third weeks of the month of October 2016 and customers were contacted at CBE FTNR/NT Accounts branch. However, a total of 374questionnaires were collected, of which 16 were incomplete. Thus, 358 questionnaires were found to be usable and ready for analysis, which is 91.32 % response rate.

After coding and entry of data into SPSS version 16.0, the first analysis conducted was to check the reliabilities of the scales used in the data collection instrument. According to Malhotra & Birks (2007), reliability is the extent to which a measurement reproduces consistent results if the process of measurement were to be repeated. Cronbach-alpha, a widely used measure of internal consistency, was run using SPSS version 16.0 and all of the scales used for this study are found to be reliable as their respective alpha values are higher than 0.6, and for most closer to 1. The cronbach - alpha of each scale is presented in the following table.

Table 4.1: - Reliability Test

Measurement Scale	Cronbach-Alpha	No. of items
Tangibles	0.827	4
Reliability	0.716	4
Responsiveness	0.836	5
Empathy	0.688	5
Assurance	0.683	4

Source: - Own survey result, November 2016

4.3 Respondents' Profile

Results of the demographic characteristics of respondents are shown in table 4.2 below. As observed from the table majority of respondents are male which comprises 61.7% while the rest38.3% are female respondents. In terms of age, 38.3% of the respondents are between 18-29 years, 33.0% between 30-39 years, 25.7% between 40-49, and 3.1% are 50 years and above. In terms of marital status 64.8% of the respondents are married, 30.4% are single, 4.5% are divorced and the remaining 0.3 % is widowed. The respondents have a well-educated background of which 51.1% of them have first degree, 31.6% have masters and above, 16.5% have diploma and 0.8 % are high school graduates. With regard to nationality 64.2% are Ethiopians and 35.8% are Foreigners.

Table 4.2: - Respondents background

Variable	Category	No	Percentage
Gender	Male	221	61.7%
	Female	137	38.3%
Age			
	18-29	137	38.3%
	30-39	118	33.0%
	40-49	92	25.7%
	50 and above	11	3.1%
Marital status			
	Single	109	30.4%
	Married	232	64.8%
	Divorced	16	4.5%
	Widowed	1	0.3%
Educational Level			
	High School	3	0.8%
	Diploma	59	16.5%
	Degree	183	51.1%
	Masters and above	113	31.6%
Nationality			
	Ethiopian	230	64.2%
	Foreigner	128	35.8%

4.4 Level of Service Quality Dimensions and customer satisfaction

The main objective of the study is to assess the level of CBE FTNR/NT Accounts branch service quality as measured by five dimensions and its impact on customer satisfaction. To do so, customers of CBE FTNR/NT Accounts branch were asked to rate the level of service quality dimensions on a Likert scale of 1 through 5. In the following section the data collected is analyzed.

Table 4.3 Level of service quality dimensions and customer satisfaction of CBE FTNR/NT Accounts branch

	N	Mean	Std. Deviation
Tangibles	358	2.60056	1.006116
Reliability	358	3.29469	.802718
Responsiveness	358	2.83799	.882134
Empathy	358	3.12737	.739959
Assurance	358	3.54749	.705258
Customer satisfaction	358	3.14804	1.062677
Valid N (list wise)	358		

Source: - Own survey result, November 2016

As it can be seen from table 4.3 above CBE FTNR/NT Accounts branch has been doing better in the Assurance dimension as compared to the other dimensions with the mean score of 3.547, while it is of at the lowest performance level in the tangibles dimension of mean score of 2.600. Hence, its customers perceive CBE FTNR/NT Accounts branch as a highly Assuring organization, while its tangibles are not satisfactory.

The level of customer satisfaction has a mean score 3.14804 which indicates that overall customers are slightly satisfied with the service quality of CBE FTNR/NT Accounts branch.

4.5 The relationship between the study variables

The correlation matrix with the dependent and independent variables allows the study to assess the strength of the association between the variables of interest. The correlation matrix for the overall sample is provided below.

