



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**SERVICE QUALITY AND CUSTOMER SATISFACTION: THE
CASE OF COMMERCIAL BANK OF ETHIOPIA**

By
MESKELE TETEMA

JANUARY 2018
ADDIS ABABA, ETHIOPIA

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**By
MESKELE TETEMA**

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY,
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DECLARATION

I, the undersigned, declare that this thesis is my original work prepared under the guidance of Tesfaye Wolde. All resources 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 learning institutions for the purpose of earning any degree.

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January 2018

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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January 2018

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ACRONYMS

CBE - Commercial Bank of Ethiopia

ATM - Automated Teller Machine

SQ - Service quality

MOT – Moments of Truth

SPSS - Statistical Package for social Sciences

CATS- Customers account Transaction Services

TS - Trade Services

E – Banking – Electronics banking

POS – Point of Sale

CSS – Customer Satisfaction Survey

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ABSTRACT

This paper is designed to find out the impact of quality service on overall customer satisfaction in Commercial bank of Ethiopia. It described the relationship between service quality dimensions and customer satisfaction in selected grade four branches of Commercial Banks of Ethiopia, and identifies the most important dimension of service quality for their customers. Total samples of 400 respondents who have utilized service on commercial bank of Ethiopian were taken as a respondent. For the purpose of the study data was collected through field survey from customers and employees through questionnaire. Structured questionnaire developed based on SERVIQUAL instrument. Convenience sampling technique will used to select respondents from selected grade four branches of CBE. It was show the impacts of delivering quality service in the customer satisfaction in the CBE. The selected branches are not in providing the level of service quality. This study will make clear that quality service has impact on customer satisfaction or customer quality service perception.

Generally, tangible, assurance, responsiveness, reliability and empathy are five features of the model and empathy is positively and strongly correlated with customer satisfaction reliability, assurance and Tangibility are positively and moderately correlated with customer satisfaction. According to this finding, responsiveness is positively and weakly correlated with overall customer satisfaction towards commercial Banks of Ethiopia. This means that the bank willingness to help customers and provide prompt services is low. Managers should train employees, improve visually attractive facilities and coordinate all people, departments and organizations involved with the services. Generally; this study described the relationship between service quality dimensions and customer satisfaction and identifies the most important dimension of service quality for CBE policy makers. Also, it shows the gaps between customer's expectation and perception on the quality of service delivery system in the bank.

Key Words: Customer, service quality, customer satisfaction

CHAPTER ONE

INTRODUCTION

The introductory unit will start with a background of the main subject followed by a problem discussion and the research question, then the purpose of this study and target groups will be presented. Finally, this chapter will end up with significance, limitation, scope of the study and framework of the paper.

1.1. Background of the Study

Every business is established having the aim of achieving success and being profitable. The service industry as any other business sector shares this aim. The service industry is among the oldest and most diverse industries in the world. Services vary in many ways and include various stages. According to Lovelock and Wirtz (2004) service is as “an act or performance made by one party to another although the process may be tied to a physical product, the performance is transitory, often intangible in nature and does not normally result in ownership of any of the factors of production”.

Service quality is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Gronroos, 1984; Parasuraman 1985, 1988). A number of experts define service quality differently. Parasuraman et al. (1985) define it as the differences between customers’ expectation of services and their perceived service. If the expectation is greater than the service performance, perceived quality is less than satisfactory and hence, customer dissatisfaction occurs. Lewis and Mitchell (1990), Dotchin and Oakland (1994), and Asubonteng, Spreng, Mackoy, R.D. (1996) define services quality as the extent to which a service meets customers’ need and expectation.

Satisfaction is recognized as a pleasurable outcome, a desirable end state of consumption. Satisfaction will involve a positive experience and the delivery of a service that matches or exceeds customer expectation. “Service quality and customer satisfaction are unarguably the two core concepts that are at the root of the marketing theory and practices” (Spreng and Mackoy;1996). In today’s world of intense competition, the key to sustainable competitive advantage lies in delivering high quality services that will in turn result in satisfied customers.

When competition increases and environmental issue becomes dynamic, the importance of Service quality is increased (Asubonteng: 1996).

“Today customer’s takes good customer service for granted and customers are now the rules and that goes for business as much as customer market. All business customers want the same thing; better access to service, more competitive price better customer Service and compliant handling process”. (Douglas and Baste; 2002).

No business organization can survive without building its customer satisfaction and brand loyalty; likewise, no organization can make healthy living without meeting the needs of its customers. That is what organizations do: they serve people’s needs. Service quality helps in cementing the relationship between customers and the organization and it is a two-way flow of value. This means that customer derives real value from the relationship which translates into value for the organization in the form of enhanced profitability and sustainability over a long period of time.

Though the ultimate goal of every service giving industry is satisfying customers, more often, many of the service delivering organizations are failed to satisfy customers as a result of not understanding customers’ interest well. Hence, this dilemma creates job difficulty to most business organizations that focus on customer relations (Munusamy A.; 2010).

Ethiopian banking history, in its modern sense, began towards the end of the regime of Emperor Menilek. This period witnessed the establishment of the country’s first bank called the Bank of Abyssinia, or in Amharic “Ye-Ityopya Bank”, it was owned and managed by the British owned National Bank of Egypt, founded in 1905. The year from 1936-1942 were marked by the Italian occupation where only a few Italian Banks were operating. After the victory over fascist Italy, the state bank of Ethiopia was established by a proclamation issued in August 1942. Accordingly with the issuance of the monetary proclamation in 1963 the national bank of Ethiopia and the CBE were established to handle the national banking and commercial banking activities respectively. In 1963 CBE was legally reestablished as a share company to take over the commercial banking activities of the state bank of Ethiopia and to carry on all types of banking business and operations competing with other banks.

Commercial Banks of Ethiopia is now rendering many services through its three core processes- CATS (Customers account Transaction Services), TS (Trade Services) and Credit. Since CBE is improving its service quality and increasing the types of services and products through market assessment those are suitable for the economic condition of the country. Since CBE is striving to achieve its vision which is to be World Class Bank in 2025, taking different action to provide well service quality towards increase its customer satisfaction. One of the objectives to achieve its service quality is service excellence.

Therefore, banks should focus on service quality as a core competitive strategy (Chaoprasert and Elsey, 2004). Within this background customer satisfaction and service quality are compelling the attention of all banking institutions around the world and in recent years, academicians and practitioners give more attention in this area as it assumed that service quality is a critical measure of firm performance (Lasser 2000; Yavas and Yasin, 2001; Bick et al. 2004; Andreessen and Olsen, 2008). Therefore, the objective of this paper is to assess service quality and customer satisfaction in CBE. In short, the focus of this paper is to assess the quality of service delivery and its impact on customer satisfaction in selected Grade four branches of Commercial Banks of Ethiopia.

1.2. Statement of the Problem

Satisfying customer is the first major mission and purpose of any business organization. It is when customers are satisfied the organizations achieves higher sales, profit, market shares and vice versa. Customer satisfaction also leads organization to gain loyalty and achieve the desired objective. Therefore, it is essential for organization to satisfy their customer promptly. So that they can achieve what they plan. What so ever the service provider is, whether governmental or private sector, the heart of their existence and success lie in its ability to provide effective service and satisfying the customer. It is the quality of service that creates loyal customers. When we see banks as a business organization should provide a great care for its customers to attract, retain and gain their loyalty.

Service quality in banking has recently become a topic of interest for academicians and researchers alike despite being considered markedly important over the years. Such interest may be the result of a reduced customer base and decreased market share affecting a portion of the banking industry (Bowen J. and Chen, 2001). Banks that excel in quality service can have a

distinct marketing edge since improved levels of service quality are related to higher revenues, increased cross-sell ratios, higher customer retention (Bennett and Higgins, 1988), and expanded market share (Bowen J. and Chen, S 2001). Likewise, provision of high quality services enhances customer retention rates, helps attract new customers through word of mouth advertising, increases productivity, leads to higher market shares, lowers staff turnover and operating costs, and improves employee morale, financial performance and profitability (Julian and Ramaseshan, 1994; Lewis, 1989, 1993). Therefore, delivering quality service to customers is a must for success and survival in today's competitive banking environment (Samli and Frohlich, 1992).

Nevertheless, banks found in Ethiopia have little care about their customer's satisfaction because of today Ethiopian banks stiff competition, delivering quality service and creating customer satisfaction is expected of them to win this competition. So, it becomes very important for banks to meet or exceed the target customers' satisfaction with quality of services expected by them. It is difficult to find today a bank that does not initiate some kind of service quality improvement programs. Also, CBE is still struggling to improve and keep its service quality towards increase customers positive perceptions by providing and implementing like modern banking systems (Core Banking System, E-Banking, Mobile Banking, and Internet Banking), technological instruments (ATM, POS) and other many banking services tools. However, there are some problems and difficulties observed on its service quality, handling of customer's compliant, reliability, responsiveness and other services to apply effectively and efficiently as expected. (Commercial bank of Ethiopia reviewed 2015/16 first quarter performance).

In the "age of customer" delivering quality service is considered an essential strategy for success and survival in today's competitive environment (Dawkins and Reichheld, 1990; Parasuraman et al., 1985; Reichheld and Sasser, 1990; Zeithaml 1990). What constitutes service quality has attracted the attention of researchers all over the world.

Even as researchers continue to debate the determinants of service quality a few important issues remain unanswered. Is there a universal set of determinants that determine the service quality across a section of services? Does the service characteristic gets reflected in what customers expect out of delivery of a particular service? Is there an inherent difference in services because

they must be delivered in a particular way and does that have a bearing on what becomes important for the customer? Practitioners continue to look for advice and suggestion as to what constitute service quality for their offers and furthermore, if they tend to reposition their offers by varying some characteristics of their offers, for example, by increasing or reducing tangibility or customer contact, etc. additionally, Both previous practitioners and academics measure service quality and try to identify those areas that need improvement in order to gain a competitive advantage.

When we see previous researcher on the topic, Belay Adamu (2012), the study makes an attempt to compare different methods that help bank managers to decide upon those service quality aspects that need improvement and further investment. In addition, the researcher has examined the relationship between five service quality dimensions and customers' satisfaction in Cooperative bank of Oromia and tried to identify which dimension has the highest impact on customers' satisfaction and which need improvement.

According to Meron Melaku(2015), entitled the "impact of service quality on customer satisfaction: In the case of Abyssinia S.C. the study measure the perception of customers concerning a service provided by Bank of Abyssinia and find out whether the bank has met the perception of its customers under all the dimensions of service quality as service quality is becoming key choice driver of customers. Her finding indicates that all the service quality has a positive impact on customer satisfaction.

Beliyu Girma (2012), entitled "quality of service delivery and its impact on customer satisfaction in four selected commercial banks of Addis Ababa". According to his study, the ability to deliver service as promised has a positive effect on customer satisfaction. Additionally, there is a large positive correlation between customer satisfaction and the four service quality dimensions namely reliability, responsiveness, assurance and empathy in the selected commercial banks in Addis Ababa Also there is a medium positive relationship between tangibles and customer satisfaction.

Generally, the above mentioned previous studies focus on the impacts of quality service on customer satisfaction in those given case studies and time. This study unique in timing that the research was made and also focuses on the grade four branches of west Addis district of CBE.

These selected grade four branches located at the center of business (Merkato) and most of customers are huge depositors, huge creditors, exporters, investors and platinum customers of the bank. Additionally they have large numbers of customers. Generally, the selected branches are the hearts of CBE. This study unique in timing that the research was made. However, like others Ethiopia banks they are little care about their customer satisfaction. exclusively So, this paper is designed to fill the time gap and examine the impact of service quality as an independent variable on dependent variable i.e. customer satisfaction in West Addis grade four branches of CBE.

1.3. Research Question

This study aims to answer the following questions:-

1. What are the level of customers' expectation and perception towards service quality?
2. What is the relationship between service quality dimensions and customer Satisfaction in those selected grade four branches of CBE?
3. What are the dominant service quality dimensions that have strong relation with Customers satisfaction in CBE?

1.4. Research Objective

In line with the above problems and research questions the general and specific research objectives are the following.

1.4.1. General Objectives

The general objective of the study is to asses' quality service delivery system and its impact on customer satisfaction in Commercial Bank of Ethiopia.

1.4.2. Specific Objectives

1. To assess the level of satisfaction of customers with the service provided by the CBE.
2. To identify dominant service quality dimensions that has impact on customer satisfaction in CBE.
3. To investigate the relationship between service quality and customer satisfaction.
4. To find out the dominant modified SERVQUAL dimensions in affecting customer satisfaction in commercial bank of Ethiopia.