Table 4.4 Correlations

		customer satisfaction
Tangibles	Pearson Correlation	.429[**]
	Sig. (2-tailed)	.000
	N	358
Reliability	Pearson Correlation	.647[**]
	Sig. (2-tailed)	.000
	N	358
Responsiveness	Pearson Correlation	.657[**]
	Sig. (2-tailed)	.000
	N	358
Empathy	Pearson Correlation	.510[**]
	Sig. (2-tailed)	.000
	N	358
Assurance	Pearson Correlation	.564[**]
	Sig. (2-tailed)	.000
	N	358

Source:- Own Survey Result, Nov 2016

To determine the existence and level of association, the study used bivariate correlation. Pearsons correlation coefficient falls between -1.0 and +1.0, indicates the strength and direction of association between the two variables. (Field, 2005) The Pearson´s correlation coefficient (r) was used to conduct the correlation analysis to find the level and direction of

the relationships between the dimensions of service quality and customer satisfaction. The classification of the correlation efficient (r) is as follows: $0.1 - 0.29$ is weak; $0.3 - 0.49$ is moderate; and > 0.5 is strong (Field, 2005).

Responsiveness has the highest correlation of r=0.657, followed by Reliability (r=0.647), Assurance (r=0.564), Empathy (r=0.510) and Tangibles (r=0.429). That means, all the service quality indicators have positive and strong relationship with customer satisfaction in CBE FTNR/NT Accounts branch except tangibles which has a moderate relationship.

4.6 Test of Regression Assumptions

4.6.1 No Multicollinearity

Multicollinearity is tested in this study using the variance inflation factor (VIF) which quantifies the severity of multicollinearity in regression analysis. The VIF factor should not exceed 10, and should ideally be close to one. The table below shows there is no multicollinearity. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity (Field, 2005). The table below confirms the absence of multicollinearity according to Collinearity Statistics.

Table 4.5 Level of multicollinearity in the model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistic	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-.521	.212		-2.459	.014		
Tangibles	-.128	.056	-.121	-2.266	.024	.454	2.203
Reliability	.445	.072	.336	6.180	.000	.436	2.295
Responsiveness	.456	.070	.378	6.468	.000	.378	2.648
Empathy	.011	.084	.008	.130	.897	.378	2.649
Assurance	.340	.076	.226	4.504	.000	.514	1.945

a. Dependent Variable: customer satisfaction

Source: - Own survey result, November 2016

4.6.2 No Auto-correlation

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To determine the autocorrelation between observations Durbin – Watson test was used. The

Durbin-Watson statistic ranges in value from 0 to 4. A value near 2 indicates non autocorrelation; a value toward 0 indicates positive autocorrelation; a value toward 4 indicates negative autocorrelation (Field, 2005). With Durbin Watson value of 1.818, which is very close to 2, it can be confirmed that the assumption of independent error has almost certainly been met.

Table 4.6 Level of auto-correlation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.738[a]	.545	.539	.721626	1.818

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

Source : Own survey result, November 2016

4.7 Multiple Regressions of Service Quality dimensions (independent variables) on Customer Satisfaction (dependent variable)

After the study met the regression assumption, the study examined the impact of service quality dimensions on customer satisfaction. The study tested the five hypothesis set out to be tested at the beginning based on the regression analysis. This will answer the research question of the effect of each dimension (Tangibles, Reliability, Responsiveness, Empathy, and Assurance) on the dependent variable customer satisfaction.

Table 4.7 R square level of the study

Model	R	R Square	Adjusted R square	Std. Error of the Estimate
1	.738[a]	.545	.539	.721626

Source: Own survey result, November 2016

The result of regression analysis of the independent variables on the dependent variable customer satisfaction indicates existence of positive and statistically significant impact on customer satisfaction. The model summary table R-Square value is 0.545 which means that 54.5% of the customer satisfaction was explained by the variation of the five service

quality dimensions and the other 45.5% is due to other independent variables not included in the model and the random error.

Table 4.8 significance of the model

<div align="center">ANOVA[b]</div>

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	219.852	5	43.970	84.437	.000[a]
Residual	183.302	352	.521		
Total	403.154	357			

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

b. Dependent Variable: customer satisfaction

Source : Own survey result, November 2016

The ANOVA tells us whether the model, overall, results in a significantly good degree of prediction of the outcome variable (Field, 2005). Since the significance result on the ANOVA table is 0.000 which is $p < 0.05$, the regression analysis proved the presence of a good degree of prediction. The contribution of each dimension can be seen from the results of multiple regressions in the coefficient table below.

Table 4.9 Coefficients of the variables

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	-.521	.212		-2.459	.014		
Tangibles	-.128	.056	-.121	-2.266	.024	.454	2.203
Reliability	.445	.072	.336	6.180	.000	.436	2.295
Responsiveness	.456	.070	.378	6.468	.000	.378	2.648
Empathy	.011	.084	.008	.130	.897	.378	2.649
Assurance	.340	.076	.226	4.504	.000	.514	1.945

a. Dependent Variable: customer satisfaction

Source:- Own survey result, November 2016

From the above table one can see that all the dimension of service quality positively affects customer satisfaction except tangibles. Unstandardized coefficient (Beta value) indicates the degree of importance of each Service quality dimensions towards customer satisfaction; accordingly, the dimensions can be ranked in the following manners on the basis of their contribution.

1. Responsiveness B=.456
2. Reliability B=.445
3. Assurance B=.340
4. Empathy   B=.011
5. Tangibles B= -.128

The beta value on the coefficient table indicates the level of the effect each dimension on the dependent variable customer satisfaction. The highest beta level is for Responsiveness B=.456. This means that the more CBE FTNR/NT Accounts branch works on responsiveness the more customers become satisfied. Hence, if assumed other things being constant and responsiveness increased by one unit, it increases customer satisfaction by .456.

Therefore, from among the five dimensions, Responsiveness has the strongest impact on customer satisfaction and should be given the highest focus. And tangible has the lowest impact on customer satisfaction.

Regression Equation

Customer satisfaction = -0.521+ (-0.128) Tangibles + 0.445(Reliability)+0.456 (Responsiveness)+ 0.011(Empathy) + 0.340 (Assurance)

4.8 Hypothesis testing

Hypothesis testing is based on standardized coefficients beta and P-value to test whether the hypotheses are rejected or not.

Hypothesis 1

Ho1: Tangibility will not have a positive and significant impact on customer satisfaction.

Ha1: Tangibility will have a positive and significant impact on customer satisfaction.

The results of multiple regressions, as presented in table 4.8 above, revealed that tangibility has a negative and significant effect on customer satisfaction with a beta value (beta = -

0.128), at 95% confidence level (p < 0.05).Therefore, tangibility has a negative and significant impact on customer satisfaction.

Hypothesis 2

Ho2: Reliability will not have a positive and significant impact on customer satisfaction.

Ha2: Reliability will have a positive and significant impact on customer satisfaction.

The results of table 4.8 showed that the standardized coefficient beta and p value of reliability were positive and significant (beta = 0.445, p < 0.05). Thus, the study rejects the null hypothesis and support alternate hypothesis that says reliability has a positive and significant impact on customer satisfaction

Hypothesis 3

Ho3: Responsiveness will not have a positive and significant impact on customer satisfaction.

Ha3: Responsiveness will have a positive and significant impact on customer satisfaction.

As shown in table 4.8, p-value is significant (p < 0.05), and the beta value of responsiveness is negative (beta = 0.456). Thus, the study rejects the null hypothesis and support alternate hypothesis that says responsiveness has a positive and significant impact on customer satisfaction.

Hypothesis 4

Ho4: Empathy will not have a positive and significant impact on customer satisfaction.

Ha4: Empathy will have a positive and significant impact on customer satisfaction.

As shown in table 4.8, p-value is not significant (p > 0.05), and the beta value of is positive (beta = 0.011). Therefore, empathy has positive but insignificant impact on customer satisfaction.

Hypothesis 5

Ho5: Assurance will not have a positive and significant impact on customer satisfaction.

Ha5: Assurance will have a positive and significant impact on customer satisfaction.