5. To find out the means that must be taken by the CBE stakeholder in order to satisfy customers.

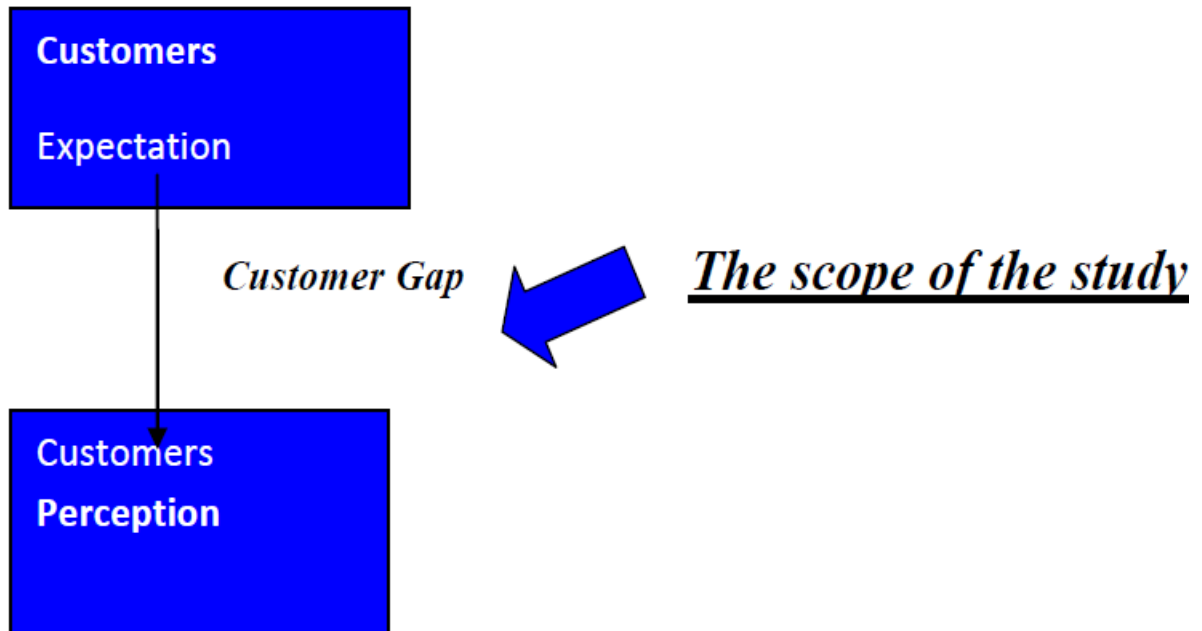
1.5. Significance of the Study

The outcome of this study will be developing the service quality of the bank to meet the customers need and their satisfaction. Furthermore the study will:

- Expected to add up the store of knowledge on customer satisfaction in the banking industry in general and in commercial bank of Ethiopia in particular.
- The study enables the banks to understand the relation between delivering quality service and customer satisfaction and helps them to know the most important dimension used to satisfy customers.
- The result of this study will demonstrate that there may be other factors that influence customer satisfaction judgment. So in future findings, it is important to investigate such other factors.
- Generally, the finding of this study may help the commercial bank of Ethiopia management in decision making by understanding the impacts of delivering quality service and the problems from this findings with regard to the service quality provided.

1.6. Scope of the Study

The terms customer satisfaction and service quality are the two broad and multidimensional concepts. This study focuses on the effect of service quality on customer satisfaction. The most important contributors to the research within the field of service quality are Zeithami, Berry and Parasuraman. In their exploratory research which dates back to 1995 they revealed that the criteria used by customers in assessing service quality fit ten potentially overlapping dimensions. These dimensions include Tangibles, Reliability, Responsiveness, Communication, Credibility, Security, Competence, Courtesy, and Access, Understanding / Knowing customers. It can be seen that three of the original 10 dimensions included in the five service quality dimensions. These three dimensions are tangibles, reliability and responsiveness. The remaining seven dimensions are summarized into two broader dimensions which cover Customer satisfaction relies on customer expectation and customer perception towards 5 service quality dimensions.



According to the above model, the scope of the study is the customer gap between customer expectation and customer perception about quality service. Or this model is focused on service quality as the relationship between the expectation on service quality and perceived quality by customers. The aim of the study is to gain a better understanding of the service quality dimensions that affect CBE'S customer satisfaction from their perspective.

1.7. Limitation of the Study

This study is geographically limited to customers of Commercial Banks of Ethiopia, specifically grade four branches. These grade four branches are different from other grade branches from number of customers, level of service, deposit limit and they have wide customer base than other grades of branches. Because of this the findings of this study may not be generalized to other area branches in CBE. In addition to the five variables of service quality dimensions there several variables affecting customer satisfactions like consumer behavior, environmental factors, etc. which this study does not cover.

1.8. Organization of the Paper

This paper deals with the impacts of delivering quality service in commercial banks of Ethiopia. First chapter deals with introduction and outlining. Second chapter constituted review of related

literature. Part three is methodology that outlines how the data collected is analyzed and presented and interpreted in the next chapter. Part four deals with data presentation, analysis and interpretation on relationship between delivering quality service and customer satisfaction/ impacts of delivering quality service in customer satisfaction in CBE. Finally, the conclusion and recommendation part is presented.

CHAPTER TWO

REVIEW OF RELATED LITRATURE

This chapter gives an overview of literature that is related to the research problem presented in the previous chapter. The concept of service, service quality, customer satisfaction, relation between customer satisfaction n and service quality, and service quality model were introduced in order to give a clear idea about the research area.

2.1. Theoretical Review

2.1.1. Service

The advance economies of the world are now dominated by services and virtually all companies view services as critical to retaining their customers today and in the future. Even manufacturing companies that, in the past, have depend on their physical goods for their existence but now their come to see and recognize that service provides one of their few sustainable competitive advantages (Zeithaml &Bitner, 2003)

Many writers define ‘service’ in different ways: for example kottler; 2003;128 defined service as “any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”. Any intangible actions that are performed by person or machines or both to create good perception within users called service. Although services are performed by service providers and consumer together its quality results in perception and value assessment by the customer (Rao; 2007).

2.1.2. Characteristics of Service

A company must consider five main service characteristics when designing marketing programmes: intangibility, inseparability, variability, perishability and lack of ownership (kotler, 1999, pp-647).

A. Intangibility

Service intangibility means that senders cannot be readily displayed, so they cannot be seen, tasted, felt, and heard or sine lied before they are bought. Because service offerings lack tangible characteristics that the buyer can evaluate before purchase, uncertainty is increased. To reduce uncertainty, buyers look for 'signals' of service quality. They draw conclusions about quality from the place, people, equipment, communication material and price that they can see. Therefore, the service provider's task is to make the service tangible in one or more ways. Whereas product marketers try to add intangibles (e.g. fast delivery, extended warranty, aftersales service) to their tangible offers, service marketers try to add tangible cues suggesting high quality to their intangible offers.

B. Variability

As services involve people in production and consumption, there is considerable potential for variability. Service variability means that the quality of services depends on who provides them, as well as when, where and how they are provided. As such, service quality is difficult to control. Even the quality of a single employee's service varies according to his or her energy and frame of mind at the time of each customer contact. For example, two services offered by the same solicitor may not be identical in performance.

Service firms can take several steps towards quality control. First, they can select and train their personnel carefully. Second, they can motivate staff by providing employee incentives that emphasize quality, such as employee-to-the-month awards or bonuses based on customer feedback. Third, they can make service employees more visible and accountable to consumers - car dealerships can let customers talk directly with the mechanics working on their cars. A firm can check customer satisfaction regularly through suggestion and complaint systems, customer surveys and comparison shopping. When poor service is found, it is corrected. Fourth, service firms can increase the consistency of employee performance by substituting equipment for staff (e.g. vending machines, automatic cash dispensers), and through heavy enforcement of standardized as well as detailed job procedure.

C. Inseparability

Service inseparability means that services cannot be separated from their providers, whether the providers are people or machines. If a person provides the service, then the person is a part of the service. The other feature of the inseparability of services is that other customers are also present or involved. The implication for management would ensure at all times that customers involved in the service do not interfere with each other's satisfaction.

D. Perishability

Service perishability means that services cannot be stored for later sale or use. The perishability of services is not a problem when demand is steady. However, when demand fluctuates, service firms often have difficult problems. Service firms can use several strategies for producing a better match between demand and supply. On the demand side, differential pricing — that is, charging different prices at different times - will shift some demand from peak periods to off peak periods. On the supply side, firms can hire part-time employees to serve peak demand. Peak-time demand can be handled more efficiently by rescheduling work so that employees do only essential tasks during peak periods.

E. Lack of Ownership

Service products lack that quality of ownership. The service consumer often has access to the service for a limited time. Because of the lack of ownership, service providers must make a special effort to reinforce their brand identity and affinity with the consumer by offering incentives to consumers to use their service again.

Table ; 2.1. Service Characteristics

NO.	Characteristics	Resulting Implication
1	INTANGIBILITY	<ul style="list-style-type: none"> • Service cannot be inventoried • Service cannot patented • Service can not readily displayed or Recommended • Pricing is difficult
2	HETROGENEOUS	<ul style="list-style-type: none"> • Service delivery and CS depend on employee action • Service Quality depends on many uncontrollable factors • There is no sure knowledge that the service delivered matches what was planned and promoted
3.	INSEPARABILITY	<ul style="list-style-type: none"> • Simultaneous production and consumption • Customers participate in and affect the transaction • Customers affect each other • Employees affect the service out come • Decentralization may be essential mass production is difficult
4.	PERISHABLE	<ul style="list-style-type: none"> • It is difficult to synchronize supply and demand with service • Service cannot be returned or resold

Source: Zeithaml, and Betner, 2003

2.1.3. Service Quality

Service quality is commonly noted as a critical prerequisite and determinant of competitiveness for establishing and sustaining satisfying relationships with customers. Previous studying suggests that service quality is an important indicator of customer satisfaction (Spreng and Machoy, 1996). Attention to service quality can make an organization different from other

organizations and gain a lasting competitive advantage (Boshoff and Gray, 2004). In particular, consumers prefer service quality when the price and other cost elements are held constant (Turban, 2002). It has become a distinct and important aspect of the product and service offering (Caruana, 2002). According to Brady and Robertson (2001) service quality helps to create the necessary competitive advantage by being an effective differentiating factor. Service quality was initiated in the 1980s as the worldwide trend when marketers realized that only a quality product could guarantee and maintain competitive advantage (Boshoff and Gray 2004).

According to Parasuraman et al. (1985), service quality can be defined as the consumer's comparison between service expectation and service performance. They proposed service quality to be a function of pre-purchase customer expectations, perceived process quality, and perceived output quality. Based on their statement in 1985, they then suggested that service quality is determined by differences between customers' expectation of the service and their perceptions of the service experience.

Parasuraman, Zeithaml and Berry (1985) described service quality as perceived by consumers starting from a comparison of how they feel firms should perform on this dimension with what they actually perceive. It is the gap between a customer's expectations and perceptions that determine service quality; the smaller the gap, the better the quality of service and the greater the customer satisfaction.

As described by Lewis and Booms (1983) giving quality service implies meeting the requirements to customer expectations regularly. Also Parasuraman, et al (1985) defined service quality as "the degree and direction of discrepancy between consumer's perceptions and expectations in terms of different but relatively important dimensions of the service quality, which can affect their future purchasing behavior." This definition clearly shows that service quality is what customers' assess through their expectations and perceptions of a service experience. Customers' perceptions of service quality result from a comparison of their before-service expectations with their actual service experience. Service quality is founded on a comparison between what the customer feels should be offered and what is provided (Parasuraman et al.,1985).

Service quality evaluated by assessing customer's expectations and perceptions of performance level for a variety of service attributes (Parasuraman et al., 1985). If the customer's expectations are meeting or exceeded, then the company is perceived to be offering higher service quality. But if on the other hand, the expectations of the customers are not meet, the company is on its way not only to face displeased and hostile customers, which in turn leads to defection to competitors. "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" (Asubonteng et al., (1996: 64). Expectation is viewed in service quality literature as desires or wants of consumer i.e., what they feel a service provider should offer rather than would offer (Parasuraman et al., 1988).

Quality evaluations derive from the service process as well as the service outcome. As stated by (Gronroos, 1982) there are two types of service quality these are technical quality and functional quality. Technical quality is - what the customer is actually receiving from the service (outcome) while functional quality is the manner in which the service is delivered (process).

"A vague exhortation to customer contact employees to "improve quality" may Have each employee acting on his/her notion of what quality is. It is likely to be much more effective to tell a service contact employee what specific attributes Service quality includes, such as responsiveness. Management can say, if we can improve our responsiveness, quality will increase" (Asubonteng et al; 1996:63).

2.1.3.1. Service Quality Dimensions

Parasuraman, Zeithaml, and Berry (1988, 1990) projected a service quality model that identified perceived service quality into five dimensions: tangibility, reliability, responsiveness, assurance, and empathy.

1. Tangibles involve the appearance of physical facilities, including the equipment, personnel, and communication materials.
2. Reliability involves the ability to perform the promised service dependably and accurately.

3. Responsiveness involves the willingness to help customers.
4. Assurance involves the knowledge and courtesy of employees and their ability to convey trust and confidence. This assurance includes competence, courtesy, credibility and security.
5. Empathy involves the provision of caring, individualize attention to customers. This empathy includes access, communication, and understanding the customer

Additionally, according to (Zeithaml, Bitner, 2003) Service quality dimensions represent how customers organize information about service quality in their minds. On the basis of exploratory and quantitative research, these five dimensions were found relevant for banking, insurance, appliance repair and maintenance.

A. Reliability

It is the ability to perform the promised service dependably and accurately. In its broadest sense, reliability means that the company delivers on its promises-promises about delivery, service provision, problem resolution, and pricing. Customers want to do business with companies that keep their promises, particularly their promises about the service outcomes and core service attributes.

B. Assurance

Accordingly, it is employees' knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. This dimension is likely to be particularly important for services that the customer perceives as involving high risk and/or about which they feel uncertain about their ability to evaluate outcomes.

According to (Zeithaml, Bitner ,2003) Trust and confidence may be embodied in the person who links the customer to the company. In such service contexts the company seeks to build trust and loyalty between key contact people and individual customers. The personal banker concept captures this idea: customers are assigned to a banker who will get to know them individually and who will coordinate all of their banking services.

C. Responsiveness

This dimension emphasizes attentiveness and promptness in dealing with customer requests, Questions, complaints, and problems. Responsiveness is communicated to customers by the Length of time they have to wait for assistance, answers to questions, or attention to problems. Responsiveness also captures the notion of flexibility and ability to customize the service to customer needs. To excel on the dimension of responsiveness, a company must be certain to view the process of service delivery and the handling of requests from the customer's point of view rather than from the company's point of view. To truly distinguish themselves on responsiveness, companies need a well-staffed customer service departments as well as responsive front-line people in all contact positions.

D. Tangibles

Tangibles are defined as the appearance of physical facilities, personnel, and communication materials. All of these provide physical representations or images of the service that customers, particularly new customers, will use to evaluate quality.

E. Empathy

Empathy is defined as the caring individualized attention the firm provides its customers. The essence of empathy is conveying, through personalized or customized service that customers are unique and special. Customers want to feel understood by and important to firms that provide service to them.

2.1.3.2. How to Manage Service Quality

One of the critical tasks of service companies is service quality management. It is commonly said that "what is not measured is not managed" (Anonymous). Without measurement managers will not be sure whether service gaps exist, let alone what types of gaps and where they exist.

According to (Cole; 1995:147) Many organizations are eager to provide good quality services, but fall short simply because they do not accurately understand what customers expect from the company. The absence of well-defined tangible cues makes this understanding

much more difficult than would be if the organization were making manufactured goods. Accordingly, services organizations should ask the following key question:

What do customers consider the important features of the service to be?

What level of these features do customers expect?

How is service delivery perceived by customers?

According to (Stanton; 1987) also, In service marketing the quality of service is critical to a firm's success. Service providers must understand two attributes of service quality: - first quality is defined by the customer not by producer or seller. Second, Customer assesses service performed. Accordingly, to effectively manage quality, a service firm should:

- Help customers formulate expectation Expectations are based on information from personnel and commercial sources promises made by the service provider and experience with the particular service as well as other similar services.
- Measure the expectation level of target market A service firm must conduct research to measure expectations. Gathering data on the target market's past behavior, existing perceptions and beliefs and exposure of information can provide the bases for estimating expectation.
- Strive to maintain consistent service quality at or above the expectation level.

2.1.4. The SERVQUAL Approach

For the purpose of measuring customer satisfaction with respect to different aspects of service quality and to overcome problems which is created as a result of the gap between management and customers, a survey instrument was developed by Parasuraman, Ziethaml and Berry in 1988. The instrument is called SERVQUAL. Accordingly, the basic assumption of measurement was a customer can evaluate a firm's service quality by comparing their perception with their experience. It is designed to measure service quality as perceived by customers.

According to (Parasuraman et al., 1988 and 1991), the SERVQUAL approach has been applied in service and retailing organizations. Service quality is a function of pre-purchase customers, expectation, perceived process quality, and perceived output quality. Parasuraman et al. (1988)

define service quality as the gap between customers' expectation of service and their perception of the service experience.

SERVQUAL provides a technology for measuring and managing service quality (SQ). Since 1985, when the technology was first published, its innovators Parasuraman, Zeithaml and Berry, have further developed, promulgated and promoted the technology through a series of publications. Service quality (SQ) has become an important research topic because of its apparent relationship to costs (Crosby, 1979), profitability (Buzzell and Gale, 1987; Rust and Zahorik, 1993; Zahorik and Rust, 1992), customer satisfaction (Bolton and Drew, 1991; Boulding et al., 1993), customer retention (Reichheld and Sasser, 1990), and positive word of mouth. SQ is widely regarded as a driver of corporate marketing and financial performance.

Based on the study of (parasuraman et al (1985), identified ten determinants of service quality. They are listed as follows

Reliability Responsiveness Competence
Access Courtesy Communication
Credibility Security Understanding/ knowing/ the customers
Tangibles

2.1.4.1. Criticism of SERVIQUAL Method

Though, the SERVQUAL model has been the major generic model used to measure and manage service quality across different service settings and various cultural backgrounds, it has been subjected to a number of theoretical and operational criticisms (Buttle, 1996). However Asubonteng et al (1996) conclude that until better but equally simple model emerges SERVQUAL will predominate as a service quality measure. Notwithstanding its growing popularity and widespread application, SERVQUAL has been subjected to a number of theoretical and operational criticisms which are detailed below:

1. Theoretical:

- Paradigmatic objections: SERVQUAL is based on a disconfirmation paradigm rather than an attitudinal paradigm; and SERVQUAL fails to draw on established economic, statistical and psychological theory.

- Gaps model: there is little evidence that customers assess service quality in terms of P – E gaps.
- Process orientation: SERVQUAL focuses on the process of service delivery, not the outcomes of the service encounter.
- Dimensionality: SERVQUAL's five dimensions are not universals; the number of dimensions comprising SQ is contextualized; items do not always load on to the factors which one would a Priori expect; and there is a high degree of inter correlation between the five RATER dimensions.

2. Operational:

- Expectations: the term expectation is polysemic; consumers use standards other than Expectations to evaluate SQ; and SERVQUAL fail to measure absolute SQ expectations.
- Item composition: four or five items cannot capture the variability within each SQ dimension.
- Moments of truth (MOT): customers' assessments of SQ may vary from MOT to MOT.
- Polarity: the reversed polarity of items in the scale causes respondent error.
- Scale points: the seven-point Likert scale is flawed.
- Two administrations: two administrations of the instrument cause boredom and confusion.
- Variance extracted: the over SERVQUAL score accounts for a disappointing proportion of item variances.

Parasuraman et al. (1988) have claimed that SERVQUAL: Provides a basic skeleton through its expectations/perceptions format encompassing statements for each of the five service quality dimensions. The skeleton, when necessary, can be adapted or supplemented to fit the characteristics or specific research needs of a particular in engaging a customer–supplier relationship.

2.1.5. Service Quality Model

According to the formulation of Parasuraman et al (1985) there are five gaps that cause unsuccessful service delivery and customer dissatisfaction.

1. Gap between Customer Expectation and Management Perception (Knowledge Gap):- management does not always perceive correctly what customers' want. Electricity company

manager might think that consumer's judge the company service by the quality of employees' performance in the technique department, whereas customers may be more concerned with the courtesy and responsiveness.

2. Gap between Management Perception and Service Quality Specification (The Standard Gap):- management might correctly perceive the customers' wants but not set a specified performance standard. For example hospital administrators may tell the nurses to give "fast" service without specifying it quantitatively.

3. Gap between Service Quality Specification and Service Delivery (The Delivery Gap):- The personnel might be poorly trained or incapable or unwilling to meet the standard or they may be held to conflicting standards such as taking time to listen to customers and serving them fast. For example a bank officer who is told by the operations department to work fast and by the marketing department to be courteous and friendly to each customer.

4. Gap between Service Delivery and External Communication: - Consumer expectations are affected by standards made by company representatives and advertising. If a hospital brochure shows a beautiful room, but the patient arrives and finds the room to be cheap and tack looking, external communications have distorted the customers' expectations.

5. Gap between Perceived Service and Expected Service: - This gap occurs when the consumer misperceives the service quality. The physician may keep visiting the patients to show case, but the patient may interpret this as an indication that something really is wrong.

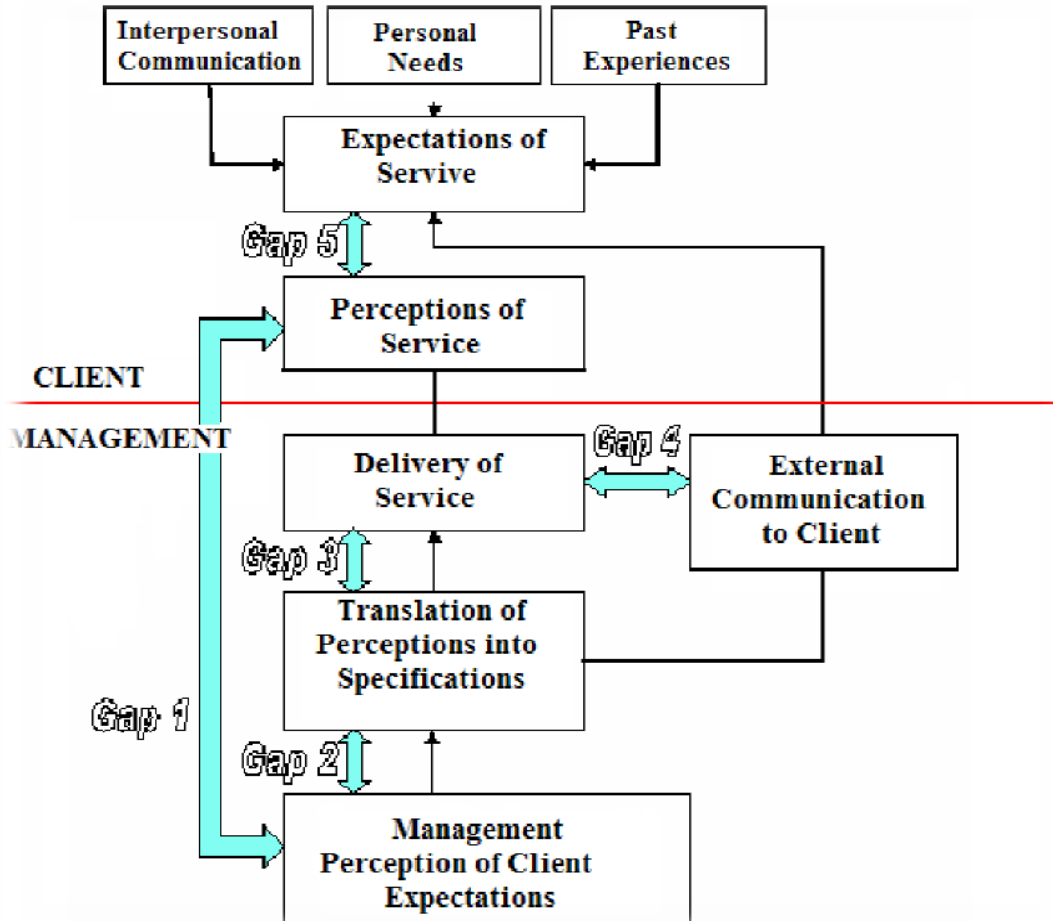


Figure 2.1.: conceptual model of service quality

Source; Parasuraman et.al.,1985

2.1.6. Customer Satisfaction

Satisfaction is generally recognized as a pleasurable outcome, ‘a desirable end state of consumption or patronization. Precise definitions of satisfaction vary, but common themes emphasize that it is a customer’s judgment of the consumption experience formed through some kind of psychological process that involves some form of comparison of what was expected with what was received. As indicated by Lovelock (2004) many researchers conceptualize customer satisfaction as “an individual’s feeling of pleasure (or disappointment) resulting from comparing the perceived performance or outcome in relation to the expectation.”

Similarly, consumers may form satisfaction judgments about specific attributes of a service (e.g. The responsiveness of staff, the amount of information provided, branch opening hours, etc.) or

about the service overall. Different authors define customer satisfaction differently. Kotler (1996) defines customer satisfaction as follows:

“Satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations”

Consumers form judgments about the value of marketing offers and make their buying decisions based upon these judgments (Kotler pp475, 1996). Customer satisfaction with a purchase depends upon the product's performance relative to a buyer's expectations. A customer might experience various degrees of satisfaction. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted. But how do buyers form their expectations? Expectations are based on the customer's past buying experiences, the opinions of friends and associates, and marketer and competitor information and promises. Marketers must be careful to set the right level of expectations. If they set expectations too low, they may satisfy those who buy, but fail to attract enough buyers. In contrast, if they raise expectations too high, buyers are likely to be disappointed.

According to Rampersad; 2001), Information about the opinion of the customer regarding a product or service is of essential importance, and can be obtained in several ways, such as customer surveys, phone interviews, and customer panel discussions. It is also important to measure customer orientation continuously.

Finally, Zeithaml et al., 1996) investigate that, Higher customer satisfaction leads to greater customer loyalty which in turn leads to higher future revenue. As a result, many market leaders are found to be highly superior customer-service orientated. They have been rewarded with high revenue and customer retention as well. For that reason, organizations in the same market sector are forced to assess the quality of the services that they provide in order to attract and retain their customers. Because satisfied customers are key to long-term business success.

2.1.6.1. Factors That Cause Customer Satisfaction

The factors that affect customer satisfaction are classified in to three factor Structures by Matzler A.(2002) are presented as follows:-

A. **Basic factors**

These are the minimum requirements that are required in a product to prevent the customer from being dissatisfied. They do not necessarily cause satisfaction but lead to dissatisfaction if absent. These are those factors that lead to the fulfillment of the basic requirement for which the product is produced. These constitute the basic attributes of the product or service. They thus have a low impact on satisfaction even though they are a prerequisite for satisfaction. In a nutshell competence and accessibility

B. **Performance Factors**

These are the factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled. These include reliability and friendliness.

C. **Excitement Factors**

These are factors that increase customers' satisfaction if fulfilled but does not cause dissatisfaction if not fulfilled which include project management. Additionally, the followings are also some of the determinants of customer satisfaction (Zeithaml, Bitner, p-87, 2003). These are:

Product and Service Features: Customer satisfaction with a product or service is influenced significantly by the customer's evaluation of the product or service features. In conducting satisfaction studies, most firms will determine through some means (often focus groups) what the important features as well as overall service satisfaction.

Customer Emotion: Customers' emotions can also affect their perceptions of satisfaction with products and services. These emotions can be stable, preexisting emotions-example: mood state or life satisfaction.

Attributions for Service Success or Failure: Attributions are the perceived causes of events, influence perceptions of satisfaction as well. When they have been surprised by an outcome (the service is either much better or worse than expected), customers tend to look for the reasons and their assessment of the reasons can influence their satisfaction.

2.1.6.2 The Reasons Lead Customers to Dissatisfaction

According to Sandeep Kumar (2016, Dec 30) reasons of Customer Dissatisfaction, retrieved from <http://www.qualitygurus.com>, customers may become dissatisfied from the following major reasons.

Not knowing the Expectations Customer remains dissatisfied unless the company knows what the customer actually expects out of their product.

Not Meeting the Expectations A customer may become dissatisfied because the Service does not live up to expectations. In addition to that as a result of the rapid Improvement in the technology, customer may compare the services provided by a company with those of the competitors, which may lead to dissatisfaction and Customers over expectations and their changing needs may lead them for dissatisfaction.