Table 4.8 further shows that, assurance has a positive and significant impact on customer satisfaction with a beta value (beta = 0.340), at 95% confidence level (p < 0.05).

Therefore, the study rejects the null hypothesis and accepts alternate hypothesis which says assurance has a positive and significant impact on customer satisfaction.

CHAPTER FIVE

CONCULUSION AND RECOMMENDATION

5.1 Chapter Introduction

Based on the findings this chapter provides the conclusions reached as to CBE FTNR/NT Accounts branch level of service quality and its impact on customer satisfaction and forward recommendations.

5.2 Conclusion

The study was intended to assess the impact of service quality on customer satisfaction in CBE FTNR/NT Accounts branch based on the questionnaire distributed to 358 randomly selected customers.

The results of background information of respondents indicated that majority of the total respondents (61.7%) are male, (38.3%) aged in the range of 18-29 years, (64.8%) are married (51.1%) are degree holders, and (64.2%) of the respondents are Ethiopians.

The respondents were asked to assess CBE FTNR/NT Accounts branch service quality dimensions and their level of satisfaction in a five point Likert scale. As per the findings the following conclusions are drawn.

The mean result of the dimensions show that Assurance dimension of service quality has the highest mean score (3.547), followed by Reliability (3.294), Empathy (3.127), Responsiveness (2.837) and Tangibles being the lowest (2.600).The level of customer satisfaction has a mean score of 3.14804 which indicates that overall customers are slightly satisfied with the service quality of CBE FTNR/NT Accounts branch.

In addition, regarding with correlation of each service quality dimensions with customer satisfaction, the highest correlation coefficient is that of responsiveness (r=.657) followed by reliability (r=.647), assurance (r=.564), empathy (r=.510) and tangibles (r=.429) being the lowest.

The model summary table R-Square value is 0.545 which means that 54.5% of the customer satisfaction was explained by the variation of the five service quality dimensions

and the other 45.5% is due to other independent variables not included in the model and the random error.

The multiple regression also shows that responsiveness has the highest impact on customer satisfaction with Beta value (B=0.456), followed by reliability (B=0.445), assurance (B=0.340), empathy (B=0.011) and tangibles (B=-0.128). From this, we can conclude that responsiveness, reliability and assurance have positive and significant impact on customer satisfaction. However, tangibility has negative and significant impact on customer satisfaction. Empathy has insignificant impact on customer satisfaction.

5.3 Limitation of the study

The foregoing findings should be considered in the light of some limitations of this study. The constraints are time and customers' lack of interest and willingness to spare some time to fill out the questionnaires. Un-returned and incomplete questionnaires are also other problems that make the study limited.

5.4 Recommendations

Based on the findings and conclusion of the study, the researcher forwards the following recommendations to the management of CBE FTNR/NT Accounts branch and suggestion for future researchers:

➢ Responsiveness dimension is found to be the most important factor influencing customer satisfaction. However, the customers of CBE FTNR/NT Accounts branch were found less satisfied in terms of the responsiveness dimension. Therefore, the bank should improve its responsiveness to increase customer satisfaction. This could be addressed by increasing number of employees to respond to the needs of its customers. In addition, employees should be encouraged and trained to always be helpful, provide prompt service and never be busy to respond to customer's inquiries.

➢ Furthermore, reliability dimension was considered as one of the most important factors influencing customer satisfaction. Therefore, the bank should work more on the indicators of this dimension i.e. the bank should make sure that employees are providing service at the time they promise to do so, provide error free service, show sincere interest in solving customer's problems and keep customer's records accurately.

5.5 Direction for Future Research

This study included only five factors, there could be some other relevant factors that may be perceived as important by customers, but those were excluded from this study. Future researches, therefore, may consider more factors, like corporate image, location, price, staff attitude and other variables which can influence customer satisfaction.

Moreover, including moderator factors and looking forward to direct or indirect relationship towards customer loyalty can also be made in the research models of the new research by other scholars in future. Furthermore, conducting a replication study in other service industries is also needed; for example in the hotel service, telecommunication service, post office service, airlines and so on.