2.1.6.3. The Measures to take when you have Dissatisfied Customers

According to Sandeep Kumar (2016, Dec 30) reasons of Customer Dissatisfaction, retrieved from <http://www.qualitygurus.com>, if customers dissatisfied, the first step is to identify and define their dissatisfaction. Their wants and needs first must be uncovered and defined to see if the features and benefits of your company's product or services can satisfy those wants and needs. Their dissatisfaction as well as their satisfaction should be measured and analyzed to get abettor perception of their true level of dissatisfaction. Once the reason and level of their dissatisfaction is exposed then a system to improve that unhappiness can be instituted and control can be implemented to insure continuation of that improvement in product or level of service.

2.1.6.4. Measurements of Customer Satisfaction

Both employee satisfaction and customer satisfaction may be relevant as performance metrics

A. Customer satisfaction Survey

Individual managers must form a view on the nature of satisfaction for their own organization with regard to factors such as the need being fulfilled, the degree and variety of competition, segment variations, and how the resultant data will be used. As a rule, customer satisfaction is measured by the use of some form of quantitative survey. Owing to the nature of customer satisfaction and the use that is made of its data, the survey is required to be statistically reliable and robust. The starting point for any customer satisfaction survey must be the identification of

relevant, business-orientated objectives that will produce clear, unambiguous results. A useful starting point is deciding which business decisions need to be made and require knowledge regarding customer satisfaction. Thus, customer satisfaction should form an integral part of senior management information flows. In this way it can influence a range of decisions by answering questions such as:

- What do we need to do to improve customer retention?
- What do we need to do to get customers to place more business with us?
- Which competitors pose the greater threat, and what do we need to do to counter those threats?
- What opportunities are there to reduce operating costs without harming customer satisfaction?
- What should form the basis of future competitive advantage?

The above six business questions are simply indicative of the range of issues that customer satisfaction information can inform. Therefore, the objectives for a customer satisfaction survey (CSS) must be grounded in the nature of the business decisions it will inform. The following list gives an indication of the kind of objectives that might be informed by a CSS:

What do customers expect from the services we provide?

To what extent are customers' expectations met by the services they receive from us?

What level of satisfaction do our customers experience from the individual components that comprise our service?

Which of our competitors do our customers also use for the provision of services, and what levels of satisfaction do they express for each competitor?

How do levels of customer satisfaction with our services compare with those of our rivals?

How do customers rate the value for money they receive from our services compared with our competitors?

Which elements of our service do we need to improve in order to achieve higher levels of customer satisfaction? Which aspects of our services do customers gain little value from and consider being of little relevance to their experience as customers?

B. Employee Satisfaction Survey

A complementary activity to customer satisfaction measurement is that of the assessment of staff satisfaction. In the same way the acquisition and retention of customers is important to an organization, so too is the hiring and retention of high-quality staff.

Thus, staff satisfaction surveys can yield valuable insights that can assist in the development of staff attraction and retention policies and practices. Given the importance of staff morale and motivation to the provision of good-quality service, it is important that a company possesses a solid knowledge of staff feelings and perceptions.

As with customer surveys, staff surveys should be subject to due rigour with regard to their planning and execution. This means that objectives need to be clearly articulated, data sets specified and classification categories defined. It is particularly important to incorporate questions regarding aspects of customer service into staff surveys. For example, staff should be asked what they believe to be the appropriate expectations of customers with regard to the role that they and their department perform.

2.1.7. Customer Expectation

Service expectation derive from many other sources such as personal needs, perceived service alternatives, customer self- perceived service role, service promises, word of mouth communication, past experience and situational factors beyond the control of the service provider (parasurman, zeithaml, & berry 1985). Given the importance of understanding customer expectations in order to deliver service quality it is also clearly important to understand how such expectations might be formed. Customer expectations will be formed or influenced as a result of many factors.

2.1.7.1. Factors that Affect Customer Expectation

Personal needs

Any customer will have what they regard as a set of key personal needs which they expect the service to address. Clearly these will vary from service to service and importantly from customer to customer. An inadequate understanding by the service of these personal needs will make it difficult to design an appropriate service (wisniewski, 1999).

Previous experience

Some customers many for some services will be 'repeat' customers in the sense that they have used this service before. Their previous experience as a customer will in part influence their expectations of future service. One customer for example may have low expectations because of previous poor service. Another may have high expectations because the service quality last time was high. However customers may also use their previous experience of other organizations in this context (wisniewski, 1999).

Word of mouth communications

Customers will have their expectations shaped in part by word-of-mouth communications about the service and the service provider. Effectively this relates to communication from sources other than the service provider itself. Friends, family, colleagues etc. are obvious sources in this context. Equally, the media may be a source of such communication (wisniewski, 1999).

Explicit service communications

Explicit service communications relate to statements about the service made by the service itself. Such statements may come from service staff or from the service in the form of leaflets, publicity and marketing material (wisniewski, 1999).

Implicit service communication

Implicit service communication may lead the customer to make inferences about service quality. From a service management perspective, it is clearly important to understand what the key influences on your customers' expectations are. Equally, it is important to identify how the

service might influence customer expectations of service through its formal and informal communications (Wisniewski, 1999).

2.1.8. Service Quality Vs Customer Satisfaction

The relationship between customer satisfaction and service quality has received a good deal of attention in the literature (Bolton and Drew; 1994). Parasuraman et al (1988) defined service quality and customer satisfaction as “service quality is a global judgment, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction”. Satisfaction is a “post consumption experience which compares perceived quality with expected quality, whereas service quality refers to a global evaluation of a firm's service delivery system” (Parasuraman et al., 1985).

Oliver (1980) summarizes current thinking on satisfaction as follows: ‘satisfaction is a summary psychological state resulting when the emotion surrounding disconfirmed expectation is coupled with the consumers’ prior feelings about the consumption experience’. Oliver (1980) summarizes the transaction-specific nature of satisfaction, and differentiates it from attitude as follows: Attitude is the consumers’ relatively enduring effective orientation for a product, store, or process (e.g., consumer service) while satisfaction is the emotional reaction following a disconfirmation experience which acts on the base attitude level and is consumption-specific. Attitude is therefore, measured in terms more general to product or store and is less situational oriented.

Iacobucci et al. (1995) conclude that the key difference between service quality and customer satisfaction is that quality relates to managerial delivery of the service while satisfaction reflects customers' experiences with that service. They argue that quality improvements that are not based on customer needs will not lead to improved customer satisfaction. Bolton and Drew (1994:176) pointed out “customer satisfaction depends on pre-existing or contemporaneous attitudes about service quality”. Anderson et al. (1994) also point out that improved service quality will result in a satisfied customer.

Based on the survey result Siddiqi (2011) described that all the service quality attributes are positively related to customer satisfaction and customer satisfaction is positively related to customer loyalty in the retail banking settings. Kumar et al (2009) also stated that high quality of

service will result in high customer satisfaction and increase loyalty. Furthermore Parasuraman et al (1988) found that customer satisfaction is the outcome of service quality.

2.2. Empirical Review of Previous Studies

A number of empirical studies have been conducted on the subject of service quality and customer satisfaction. Researches on this subject show that most of the study was conducted in industrialized countries.

Suresh et al., (2003) study entitled "customer perceptions of service quality in the banking sector of developing economy," the study found that banks varied significantly in providing quality service through customer perception of the quality of service provided. The study found an association between customers and knowing customers, to lead the competition in this area. The study found a link between quality of service and customer satisfaction, and that it has a significant impact in improving the level of customer satisfaction. This study also recommended to make a focus on reliability and customer knowledge in order to improve the competitive position of the sector, in order to ensure customer loyalty, and continued success in the future.

According to zarour (2003), cited in sulieman (2013), study aimed at measuring the impact of the quality and price of services provided by banks to build brand image of the industrial sector in Jordan, the study found a relationship between industrial company's brand equity, and of some dimensions of quality banking service and the prices of these services. The study recommended banking departments to improve the quality of services and prices.

Moreover, according to al-saidi (2007) also, cited in sulieman (2013), study on "assessing the effectiveness of the quality of health services in the state of kuwait'sjahra hospital. The study found that the level of response of the sample study about the effectiveness of quality services was high and statistical differences depending on the educational level variable. This study recommended the establishment of a specialized quality management center in the hospital in order to get customer based brand equity to the center.

According to moala (1998) study aimed at measuring the quality of banking services rendered by commercial banks of Jordan, from the point of view of the bank's customers, where the study found that the actual performance of banking services quality is low compared with the level of

quality customer's expectation in their banking services. The study recommended that the departments of commercial banks should develop programs to enhance the quality of their services. In the same year Blomer (1998), study handled the concept of loyalty to the bank, this research verify how the mental image, perceived service quality, and customer satisfaction affect their loyalty in the individual banks at the international level, it was found that mental image indirectly linked with the loyalty to the bank via quality, which is associated through customer satisfaction and found that reliability dimensions is the most important Dimension of service quality.

Research conducted by Abu Zaid (2009), study entitled "impact of the service quality to customer loyalty and satisfaction in commercial bank ". The aim of this study was to assess the extent of customer based brand equity with the reality of quality service in commercial banks operating in the west bank, the study found that the level of customer satisfaction, customer loyalty and perceived quality was improved .the study recommended that, the banks continuation of holding training sessions for staff and the need to poll customers about services provided and to access to Arabic and international banking experience.

Jabnoun& al-tamimi, (2002) study entitled "measuring perceived service quality at UAE commercial banks" this study aimed to measure the responsible quality through banking service quality dimensions, represented by human skills, concrete skills, empathy and response, the study found that customers give dimensions in financial value, but gave higher value for human skills.

Hunjra et al., (2011) study entitled "the relationship between customer satisfaction, and quality of service in Islamic banking in Pakistan". This study aimed to highlight the relationship between customer satisfaction and quality of service for Islamic banks. The study found a relationship between customer satisfaction and building the quality of bank service, the study also ensures that the effect of the response to the needs of the customers and satisfaction are of the most influential variables in Pakistan.

Addams, (2000) study entitled "service at banks and credit unions," the study found that credit institutions are better than banks on providing quality banking service as the bank does not

identify customer needs, the study recommended the need to pay attention to the quality of banking services, and to identify the Needs of customers.

According to Abu muammar (2005), also study entitled "banking service quality measurement in banks operating in the Gaza strip, Palestine", this study aimed to assess the link between service quality and customer based brand equity for customer satisfaction, the study found that need to understand customer expectations in order to provide the best banking services, and achieve brand equity and satisfaction. Furthermore, customer loyalty and perceived quality is primarily depends on the investigation of the quality of banking services. The study recommended that the need to boost up assurance between customer and bank and take more curiosity in speed and accuracy and in the provision of banking services.

In addition to the above empirical reviews, as stated earlier a number of empirical studies conducted on the subject. For example as cited in the journal of OluOjo (2010), make review on the (Cronin and Taylor, 1992; Spreng and Mackoy, 1996; Jones and Suh, 2000; Coyles and Gokey, 2002; Ranaweera and Prabhu,2003; Choi et al.,2004).

When we see some of previous Ethiopian empirical review, According to Meron Melaku(2015), study entitled "impacts of service quality on customer satisfaction in the case of bank of Abyssinia S.c.".aimed at examined the quality of service provided by the bank and its impact on its customer satisfaction from the point of view of the bank customers, Where the study indicate that all the service quality dimensions have a positive impact on customer satisfaction.

According to Belay Derbe and Ebsa Derbe(2012), also entitled "evaluation of customer satisfaction on bank service; an empirical analysis". This study aimed to analyze customer satisfaction on banking service in Jimma Ethiopia. The study found that the bank needs to handle its customers so well to achieve its organizational aim. This empirical study indicates that, there are a number of problems hindering the smooth delivery of the banking service. Accordingly, the network problem for instance is the major obstacle in the check clearing operations. Besides, in the loan operations the delays of the loan approval is the problem. In the electronic banking services, customers responded that the benefits they obtained are limited as the banks investment in the modern banking services are not corrected immediately. Accordingly, it is obvious that if

customers do not have a trust on the banking services it is meaningless to talk about the good will of the bank. The study concludes that, it is worthy to affirm that customers are the key for any business organization's success.

2.3. Conceptual Framework

The conceptual framework indicates the crucial process, which is useful to show the direction of the study. The study shows the relationship between the five service quality dimensions (reliability, responsiveness, assurance, empathy and tangible) and customer satisfaction. Also the study focuses on gap 5 which represents the difference between customers' expectation and perceptions which is referred to as the perceived service quality.

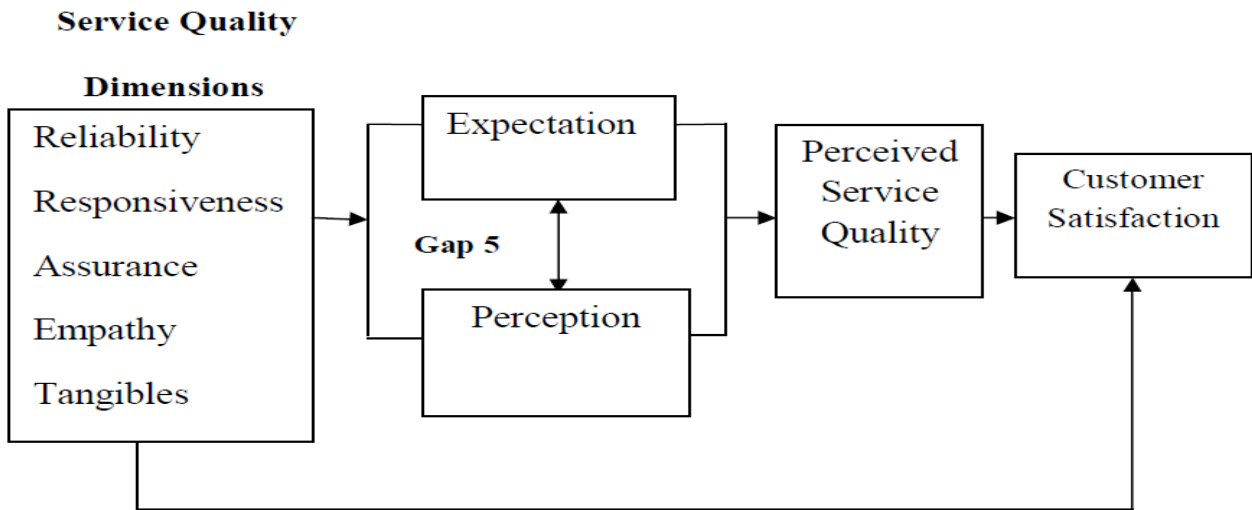


Figure 2.2. The Conceptual Framework of Service Quality.