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APPENDIX

APPENDIX A

St. Mary's University

College of Graduate studies

Questionnaire to be filled by Customer of Commercial Bank of Ethiopia Foreign Transfer &NR/NT Accounts branch

Dear Respondent,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic, "The impact of service quality on customer satisfaction in Commercial Bank of Ethiopia Foreign Transfer &NR/NT Accounts branch" for the partial fulfillment of the Masters of Business Administration (MBA) Program at St. Marry University. I kindly request you to provide me reliable information. Your responses will be kept confidential.

Thank you in advance for your cooperation.

N.B

- No need to write your name
- Put (√) inside the box or table for an alternative you think is right

Part I. Personal information

1. Gender   Male ☐   Female ☐
2. Age   18-29 years old ☐   30-39 years old ☐
                   40-49 years old ☐ 50 years old and above ☐
3. Marital Status   Single ☐   Married ☐
                   Divorced ☐   Widowed ☐
4. Educational level   High school ☐   Diploma ☐
                   First degree ☐   Masters and above ☐
5. Nationality   Ethiopian ☐   Foreigner ☐

Part II. Survey on Service Quality Items

Directions: This part of the questionnaire intends to find your perception towards the service quality of Commercial Bank of Ethiopia FTNR/NT Accounts branch. Please circle the number which reflects your perception.

1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly agree

S/N	Statement of service quality	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
i	**Tangibles**					
1	CBE has up-to-date equipment and technology					
2	CBE's physical facilities are visually appealing					
3	CBE employees are well dressed and appear neat.					
4	The physical facilities and technology of CBE goes with the type of service provided.					
ii	**Reliability**					
5	CBE's employees provide service at the time they promise to do so					
6	CBE's employees show sincere interest in solving a problem you face					
7	CBE's employees perform service right the first time (error free service)					
8	CBE keeps your records accurately (statements, account balance, your contact information…)					
iii	**Responsiveness**					
9	There are always adequate number of employees to respond to needs at CBE					
10	CBE's employees tells you exactly when the service will be performed					

11	You receive prompt service from CBE's employees					
12	CBE's employees are always helpful					
13	CBE's employees are never busy to respond to your inquiries					
iv	**Empathy**					
14	CBE's employees give you individual attention					
15	CBE's service hours are convenient to you					
16	CBE's branches are easily accessible to you					
17	CBE's forms are easily understandable (withdrawal, deposit, account opening, money transfer, application for foreign transactions)					
18	CBE's employees understand your specific needs					
v	**Assurance**					
19	The behavior of CBE's employees instills confidence in you					
20	You feel safe in transaction with CBE					
21	CBE's employees are consistently polite					
22	CBE's employees provide you adequate information on the service you requested.					

Part III: Level of Customer Satisfaction

Direction: The following statement describes your CBE FTNR/NT Accounts branch.

Please respond by choosing the number which best reflects your own perception.

23. My feelings about CBE FTNR/NT Accounts branch service delivery can be best described as

 1. Highly dissatisfied

 2. Dissatisfied

 3. Neutral

 4. Satisfied

 5. Highly satisfied

APPENDIX B

SPSS OUTPUT

Frequency

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	221	61.7	61.7	61.7
	Female	137	38.3	38.3	100.0
	Total	358	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-29	137	38.3	38.3	38.3
	30-39	118	33.0	33.0	71.2
	40-49	92	25.7	25.7	96.9
	50 and above	11	3.1	3.1	100.0
	Total	358	100.0	100.0	

Marital status

		Frequency	Percent	Valid Percent	Cumulative Percent

Valid	Single	109	30.4	30.4	30.4
	Married	232	64.8	64.8	95.3
	Divorce	16	4.5	4.5	99.7
	Widowed	1	.3	.3	100.0
	Total	358	100.0	100.0	

Educational level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School	3	.8	.8	.8
	Diploma	59	16.5	16.5	17.3
	Degree	183	51.1	51.1	68.4
	Masters and above	113	31.6	31.6	100.0
	Total	358	100.0	100.0	