The difference between expectations and perceptions is called the gap, which is the determinant of customers' perception about service quality. The service will be considered excellent, if perceptions exceed expectations; it will be regarded as good or adequate, if it only equals the expectations; the service will be classed as bad, poor or deficient, if it does not meet them (Vázquez et al., 2001).

The conceptual framework of service quality and customer satisfaction is developed based on the literature review. The five Service quality dimension variables which are tangibles, assurance, reliability, empathy and responsiveness are the independent variables and the customer

satisfaction is a dependent variable of the framework. Generally, The following figure shows the relationship between the independent and dependent variables.

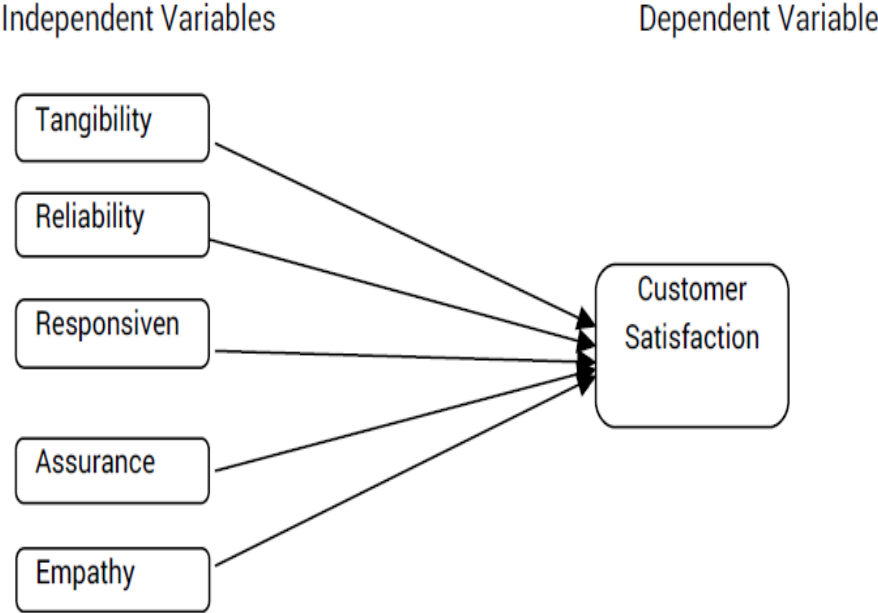


Figure. 2.3. Conceptual Framework

Source: developed based on the study of objective and literature review Oct, 2016

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Research Approach

This study has used both qualitative and quantitative research methods (mixed approach) in this study in order to understand the service quality and customer satisfaction in Commercial Banks of Ethiopia.

The study focuses on the service quality and customer satisfaction in the CBE. To understand more about the service delivery of CBE the researcher has conducted an interview which is qualitative method. This method showed on how the selected branches apply service quality dimensions to satisfy their customers. Furthermore, since the purpose is to gain a better understanding of the impacts of delivering quality service on customer satisfaction, qualitative research is appropriate. Since the service provision of the bank affects customer satisfaction, the study used questionnaire (quantitative approach) to know customers' expectations and perceptions about the CBE.

3.2. Research Design

The research has been carried out through the use of cross-sectional survey design. Cross-Sectional design also known as one-shot and it is best suited to studies aimed at finding out the prevalence of a phenomenon, situation, problem, attitude or issue, by taking across- section of the population. They are useful in obtaining an overall 'picture' as it stands at the time of the study. They are 'designed to study some phenomenon by taking a cross- section of it at one time. Descriptive research was employed as a main research method of this study and used to describe the quality of service delivery and its impact on Customer satisfaction. As described by Suryabrata, (2003) descriptive method is a method that describes the study systematically, factually and accurately utilizing facts, behaviors and relationship between the phenomena's being studied. Therefore, the purpose of the research is mainly descriptive. It describes the results that get from the data that were collected through survey.

3.3. Research Method

3.3.1. Population of the Study and Sampling Techniques

According to the CBE Public website currently CBE has 1051 branches. These branches are operated under 15 districts. These are Adama, Bahirdar, Dese, Diredawa, East Addis, Gondar, Hawasa, Jimma, Mekelle, Nekemte, South Addis, North Addis, Shashemene, West Addis and Wolaita Sodo districts. Within these districts the branches are based on their deposit level and number of customers also classify as grade one, two, three and four. So, this study chooses West Addis Ababa District Grade Four branches as a sample. The reason why is that, in west Addis district there are 50 grade 1, 48 grade 2, 4 grade 3 and 5 grade four branches are exist. And grade four branches have huge deposit and customer's level. Additionally, in these grade four branches several services are provide than other grade branches especially from grade one and grade two branches. For example loan and credit services.

According to commercial bank of Ethiopia reviewed the 2015/16 performance the total numbers of customers is close to 11 million as of sep30, 2015. The target populations of this research will customers of commercial bank of Ethiopia Grade 4 branches found in West Addis Ababa District. Accordingly, the total customers that are served by in these grade four branches of commercial bank of Ethiopia is more than 1,040,000. When we take the sample size from the population, the researcher uses Yamane (1967:886) formula. He provides a simplified formula to calculate sample sizes. This formula was used to calculate the sample sizes the study.

According to Yamane (1967:886)'s formula to figure out what sample size will need to take, which is written as

$N = n / (1 + ne^2)$, Where N = number of samples, n = total population and e = error tolerance

$$N = 1,040,000 / (1 + 1,040,000 * 0.05^2)$$

$$N = 400$$

So, from the given population 400 sample respondents will take from the total population.

The researcher decided to employ convenience sampling method. The reason for using convenience sampling is because the population is too large and it is impossible to include every individual and because of their convenient accessibility and proximity to the researcher.

3.3.2. Data Collection Techniques and Data Source

This study used both primary and secondary data Sources. Primary data were collected through questionnaires that were distributed directly to selected customers. Questionnaires were adopted from SERVQUAL model dimensions which are reliability, responsiveness, assurance, empathy and tangible Parasuraman et.al). Accordingly, 5 likert scales were used as a measurement in (which respondents indicate their extent of agreement or disagreement in order to measure the variables.

For the purpose, a standardized SERVQUAL questionnaire was prepared in English and translated in to Amharic language to ensure the respondents proper understanding of the content of the items in the questionnaire. During the data collection, the experienced lobbies who are working in Commercial Bank of Ethiopia will use. In addition to the effort of the researcher; their adequate orientation will help the researcher to make the data collection friendly and reliable.

In the secondary data collection process, data will collected from books, journals, articles & prior research works that help the researcher to enlarge the knowledge in the topic under study.

3.3.3. Data Analysis Techniques

The study measures service quality dimensions and the satisfaction level of each respondent. The data collected from respondents through questionnaire have been analyzed by using statistical software program: Statistical package for social sciences (SPSS). Accordingly, the results of the analysis were interpreted by using frequency, correlation, Percentage and mean scores.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

This chapter presents analysis, interpretation and findings of information collected through self-administered questionnaires with 400 randomly selected customers of CBE, 173 employees and three branches managers. The analysis is based on the information obtained from 400 customers and 173 employees of grade four branches of west Addis district of CBE. The analysis also incorporated information obtained through an interview with the three branch managers.

In order to get a representative data 400 questionnaires were prepared and distributed to customers. 370 questionnaires were collected back. From these only 350 were properly filled. And from the total of 173 questionnaires distributed to the employees only 161 questionnaires were properly filled. Thus, the analysis is based on the valid 93.1% questionnaires response from customers and 87.5% questionnaires response from employees.

Table 4.1. Response Rate of Questionnaires Administered

	Employees			Customers		
	Correctly filled & returned	Not correctly filled	Not returned	Correctly filled and Returned	Not correctly filled	Not returned
Number	161	-	12	350	20	30
Percentage	93.1		6.9	87.5	5	7.5

Source:-Researcher's survey finding (2016)

Findings of the study are presented in three separate parts. The first part deals with analysis of data gathered through questionnaire from selected employees of Commercial Bank of Ethiopia. The second part deals with analysis of data gathered from customers, and the last part deals with analysis of data gathered through interview from the three branch managers.

4.1. Personal Information of Respondents (Employee)

The result of personal profile of the respondents' which is divided in to three parts is summarized in the table below.

Table 4.2. Respondent's personal profile (Employees)

Item	Frequency	Percent
Gender		
Male	104	64.6
Female	57	35.4
Total	161	100
Age of Respondents		
21-34	82	50.93
35-44	48	29.81
45-54	22	13.66
55 or above	9	5.6
Total	161	100
Service Years of Employees		
Less than one year	21	13.04
One year to Less than Two years	30	18.63
Two years to less than five years	81	50.31
Five years to less than ten years	20	12.42
Ten years or more	9	5.6
Total	161	100

Source: survey result (2016)

As indicated in the Table4.2 about 64.6% respondents are male and the remaining 35.4% of the respondents are female. Regarding the age of the participants, the largest group (50.93%) is in the 21-34 years age group. The second largest group (29.81%) indicated in the 35-44 years age group and finally 13.66% of the respondents are in the 45-54 years age group. It implies that most of the participants in this research are found in the age group of 21-34 that is the youngest working force of CBE.

As we can observe from item three of table 4.2, the largest groups of respondents 81(50.31%) have a working experience of 2 to 5 years on the current job whereas 30 (18.63%) are in the range of 1years to 2 years, 21 (13.04%) are in the range of less than 1 years, 20 (12.42%) were in the range of five year to ten years, and lastly 9 (5.6%) have a working experience of ten years or above.

4.2. The Employees' Perception towards Activities Done in CBE to Satisfy Employees.

The questionnaires were designed using Likert Scale where almost all the statements were measured on a five point scale with 1=strongly Agree; 2 = agree; 3 = neither agree nor disagree (neutral); 4 = disagree; and, 5 = strongly disagree. The information obtained from the questionnaire are summarized and discussed in the tables below.

Table: 4.3. General Employee Perception Towards activities done in CBE to satisfy employees

Dimensions	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1. CBE'S Strategies and planning					
I understand the long-term strategy of CBE	78	57	6	20	-
I have confidence in the leadership of CBE	14	35	52	35	25
Employees participation in the preparation of plan	7	19	42	71	22
2. Your role at CBE					
I am given enough authority to make decisions	105	37	14	5	-
I like the type of work that I do	91	62	2	4	2
I feel I am contributing to CBE's mission/vision	10	130		20	1
3. Corporate culture					
Service quality is a top priority with CBE'	81	61	7	12	-
Individual initiative is encouraged at CBE'.	26	65	26	27	17
CBE' is customer-based bank	125	22	1	13	-
We informed about the bank strategies and plans on time.	10	23	17	72	39

4. Your relations with your immediate supervisor					
My supervisor treats me fairly and with respect	60	92		6	2
My supervisor understands my problem	39	47	8	52	15
My supervisor asks me for my input to help make decisions.	11	35	61	26	28
5. CBE'S training program					
CBE provides induction program	140	20		1	-
CBE provides as much ongoing training as I need	19	32	41	37	32
CBE has a skill up grading training program	10	25	51	35	40
6. Recognition and Rewards					
CBE gives enough recognition for work that's well done	62	48	25	9	17
I like the reward and recognition policy of the bank	15	21	32	9	84
The recognition and reward policy is transparent and clear	52	58	30	17	4
My salary is fair for my responsibilities	-	11	19	21	110
7. Working Condition					
I have the materials and equipment I need to do my job well	20	75	-	42	24
I believe I have job secure	46	85	-	17	13
The physical working conditions are good	71	84	-	6	
8. Education level					
Better educational opportunities	-	5	52	67	37
Opportunities for career development	-	25	61	59	16
9. Satisfaction Level					
Your overall satisfaction with CBE	21	81	35	22	2

Source: Researcher's survey finding (2016)

Table 4.4: CBE’s Strategy and Planning and Employees Role at CBE

To what extent do you agree or disagree with the following statements about CBE (In %)					
Items	Measurements				
1. CBE’S Strategies and planning	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
I understand the long-term strategy of CBE	48.5%	35.4%	3.7%	12.4%	-
I have confidence in the leadership of CBE	8.7%	21.74%	32.3%	21.74%	15.53%
Employees participation in the preparation of plan	4.3%	11.8%	26.1%	44.1%	13.7%
<i>Average Response for Item 1</i>	20.5%	61.1%	20.7%	26.08%	9.7%
2. Your role at CBE					
I am given enough authority to make decisions	65.2%	23%	8.7%	3.1%	-
I like the type of work that I do	56.6%	38.5%	1.2%	2.5%	1.2%
I feel I am contributing to CBE's mission/vision	6.2%	80.75%		12.42%	0.63%
<i>Average Response for Item 2</i>	42.7%	47.4%	3.3%	6%	1.83%

Source: Researcher’s survey finding (2016)

In order for the employees to satisfy the customers, the bank needs to make sure that the bank’s strategies and plans are clear to the employees. In addition, the role of employees must be encouraged in the organization. Based on this the respondents were asked to what extent they agree or disagree with the statements listed in the table 4.4.