Nationality

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Ethiopian	230	64.2	64.2	64.2
	Foreigner	128	35.8	35.8	100.0
	Total	358	100.0	100.0	

CBE has up to date equipment and technology

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	113	31.6	31.6	31.6

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	107	29.9	29.9	61.5
Neutral	49	13.7	13.7	75.1
Agree	66	18.4	18.4	93.6
Strongly Agree	23	6.4	6.4	100.0
Total	358	100.0	100.0	
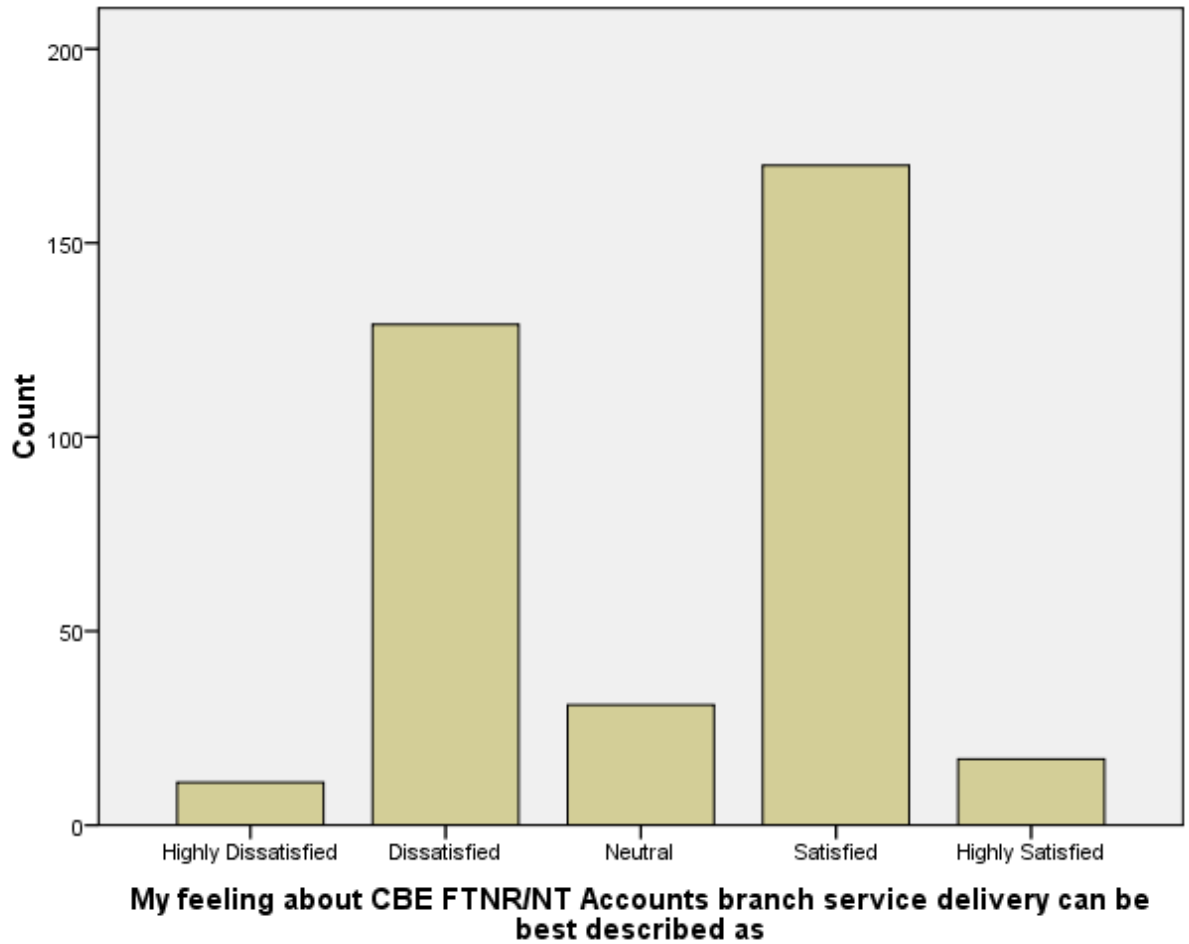
My feeling about CBE FTNR/NT Accounts branch service delivery can be best described as