In this regard, the findings show that 48.5%, 8.7%, 4.3% of the respondents strongly agree with the way they understand CBE’s long-term strategy, the leadership, and employees’ participation in the preparation of plan respectively. Out of the total respondents 12.4%, 21.74%, and 44.1% of the respondents indicated that the bank has not done enough for the employees to understand the strategies, planning and their participation in the bank’s plan respectively. According to the survey, the majority of the respondents (35.4%, 21.74%, and 11.8%) agree with the way they understand CBE’s long-term strategy, the leadership, and employees’ participation in the preparation of plan respectively. Moreover, as we can see from table 4.4 of item 2, majority of the respondents (23%, 38.5%, and 80.75%) agree with the statements ‘I am given

enough authority to make decisions, I like the type of work that I do and I feel I am contributing to CBE's mission/vision respectively. Accordingly, 65.2%, 56.6%, and 6.2% of respondents are strongly agree with the statements that stated in the item 2 respectively. Whereas 3.1%, 2.5% and 12.42% of respondents respectively disagree with statements stated under the role they play in the CBE. One of the variables that may be expected to influence job satisfaction is 'the degree of perceived autonomy that workers enjoy in the way they do their job'. The expected relationship is that more autonomy is associated with greater job satisfaction. Autonomy and independence refer to the degree to which a job provides an employee with freedom and discretion to make decisions, such as scheduling work and determining how it is to be done. Increased autonomy can give employees a greater sense of responsibility for the outcomes of their work and, in turn, may increase their satisfaction. In order for the employees to satisfy the customers, the bank needs to make sure that the bank's strategies and plans are clear to the employees. In addition, the role of employees must be encouraged in the organization.

Table: 4.5 CBE's corporate culture and employees' relation with their immediate supervisor

To what extent do you agree or disagree with the following statements about CBE (in %)					
Items	Measurements				
3. Corporate Culture	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Service quality is a top priority with CBE	50.3%	7.5%	4.3%	37.9%	-
Individual initiative is encouraged at CBE	16.1%	16.8%	16.1%	40.4%	10.6%
CBE is customer-based bank	77.6%	8.1%	0.6%	13.7%	-
We informed about the bank strategies and plans on time	6.2%	44.7%	10.6%	14.3%	24.2%
Average Response for Item 3	37.55%	77.1%	7.9%	26.6%	8.7%
4. Your Relations with Your Immediate Supervisor					
My supervisor treats me fairly and with respect	37.3%	57.1%		3.7%	1.9%
My supervisor understands my problem	24.2%	29.2%	5%	32.3%	9.3%
My supervisor asks me for my input to help make decisions	6.8%	21.7%	37.9%	16.2%	17.4%
Average Response for Item 4	22.8%	36%	14.3%	17.4%	9.5%

Source: Researcher's survey finding (2016)

As we seen in the literature review portion of the study, the overall corporate culture—the organization’s reputation, work ethics, values and working conditions—as it relates to job satisfaction must be clear to employees. Moreover, the relationship an employee has with his or her supervisor is a central element to the employee’s affiliation to the bank, and it has been argued that employee behavior is largely a function of the supervisor. Similar to senior management, when there are open lines of communication (e.g., encouraging an open-door policy), supervisors can respond more effectively to the needs and problems of their employees. Employees who have a positive relationship with their supervisor, where they feel safe and supported, may be more likely to share with their supervisor job related problems or even personal problems, which can be barriers to employee productivity.

Table 4.5 indicates that the respondents degree of agreement or disagreement towards CBE’s corporate culture and their relationship with their immediate supervisor. Once the employees know what is going on in the bank (i.e. organizational culture) and have a good relationship with their supervisors, they are motivated to serve the bank as well as clients. With this regard employees were asked to rate their agreement or disagreement towards CBE’s culture and the relationship they have with their supervisors.

As it is indicated in the table 4.5, majority of the respondents (about an average of 77.1% respondents agree and 37.55%the respondents are strongly agree) with the bank’s cultures like Service quality is a top priority with CBE, Individual initiative is encouraged at CBE, CBE is customer-based bank, We are informed about the bank strategies and plans on time. Out of the total respondents, an average 26.6%and 8.7% of the respondents are disagreeing and strongly disagree with the bank’s culture respectively.

Moreover, the respondents were also asked to what extent they agree or disagree with the relationship they have with their immediate supervisors. Averages of 36% and 22.8%of the respondents have responded that they agree and strongly agree with the relationship they have with their immediate supervisors respectively. But around 14.3%of the respondents have shown that both they agree or disagree, and 17.4% of them have expressed that they disagree and 9.5% of the respondents strongly disagree with the relationship with their supervisors.

Table: 4.6 CBE’s training program, recognition and rewards

To what extent do you agree or disagree with the following statements about CBE (in %)					
Items	Measures				
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
5.CBE’S training program					
CBE provides induction Program	87%	12.4%		0.6%	
CBE provides as much ongoing training as I need	11.8%	19.8%	25.5%	23%	19.9%
CBE has a skill up grading training program	6.2%	15.6%	31.7%	21.7%	24.8%
Average Response for Item 5	35%	15.9%	19.1%	15.1%	14.9%
6. Recognition and Rewards					
CBE gives enough recognition for work that’s well done	38.5%	29.5%	15.5%	5.6%	10.6%
I like the reward and recognition policy of the bank	9.3%	13%	19.9%	5.6%	52.2%
The recognition and reward policy is transparent and clear	32.3%	36%	18.6%	10.6%	2.5%
My salary is fair for my responsibilities		6.8%	11.8%	13.1%	68.3%
Average Response for Item 6	20%	21.3%	16.45%	8.7%	33.4%

Source: Researcher’s survey finding (2016)

In most cases, there may be gap between employees’ knowledge and skill, and what the job demand. The gap must be filled through training programs. Hence, personnel training and retraining is one of the major ways that bank attempt to maintain the competency levels of their human resources and increase their adaptability to changing organizational demands. Furthermore, the bank must also motivate their employees through or by providing recognition and rewards.

Moreover, Employers offer job-specific training to provide employees with the relevant skills to enable them to perform their duties efficiently. The immediate application of skills acquired through such training may boost employee confidence and productivity.

As indicated in the table 4.6, an average of 35% and 15.9% of the respondents respectively have expressed that they strongly agree and agree with the CBE’s training program in that CBE

provides induction program, CBE has a skill up grading training program, and CBE provides as much ongoing training as I need. Averages of about 15.1% and 14.9 % of them have indicated that they disagree and strongly disagree with the bank training program.

Regarding the recognitions and rewards provided by the bank to employees, an average of 20% and 21.3% of the respondents ensured that they strongly agree and agree with the recognition and rewards system provided by the bank. But out of the total respondents, averages of 8.7% and 33.4% of them have expressed their feelings indicating that they disagree and strongly disagree with the rewards and recognitions provided by CBE. As indicating above that, majority of the respondents disagree on the rewards and recognition provided by CBE. So, the bank should work on acknowledging employees' performance through praise (private or public), awards and incentives. Because, it is believed to be a cost-effective way of increasing employee morale, productivity and competitiveness and it lead to customers to satisfaction.

Table: 4.7 working condition, teamwork, and educational level of CBE

To what extent do you agree or disagree with the following statements about CBE (in %)					
Items	Measures				
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
7. Working Conditions					
I have the materials and equipment I need to do my job well	12.4%	46.6%		26.1%	14.9
I believe I have job security	28.6%	52.8%		10.5%	8.1%
The physical working conditions are good	44.1%	52.2%		3.7%	
Average Response for Item 7	28.4%	50.5%		13.4%	7.7%
8. Education level					
Better educational opportunities		3.1%	32.3%	41.6%	23%
opportunities for career development		15.6%	37.9%	36.6%	9.9%
Average Response for Item 8		23.4%	35.1%	39.1%	16.5%

Source: Researcher's survey finding (2016)

Good working environment is very important to employee job satisfaction. With safety and security threats ranging from terrorism and violence in the workplace to public health issues and workplace accidents, it is not surprising that employees are concerned about workplace safety. This, in turn, may lead to greater expectations of employers to protect their workforce from major threats.

As we observed from table 4.7 of item 7, average of 50.5% and 28.4% of respondents have expressed that they are agree and strongly agree with the working conditions such as having the materials and equipment they need to do their job well, have job security, the physical working conditions of the bank. 13.4% and 7.7% of respondents respectively expressed their dissatisfaction by indicating that they disagree and strongly disagree with the working condition of the CBE.

Table 4.7 of item 8 indicates that 39.1% and 16.5% of the respondents have responded that they disagree and strongly disagree with the educational opportunities given to employees to enhance their skill and knowledge. Only 23.4% of the respondents have expressed their satisfaction by responding that they agree that the bank give educational opportunity for employees and no one of them have strongly agree.

Table: 4.8 Employees Overall Satisfaction with CBE

	Very satisfied		Satisfied			Neutral		Dissatisfied		Very Dissatisfied	
	No.	%	No.	%	No.	%	No.	%	No.	%	
9.Satisfaction level											
Your overall satisfaction with CBE	21	13	81	50.3	35	21.8	22	13.7	2	1.2	

Source: Researcher's survey finding (2016)

When employee satisfaction is high, it translates into increased productivity, commitment and retention for organizations. Based on all of the above 8 questions the respondents were also asked to rate their overall satisfaction with the bank. From the total respondents, 50.3% have

responded that they are satisfied. The other 13% and 13.7% respectively have expressed that they are very satisfied and dissatisfied. 21.8% of the respondents have indicated that they are neutral.

Open Ended Question (Any Comments or suggestions?)

In addition to closed ended questions the employees were asked to forward any other comment or suggestion and they have indicated the following comments.

- The management should develop their own confidence while making any decision
- Fair and reasonable salary scale should be set by the bank
- Respond to its workers questions on time, like conducive working condition and benefits.
- Arrange employee complaint handling systems..
- provide fair training schedule to all position of workers.
- The bank should make necessary follow-up, implementation of CBE’s vision, mission, objectives policies

4.3. Analysis of Data Gathered from Customers

The result of personal profile of the respondents’ which is divided in to five parts is summarized in the table below

Table 4.9. Respondent’s Personal Profile (Customers)

Characteristics	Frequency	Percentage
Gender of the respondents		
Male	205	58.6
Female	145	41.4
Total	350	100
Age of the respondents		
18-21 years	11	3.2
22-34 years	89	25.4
35-44 years	161	46
45-54 years	82	23.4
55 years old and above	7	2
Total	350	100
Educational background		
Primary school	10	2.9
Secondary school	49	14
Diploma	103	29.4
First degree	126	36
Second degree and above	62	17.7

Total	350	100
Type of service used by the customers		
Check account	129	36.9
Saving account	155	44.3
Loan	15	4.3
Other	51	14.5
Total	350	100
How customers utilize the service CBE provides		
By going to the branch	111	31.7
ATM	110	31.4
Mobile banking	104	29.7
Internet banking	25	7.2
Other	-	-
Total	350	100

Source: survey result (2016)

Out of the total 350 of respondents 58.6% are male and 41.4% of them are female. Regarding the age of the participants, the largest group (46%) is in the 35-44 years' age group. The second largest group (25.4%) indicated in the 22-34 years' age group and 23.4% of the respondents are in the 45-54 years' age group. The other 3.2% and 2% respectively are indicated in the age group of 18-21 and 55 years old and above. As we can observe from the above table, 36% of respondents are Degree holder, 29.4% have diploma holder, 17.7% of them have second degree and above, 14% and 2.9% of them have school leaving qualification of secondary and primary school respectively. The fourth item in the above table presents the type of service used by the customers, 44.3% of the respondents use saving account, 36.9% of the respondents use check account, 4.3% of the respondents use loan account and 14.5% of the respondents use other services. The last item in the above table presents how the customers utilize the service that CBE provide, 31.7% of the respondents use by going to the branches, 31.4% of the respondents use by ATM, 29.7% of the respondents use mobile banking and 7.2% of the respondents' use internet banking.

4.3.1 Level of customers' expectation and perception on service quality in CBE

This section presents the customers' expectation and perception towards service quality of CBE. Service quality is composed of tangibility, reliability, responsiveness, assurance, and empathy. The respondents were asked to rate each statement concerning their expectation and perception of service quality of the CBE.

As stated in the research methodology, Likert scale was used to measure the contribution of service quality dimensions for building customer satisfaction. The researcher has explored customers' expectation and perception levels towards service quality of the bank. The degree of satisfaction towards service quality of the bank is set from 1 to 5 (5 is from the highest expectation/satisfaction, whereas, 1 is the lowest expectation/satisfaction). First the researcher needs to test reliability.

Reliability analysis was computed to test whether the scale used in the study is internally consistent and consistently measures the criterion variable using the reliability procedure in SPSS (version 20.0). From data analysis the cronbach's alpha for this study is 0.809 which is excellent according to the standard set by George and Mallery (2003) and it is over the acceptable limit of >0.70 . For all individual dimensions, cronbach's alpha is greater than 0.70, which is shown below, that signifies greater internal consistency between the items and measures the intended dimension of the variables.

Table 4.10: Reliability test for independent variables

Dimensions	Cronbach's alpha	No. of items
Tangibility	0.716	4
Reliability	0.703	5
Responsiveness	0.731	4
Assurance	0.707	4
Empathy	0.714	5
Over all scale Reliability	0.809	22

Source; Survey result (2016)

4.3.2. Service Quality Dimensions' Analysis

In order to assess the customer-perceived quality of commercial bank of Ethiopia service, descriptive statistics were computed per dimension. According to (poonlar btawee:1987), Mean score was calculated to show the average responses of respondents for each question that was included under each dimensions and to reach the grand mean of each dimension. Mean scores 4.51-5.00 excellent or very good, 3.51-4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair and 1.00-1.50 is poor.