CBE's physical facilities are visually appealing

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	139	38.8	38.8	38.8
	Disagree	96	26.8	26.8	65.6
	Neutral	46	12.8	12.8	78.5
	Agree	60	16.8	16.8	95.3
	Strongly Agree	17	4.7	4.7	100.0

CBE's physical facilities are visually appealing

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	139	38.8	38.8	38.8
	Disagree	96	26.8	26.8	65.6
	Neutral	46	12.8	12.8	78.5
	Agree	60	16.8	16.8	95.3
	Strongly Agree	17	4.7	4.7	100.0
	Total	358	100.0	100.0	

CBE's employees are well dressed and appear neat

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	63	17.6	17.6	17.6
	Disagree	95	26.5	26.5	44.1
	Neutral	78	21.8	21.8	65.9
	Agree	86	24.0	24.0	89.9
	Strongly Agree	36	10.1	10.1	100.0
	Total	358	100.0	100.0	

The physical facilities and technology of CBE goes with the type of service provided

		Frequency	Percent	Valid Percent	Cumulative Percent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	46	12.8	12.8	12.8
	Disagree	75	20.9	20.9	33.8
	Neutral	114	31.8	31.8	65.6
	Agree	87	24.3	24.3	89.9
	Strongly Agree	36	10.1	10.1	100.0
	Total	358	100.0	100.0	

CBE's employees provide service at the time they promise to do so

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	5	1.4	1.4	1.4
	Disagree	133	37.2	37.2	38.5
	Neutral	62	17.3	17.3	55.9
	Agree	105	29.3	29.3	85.2
	Strongly Agree	53	14.8	14.8	100.0
	Total	358	100.0	100.0	

CBE's employees show sincere interest in solving a problem you face

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	6	1.7	1.7	1.7
	Disagree	108	30.2	30.2	31.8
	Neutral	67	18.7	18.7	50.6

	Frequency	Percent	Valid Percent	Cumulative Percent
Agree	139	38.8	38.8	89.4
Strongly Agree	38	10.6	10.6	100.0
Total	358	100.0	100.0	

CBE's employees perform service right the first time(error free service)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	43	12.0	12.0	12.0
	Neutral	37	10.3	10.3	22.3
	Agree	247	69.0	69.0	91.3
	Strongly Agree	31	8.7	8.7	100.0
	Total	358	100.0	100.0	

CBE keeps your records accurately (statements, account balance, your contact information...)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	65	18.2	18.2	18.2
	Disagree	76	21.2	21.2	39.4
	Neutral	67	18.7	18.7	58.1
	Agree	101	28.2	28.2	86.3
	Strongly Agree	49	13.7	13.7	100.0

CBE keeps your records accurately (statements, account balance, your contact information...)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	65	18.2	18.2	18.2
	Disagree	76	21.2	21.2	39.4
	Neutral	67	18.7	18.7	58.1
	Agree	101	28.2	28.2	86.3
	Strongly Agree	49	13.7	13.7	100.0
	Total	358	100.0	100.0	

There are always adequate number of employees to respond to your needs at CBE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	150	41.9	41.9	41.9
	Disagree	77	21.5	21.5	63.4
	Neutral	18	5.0	5.0	68.4
	Agree	93	26.0	26.0	94.4
	Strongly Agree	20	5.6	5.6	100.0
	Total	358	100.0	100.0	

CBE's employees tells you exactly when the service will be performed

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	18	5.0	5.0	5.0
Disagree	149	41.6	41.6	46.6
Neutral	75	20.9	20.9	67.6
Agree	95	26.5	26.5	94.1
Strongly Agree	21	5.9	5.9	100.0
Total	358	100.0	100.0	

You receive prompt service from CBE's employees

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	.8	.8	.8
Disagree	65	18.2	18.2	19.0
Neutral	122	34.1	34.1	53.1
Agree	130	36.3	36.3	89.4
Strongly Agree	38	10.6	10.6	100.0
Total	358	100.0	100.0	