Table. 4.11. Service Tangibility

Item	Mean
The bank has modern looking equipment.	2.3
The bank's physical features are visually appealing.	2.5
The bank's reception desk employees are neat appearing.	2.5
Materials associated with the service (such as pamphlets or statements) are visually appealing at the bank.	2.3
Overall mean score of the dimension	2.4

Source: survey result (2016)

As we remember from the literature review part tangibility refers to appearance of physical facilities, equipment, personnel and communication materials. According to the above table the highest mean was 2.5 for the second item which is the bank's physical features are visually appealing the least mean was score from the first item which is the bank has moderate looking equipment with a mean of 2.3.

As shown in the above table the grand mean for tangibility dimension is 2.4 which is the highest mean as compared to other independent variables. From the above table 4.4.3 the researcher concludes that customers are fairly satisfied with the banks physical features of visually appealing and least satisfied regarding to the moderate looking equipment.

Table 4.12: Service Reliability

Item	Mean
When the bank promises to do something by a certain time, it does so.	2.0
When you have a problem, the bank shows a sincere interest in solving it.	1.9
The bank performs the service right the first time.	1.9
The bank provides its service at the time it promises to do so.	1.9
The bank insists on error free records.	2.1
Overall mean score of the dimension	1.96

Source: survey result (2016)

Reliability refers the ability to perform the promised service dependably and accurately. According to the table 4.4.4, the average mean perception on reliability items ranges from 1.9 to 2.1 on a 5-point scale and the highest mean is scored from item five i.e. Error free records with a mean score of 2.1 followed by item one which is promising to do something by a certain time with a mean score of 2 the organization perform least on item three which is reliability in performing the service right the first time with a mean score of 1.9 this shows that its service is not like the first time. In general the grand mean score for service reliability dimension is 1.96. Therefore the researcher concludes that, regarding to reliability commercial bank of Ethiopia customers perceive that quality of service being offered by the organization is fair

Table 4.13: Responsiveness Dimension

Item	Mean
Employees in the bank tell you exactly when the services Will be performed.	1.9
Employees in the bank give you prompt service.	2.1
Employees in the bank are always willing to help you.	2.2
Employees in the bank are never too busy to respond to your request.	2.22
Overall mean score of the dimension	2.1

Source: survey result (2016)

As stated by the literature portion of the study, the responsiveness dimension involves willingness to help customers and provide prompt services. According to the above table the grand mean for responsiveness dimension is 2.1. the highest mean perception of responsiveness attribute of service quality is employees in the bank are never too busy to respond to your request with a mean score of 2.22. The second highest mean scored is item three which refers to employees in the bank are always willing to help customers with a mean score of 2.20. the least mean score is from item one which is employees in the bank tell customers exactly when the services will be performed mean score with a 1.9. To conclude the grand mean of responsiveness dimension shows that it is fair.

Table 4.14: Service Assurance

Item	Mean
The behavior of employees in the bank instills confidence in you.	2.12
You feel safe in your transactions with the bank.	2.22
Employees in the bank are consistently courteous with you.	2.09
Employees in the bank have the knowledge to answer your questions.	2.03
Overall mean score of the dimension	2.16

Source: survey result (2016)

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

The above table portrays items that measures assurance. The highest perception mean score was 2.22 which is assigned to item two that describes customers feel safe in their transactions with the bank. Whereas, the least perception mean was scored 2.03 which is assigned to the last item which explain employees in the bank have knowledge to answer the customer's questions. As shown in above table 4.4.6 the grand mean for assurance is 2.16 which indicate regarding to assurance commercial bank of Ethiopia customers perceive that the quality of service being offered by the organization is fair.

Table 4.15: Service Empathy

Item	Mean
The bank gives you individual attention.	1.99
The bank has operating hours convenient to all its Customers.	1.92
The bank has employees who give you personal attention.	1.94
The bank has your best interests at heart.	1.95
The employees of the bank understand your specific needs.	1.86
Overall mean score of the dimension	1.93

Source: survey result (2016)

The empathy dimension represents the provision of caring and individualized attention to customers including access or approachability and ease of contact, effective communication, and understanding the customers. As clearly seen from the table above, the highest mean for this dimension come from the first indicator that signifies the bank gives individual attention to the customers with a mean score of 1.99 followed by the bank has best interests at heart to customers with a mean score of 1.95. However the least mean comes from the last item which is the employees of the bank understand customer’s specific needs with a mean score of 1.86. As a conclusion, the grand mean score of this construct based on customers view is 1.93 this shows regarding to empathy which indicate commercial bank of Ethiopia customers perceive that quality of service being offered by the organization is fair.

Table 4.16: Overall Satisfaction

Item	Mean	St. Deviation
Perceived service is greater than the expected service	1.3	.47067
Perceived service is less than the expected Service	4.6	.51279
Perceived service is equal to the expected Service	1.2	.51441

Source: survey result (2016)

According to Oliver (1980), Customer satisfaction occurs by confirmation or positive disconfirmation of consumer expectations, and dissatisfaction occurs by negative disconfirmation of consumer expectations. If the customer can accept the outcome compared with his or her expectations, confirmation will occur. On the other hand, if the customer cannot accept the outcome, disconfirmation will occur. Accordingly, there are two kinds of disconfirmation, which are positive disconfirmation and negative disconfirmation. When the outcome of the product or service is less than the customer expects, negative disconfirmation will occur. On the other hand, when the customer feels better about the outcome than the expectation, positive disconfirmation will occur.

Table 4.17: Perception & Expectation Gap

Item	Mean	Grand mean
The Gap between perceived and expected Service	-2.6	-2.6

Source: survey result (2016)

According to the above survey result in table 4.9 shows the mean score is -2.6 which indicates that there is a high gap between customer's perceived service and their expectation.

4.3.3. Correlation Analysis

According to literature portion Field (2005), A correlation coefficient is a very useful means to summarize the relationship between two variables with a single number that falls between -1 and +1. A correlation analysis with Pearson's correlation coefficient (r) was also conducted on all variables in this study to explore the relationships between variables. To interpret the strengths of relationships between variables, the guidelines suggested by Field (2005) were followed, mainly for their simplicity. According to Field (2005), A correlation coefficient of +1 indicates that two variables are perfectly related in a positive sense; a correlation coefficient of -1 indicates that two variables are perfectly related in a negative sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables. A low correlation coefficient; 0.1-0.29 suggests that the relationship between two items is weak or non-existent. If r is between 0.3 and 0.49 the relationship is moderate. A high correlation coefficient i.e. >0.5 indicates a strong

relationship between variables. The direction of the dependent variable's change depends on the sign of the coefficient. If the coefficient is a positive number, then the dependent variable will move in the same direction as the independent variable; if the coefficient is negative, then the dependent variable will move in the opposite direction of the independent variable. Hence in this study both the direction and the level of relationship between the dimensions of service quality and customer satisfaction are conducted using the Pearson's correlation coefficient. The table 4.5.1 below presents the result of the correlation analysis made using bivariate correlation.

Table 4.18: Pearson's Correlation Matrix between Service Quality Dimensions and Customer Satisfaction.

	Tangibility	Reliability	Responsiveness	Assurance	Empathy	Overall satisfaction
Tangibility	1					
Reliability	.520**	1				
Responsiveness	.374**	.493**	1			
Assurance	.485**	.473**	.449**	1		
Empathy	.473**	.485**	.406**	.492**	1	
Overall Satisfaction	0.322**	0.319**	0.274**	0.318**	0.648**	

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

Source: survey report (2016)

The correlations of the variables are shown in table 4.5.1, however, each variable correlates perfectly with itself, as evidenced by the coefficients of +1.00 at the intersection of a particular variables' row and column. According to the above table, Pearson correlation matrix shows reliability has moderate associations with overall customer satisfaction with a value of 0.319. As per the Pearson's correlation, the r value range from 0.3 – 0.49 shows variables are moderately correlated. Based on the above table correlation analysis, responsiveness with r-value has weak associations with overall customer satisfaction with a value of 0.274.

According to field (2005), Pearson correlation coefficient value from 0.1 - 0.29 shows that variables are weakly correlated. According to table 4.5.1, Pearson correlation matrix shows assurance has moderate association with overall customer satisfaction with r-value of 0.318. Therefore, assurance has positive relationship with customer satisfaction. In the same way tangibility have positive associations with overall customer satisfaction with r-value of 0.322 respectively.

According to table 4.5.1, Pearson correlation matrix shows empathy has strong association with overall customer satisfaction with r-value of 0.648. According to field (2005), Pearson correlation coefficient value from ≥ 0.5 shows that variables are strongly correlated. Generally, reliability, responsiveness, assurance and empathy have positive associations with overall customer satisfaction towards commercial bank of Ethiopia and the highest positive correlation is with empathy and overall customer satisfactions according to the above Pearson correlation matrix.

4.4. Interview with the Managers

The researcher has conducted an interview with the three branches' managers from grade four branches under west Addis district regarding the following questions. Information gained from the three branches' managers is analyzed qualitatively as follows.

A. Strategies applied in the bank to boost the quality service delivery of the bank

It is obvious that service providing institutions are applying different strategies in order to enhance their customer service quality delivery. Therefore, the three branches' managers were asked what strategies the bank applies in providing service quality or enhance customer service quality delivery. According to them the bank uses different strategies to boost the quality of its service delivery through the following strategies:

- By increasing the ability and knowledge of employees. The bank gives different training programs for its employees on the areas of customer service delivery process, especially on how to satisfy customers in the front, how to handle their problem during service encounter and also train them on several service product knowledge of the bank.

Accordingly, Customer service is the ability of knowledgeable, capable, and enthusiastic employees to deliver products and services to the bank customers.

- There is a change and an improvement made in the bank concerning the speed of service delivery. The bank minimized the process relating to products through which they deliver the service to their customers by applying one window service.

B. Service quality and customer satisfaction treated as an important strategy for CBE

Providing excellent service quality and high customer satisfaction is the important issue and challenge facing the contemporary service industry. High customer satisfaction and loyalty have long been key concerns for operational management in service industries. Consequently, customer orientation, namely, understanding customer requirements and expectations, is the first step CBE must take to enhance service quality.

Based on the above statements an interview was conducted with the three branches' managers whether service quality and customer satisfactions are important strategies for the bank. According to the managers banks are service delivery institutions. They deliver their services for customers. In turn customers are the backbone of service providing institutions like banks. Because of these and other factors banks cannot exist without customers. Providing service to customers is not only the strategy bank follow, they must retain existing customers, attracting new customers and satisfying their needs. This takes place by applying the concept of service quality and customer satisfaction as a strategy in the bank. Therefore, Service Quality and Customer Satisfaction. The reason is that according to the managers if the bank does not increase and improve its service quality and meet customers' needs, customers will be dissatisfied and they will switch from the bank to other banks. So without customers there is no bank business in general.

C. Do you think that your bank has the ability to provide appropriate service quality that customers are satisfied with? If yes, explain?

The managers have confirmed that the bank has the ability to provide appropriate services quality to satisfy its customers, some of which are the following:

Using networking system

Increasing number of branches

Applying core banking system

Using pilot branch

Every management staff should be clear with their organization's human resource development policy even if the human resource department is responsible to execute the policy. One of the basic aims of management development program to improve current job performance of each employees, which ultimately improves the productivity of CBE as a whole, is by updating the skills and knowledge of all staffs. Therefore, the staffs must be given educational opportunity and trainings to enhance their skills and knowledge.

D. Is your bank undertakes customer and employee satisfaction survey as a strategy to measure the quality of their service? What are the techniques applied to measure service quality in CBE?

According to the three branch managers, both employee satisfaction and customer satisfaction may be relevant as performance metrics of measuring satisfaction and service quality. The starting point for any customer satisfaction survey must be the identification of relevant, customer-orientated objectives that will produce clear, unambiguous results. A useful starting point is deciding which business decisions need to be made and require knowledge regarding how customer is satisfied.

Accordingly, as with customer surveys, staff surveys should be subject to due rigour with regard to their planning and execution. This means that objectives need to be clearly articulated, data sets specified and classification categories defined. It is particularly important to incorporate questions regarding aspects of customer service into staff surveys. For example, staff should be asked what they believe to be the appropriate expectations of customers with regard to the role that they perform.

According to the interview, CBE uses different systems to examine customer satisfaction and employee satisfaction. For example, they ask customers individually whether they are satisfied or dissatisfied, and improvements to be made and what the bank must do to deliver quality service.

Moreover, they also ask front makers about the customers need; employees must ask customers whether they are satisfied or dissatisfied during service encounter.

The other thing is about employee satisfaction. The best strategy the bank uses to know its employees' satisfaction is through group discussion. During the discussion the chairman asks employees what problems they face while providing the service or improvements to be done in the bank.

E. Information collected from customers

As a service providing organization, service providing institution must collect information from their customers. According to the managers, there is a greater competition between commercial banks.so; to survive in the market and compete they have to collect different information, complaints, which product is more attractive, what improvements to be made and others. Based on this the managers have confirmed that the bank collects the following information from its customers

Suggestions or feedback towards their services and improvement to be done, for example adding the number of Customer Service Officers, machines (ATM).

Information on where branches must be opened- the place that the resource is not utilized

New products to be provided: comparing other banks' services customers need to use in CBE inform the bank to provide services that other banks provide.

F. A “Customer Complaint Handling System” in place as a strategy of improving the delivery of quality service?

Based on the interview conducted with the three branches' managers related to the complaint handling systems they have stated that the bank has the system of handling customers' complaint. According to the managers, generally customer complaints arise either from employees or external customers. These problems are handled through the following techniques:

- Conducting discussions with those unsatisfied customers.
- Informing customers about the problem

- Empowering front makers to solve the problems as soon as the problem is handled by them.

N.B. According to three of managers, Employee empowerment is one way for minimizing customer complaint by helping delivering service in short period of time. Additionally they can respond quickly to customer needs or requests. Accordingly, the intent of empowerment is a delegation of authority where a frontline service provider can take action without having to need a supervisor or ask permission. Such authority allows on-the-spot responsiveness to the customer while making service representatives feel trusted, respected, and like an important part of the bank.