CBE's employees are always helpful

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	11	3.1	3.1	3.1
	Disagree	143	39.9	39.9	43.0
	Neutral	77	21.5	21.5	64.5
	Agree	91	25.4	25.4	89.9
	Strongly Agree	36	10.1	10.1	100.0
	Total	358	100.0	100.0	

CBE's employees are never busy to respond to your inquires

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	63	17.6	17.6	17.6
	Disagree	126	35.2	35.2	52.8
	Neutral	70	19.6	19.6	72.3
	Agree	77	21.5	21.5	93.9
	Strongly Agree	22	6.1	6.1	100.0
	Total	358	100.0	100.0	

CBE's employees give you individual attention

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	68	19.0	19.0	19.0
	Disagree	162	45.3	45.3	64.2
	Neutral	61	17.0	17.0	81.3
	Agree	45	12.6	12.6	93.9

		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly Agree	22	6.1	6.1	100.0
	Total	358	100.0	100.0	

CBE's service hours are convenient to you

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	1.1	1.1	1.1
	Disagree	56	15.6	15.6	16.8
	Neutral	52	14.5	14.5	31.3
	Agree	206	57.5	57.5	88.8
	Strongly Agree	40	11.2	11.2	100.0
	Total	358	100.0	100.0	

CBE's branches are easily accessible to you

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	80	22.3	22.3	22.3
	Disagree	107	29.9	29.9	52.2
	Neutral	18	5.0	5.0	57.3
	Agree	109	30.4	30.4	87.7

		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly Agree	44	12.3	12.3	100.0
	Total	358	100.0	100.0	

CBE's forms are easily understandable (withdrawal, deposit, account opening ,money transfer...)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	9	2.5	2.5	2.5
	Disagree	40	11.2	11.2	13.7
	Neutral	12	3.4	3.4	17.0
	Agree	224	62.6	62.6	79.6
	Strongly Agree	73	20.4	20.4	100.0
	Total	358	100.0	100.0	

CBE's employees understand your specific needs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	35	9.8	9.8	9.8
	Disagree	100	27.9	27.9	37.7
	Neutral	106	29.6	29.6	67.3
	Agree	91	25.4	25.4	92.7
	Strongly Agree	26	7.3	7.3	100.0
	Total	358	100.0	100.0	

The behavior of CBE's employees instills confidence in you

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	.3	.3	.3
	Disagree	53	14.8	14.8	15.1
	Neutral	92	25.7	25.7	40.8
	Agree	177	49.4	49.4	90.2
	Strongly Agree	35	9.8	9.8	100.0
	Total	358	100.0	100.0	

You feel safe in transaction with CBE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	6	1.7	1.7	1.7
	Disagree	25	7.0	7.0	8.7
	Neutral	25	7.0	7.0	15.6
	Agree	195	54.5	54.5	70.1
	Strongly Agree	107	29.9	29.9	100.0
	Total	358	100.0	100.0	

CBE's employees are consistently polite

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	11	3.1	3.1	3.1
	Disagree	114	31.8	31.8	34.9
	Neutral	87	24.3	24.3	59.2
	Agree	115	32.1	32.1	91.3
	Strongly Agree	31	8.7	8.7	100.0
	Total	358	100.0	100.0	

CBE's employees provide you the adequate information on the service you requested

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	25	7.0	7.0	7.0
	Disagree	45	12.6	12.6	19.6
	Neutral	68	19.0	19.0	38.5
	Agree	166	46.4	46.4	84.9
	Strongly Agree	54	15.1	15.1	100.0
	Total	358	100.0	100.0	

My feeling about CBE FTNR/NT Accounts branch service delivery can be best described as

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Highly Dissatisfied	11	3.1	3.1	3.1
	Dissatisfied	129	36.0	36.0	39.1
	Neutral	31	8.7	8.7	47.8
	Satisfied	170	47.5	47.5	95.3
	Highly Satisfied	17	4.7	4.7	100.0
	Total	358	100.0	100.0	