Generally, the managers give considerations on the skill and knowledge's of all the responsible stakeholders to minimize the customer complaint. This technique takes place by training employees, enhancing their skills and knowledge towards service delivery and how to handle the problem.

G. Measures taken to improve customer satisfaction?

According to the managers, the followings are some of the measures that the bank apply to improve customer satisfaction:

- ✓ Minimizing the service delivery process: the actual procedures, mechanisms and flow of daily activities by which the service is delivered and operating systems.
- ✓ By conducting survey which is based on employees and on customers
- ✓ There is change agent in the bank whose activities is to improve service quality and conduct research internally and externally.
- ✓ Helping employees to participate in decision making: since employees are always the contact point with the customers, the bank believes that the employees know about customers. Because of this the bank encourages employees' participation in decision making.
- ✓ Focusing on customers' needs in its plan
- ✓ To minimize customer complaint and to increase customer satisfaction the bank focus on by Knowing customers of the bank (KYC)

H. Employees' attitude /behavior play a central role with regard to customers' satisfaction and quality service delivery. What strategies are followed in the bank to improve the attitude of the employees in relation to customer service?

According to the managers, employees' attitude/behavior play a central role in satisfying customers and providing quality services. Therefore, the bank applies the following strategies to improve employees' attitude in relation to customer service:

- ✓ Making vision, mission, strategies, policies, and duties and responsibilities of employee clear and understandable.
- ✓ CATS, Trade service and credit procedures of the bank should Encourage employees participation in decision making activities:
- ✓ Enhancing coordination between employees and their immediate bosses.
- ✓ Solving their problem properly: This take place through staff survey.

Accordingly, employee's satisfaction surveys can yield valuable insights that can assist in the development of staff attraction and retention policies and practices. Given the importance of staff morale and motivation to the provision of good-quality service, it is important that a company possesses a solid knowledge of staff feelings and perceptions.

- ✓ Rotating of their job (rotation of responsibility not work place): employees are happy when their responsibility is changed- today they are working in one place of responsibility in another quarter someplace else.
- ✓ Training them to boost their ability and knowledge: When the quality of an individual's work performance is and measure. Performance Appraisal is the preferred instrument. Accordingly, Performance Appraisal is a lens that focuses the decision-making process on the appropriate job-related criteria. It becomes the means for assuring that a career is opened to talent and that the individual is rewarded meritorious performance.

They confirmed that satisfied employees make for satisfied customers and satisfied customers can in-turn; reinforce employees' sense of satisfaction in their jobs. Some have even gone so far as to suggest that unless service employees are happy in their jobs, customer satisfaction will be difficult to achieve.

4.5. Discussion of Findings

The study was focused at assessing service quality and customer satisfaction in CBE Grade four branches of West Addis Ababa district. The data were obtained through questionnaire from employees and customers of the bank. The results of profile information of customer respondents indicated that among the total population 58.6% of the respondents are male and 41.4% of the respondents are female. 36% of respondents are Degree holder, 29.4% have diploma holder, 17.7% of them have second degree and above, 14% and 2.9% of them have school leaving qualification of secondary and primary school respectively. 44.3% of the respondents use saving account, 36.9% of the respondents use check account, 4.3% of the respondents use loan account and 14.5% of the respondents use other services. 46% of customers in the 35-44 years age group, 25.4% indicated in the 22-34 years age group, 23.4% of the respondents are in the 45-54 years age group, 3.2% and 2% respectively are indicated in the age group of 18-21 and 55 years old and above. 31.7% of the respondents utilize service by going to the branches, 31.4% of the respondents using ATM, 29.7% of the respondents using mobile banking and 7.2% of the respondents' using internet banking.

The finding of this study indicates that tangibility has a positive and significant effect on customer satisfaction. This finding is supported by Al- Hawary et al., (2011) reported that tangibles has a positive and significant effect on customer satisfaction. Munusamy et al., (2010) also supported the finding. According to him tangibles has positive and significant effect on customer satisfaction. This result is supported by Mohammad and Alhamadani (2011), found that tangibles has a positive and insignificant effect on customer satisfaction.

The result of this study indicates that reliability has a positive and significant effect on customer satisfaction. This finding is supported by Tizazu et al., (2012). He found that reliability has a positive and significant effect on customer satisfaction. This finding is also supported by Mohamed and Alhamadani (2011). They reported that reliability has a positive and significant effect on customer satisfaction. Al-Hawary et al., (2011) also supported this study. According to him reliability has positive and significant relationship with customer satisfaction. It also supports by merhawit (2014) she found that reliability has a positive and significant effect on customer satisfaction.

The finding of this study also indicates that assurance has a positive and significant effect on customer satisfaction. This finding is supported by Malik et al., (2011) reported that assurance has a positive and significant effect on customer satisfaction. This result also supported by Munusamy et al., (2010), found that assurance has a significant and positive effect on customer satisfaction. This result also supports by Hailu (2013) According to his finding assurance has positive relationship with customer satisfaction.

The finding of this study further indicates that empathy has a positive and significant effect on customer satisfaction. This finding is supported by Mohammad and Alhamadani (2011), reported that empathy has a positive and significant effect on customer satisfaction. On the contrary Munusamy et al., (2010) found that empathy has a negative effect on customer satisfaction. The result of this study also indicates that service quality has a positive and significant effect on customer satisfaction. This finding is supported by Hailu (2013) he found that service quality has a positive and significant effect on customer satisfaction. This finding is also supported by Merhawit (2014). She reported that service quality has a positive and significant effect on customer satisfaction.

However, the finding of this study indicates that responsiveness has a positive and significant effect on customer satisfaction. This result supports by Endalkachew (2013) according to his finding responsiveness has a positive and significant effect on customer satisfaction.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. INTRODUCION

The basic interest of this study is to find out the impact of service quality on customer satisfaction in the case of Commercial bank of Ethiopia. To accomplish this objective the researcher uses the SERVQUAL models that are tangibility, reliability, responsiveness, assurance and empathy.

5.2 SUMMARY OF FINDINGS

Based on the data analysis of the researcher, the major findings are summarized as follows:

From the total population 58.6% of the respondents are male and 41.4% of the respondents are female. 36% of respondents are Degree holder, 29.4% have diploma holder, 17.7% of them have second degree and above, 14% and 2.9% of them have school leaving qualification of secondary and primary school respectively. 44.3% of the respondents use saving account, 36.9% of the respondents use check account, 4.3% of the respondents use loan account and 14.5% of the respondents use other services. 46% of customers in the 35-44 years age group, 25.4% indicated in the 22-34 years age group, 23.4% of the respondents are in the 45-54 years age group, 3.2% and 2% respectively are indicated in the age group of 18-21 and 55 years old and above. 31.7% of the respondents utilize service by going to the branches, 31.4% of the respondents using ATM, 29.7% of the respondents using mobile banking and 7.2% of the respondents' using internet banking.

Additionally, the researcher gathered data through questionnaires' from selected employees of CBE. From the total population about 64.6% respondents are male and the remaining 35.4% of the respondents are female. Regarding the age of the participants, the largest group (50.93%) is in the 21-34 years age group. The second largest group (29.81%) indicated in the 35-44 years age group and finally 13.66% of the respondents are in the 45-54 years age group. Based on all of the 8 questions the respondents were also asked to rate their overall satisfaction with the bank. From the total respondents, 50.3% have responded that they are satisfied. The other 13% and 13.7%

respectively have expressed that they are very satisfied and dissatisfied. 21.8% of the respondents have indicated that they are neutral.

The computed mean scores of dimensions helps to measure the SERVQUAL perceived service quality of the organization and the result shows that service quality of the organization is low in which customers are not satisfied with the service. As a general, the result of the study shows that the customers did not have good attitudes towards the service quality of the organization.

The correlation result shows that empathy is positively and strongly correlated with customer satisfaction reliability, assurance and tangibility are positively and moderately correlated with customer satisfaction and responsiveness is positively and weakly correlated with customer satisfaction.

5.3 CONCLUSION

Based on the research Questions and the respondents' response the researcher concludes that the mean score indicates that most customers agree that they cannot get the service as they expect so they are less satisfied with CBE's services. CBE has to work on the factors that influence customer satisfaction which are the factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled that include reliability and friendliness and interested in how the service was delivered.

The data analysis also shows that there is a huge gap between perceived and expected service with a mean of -2.6 and the overall satisfaction of customer in CBE is low. From the selected sample, the finding indicates that service quality of the organization is poor. Based on correlation result shows that empathy is positively and strongly correlated with customer satisfaction reliability, assurance and tangibility are positively and moderately correlated with customer satisfaction and responsiveness is positively and weakly correlated with customer satisfaction. From the study it is concluded that the selected respondents are not satisfied with the perceived service.

When employee satisfaction is high, it translates into increased productivity, commitment and retention for organizations. As we seen as at analysis portion of a research, satisfied employees make for satisfied customers and satisfied customers can, in-turn, reinforce employees' sense of satisfaction in their jobs. But based on the data gathered from employees the respondents were

asked to rate their overall satisfaction with the bank. From the total respondents, 50.3% have responded that they are satisfied. The other 13% and 13.7% respectively have expressed that they are very satisfied and dissatisfied. 21.8% of the respondents have indicated that they are neutral. These show that most of employees are satisfied by CBE. But when we see the satisfaction level of customer, as indicated in analysis of the data the mean score for customer's perceived service is greater than the expected service (confirmation), is 1.3 this shows us that customers did not accept the perceived service so they are not satisfied with the service. When customer's perceived service is less than the expected services (negative disconfirmation) with a mean score of 4.6. this mean score indicate that most customers agree that they cannot get the service as they expect so they are less satisfied with commercial bank of Ethiopia service. Finally, the customers "perceived service is equal with the expected service" (positive disconfirmation), the mean score is 1.2. As stated in the above paragraph customer's satisfaction occurs by confirmation or positive disconfirmation. Generally, the mean score of overall satisfaction both results are less so the researcher can generalize that commercial bank of Ethiopia customers are not satisfied with the overall service.

Based on the analysis, responsiveness with r-value has weak associations with overall customer satisfaction with a value of 0.274, assurance has moderate association with overall customer satisfaction with r-value of 0.318, reliability has moderate associations with overall customer satisfaction with a r-value of 0.319, In the same way tangibility have positive associations with overall customer satisfaction with r-value of 0.322 respectively and empathy has strong association with overall customer satisfaction with r-value of 0.648. Generally, reliability, responsiveness, assurance and empathy have positive associations with overall customer satisfaction towards commercial bank of Ethiopia and the highest positive correlation is with empathy.

Finally, the impacts of "empathy", "tangibility", "reliability", "assurance" and "responsiveness" on customer satisfaction with CBE are .648, .322, .319, .318, .274, respectively, in their descending order. It indicating that empathy has highest impact on customer satisfaction.

5.4 RECOMMENDATION

Based on the results of the analysis the following recommendations are given which help CBE in service delivery system in order to narrow the gap might exist between customer perception and expectation and so as to increase customer satisfaction and delight them.

In this study empathy is the dominant service quality dimension which has a highest positive correlation with customer satisfaction therefore the bank should work on the indicators of this dimension i.e. the bank should invest by providing caring and individualized attention to customers to make them feel they are receiving caring services and individualized attention. Because Service empathy characterizes both the service provider's willingness and capability to respond to individual customer desires. This means putting one's self in the shoes of the customer.. The bank should also realize that the improvement of this dimension would enhance customer satisfaction which in turn results in better performance of the bank.

Empathy dimension was considered as one of the most important factors influencing customer satisfaction. However, the customers of Commercial bank of Ethiopia were relatively found less satisfied in terms of the empathy dimensions. One way of addressing this could be by treating customer with great respect, giving individual attention to customers, serving customers based on their specific needs and improving its branch accessibility and working hours in a way it meets the customer's need.

Regarding to responsiveness, Commercial Bank of Ethiopia Employees must have willingness and readiness to help customers. The organization must give trainings to its employees on how to handle customers inquire problem and overall customer service. The organization must first satisfy its employees in order to increase their willingness and readiness to deliver the quality service in which satisfied employees will satisfy its customers.

To produce satisfied customers CBE should be work on its employee. Fair and reasonable salary scale should be set by the bank, Respond to its workers questions on time, like conducive working condition and benefits, Arrange employee complaint handling systems, provide fair training schedule to all position of workers.

In our current environment services preference of customers and their demands keeps on changing at a rapid speed and the bank should operate proactively in meeting its customers' needs and preferences. Therefore, to be successful, the bank must provide service to their customers that meets or exceeds their expectations, and this study will provide at least some sorts of guidelines to the policy makers of the bank, to take right decision to improve the quality of services of the bank. Accordingly the bank should be customer center and management's focus area should emanate from the customer's need.

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APPENDIX

St. Mary university school of Post Graduate studies

General MBA

Questionnaire to be filled by Customers

Dear Respondent,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic, "Delivering quality service and its impacts on customer satisfaction: on the case of Commercial Bank of Ethiopia" for the partial fulfillment of the Masters of Business Administration (MBA) Program at St.Mary University. I kindly request you to provide me reliable information. Your highly esteemed responses for the questions are extremely important for successful completion of my thesis. The information that you provide will be used only for the purpose of the study and will be kept strictly confidential.

Thank you in advance for your cooperation.

Instruction

- No need of writing your name
- Use √ to indicate your answer.

Part one: Personal profile

1.1 Gender: - Male Female

1.2 Age: - 18-21 years 45-54 years old

22-34 years old 55 years old and above

35-44 years old

1.3. Educational level:- Primary school Secondary school

Diploma First degree

Second degree and above

1.4. Which service can you utilize?

Check account saving account Loan account other

1.5. How can you utilize the service that commercial bank of Ethiopia provide?

By going to the branch ATM Mobile Banking

Internet Banking other

Part two: Survey on service quality Item

Direction: The questionnaire below is in two sections. The first section asks you to rank according to your expectations i.e. what you expect commercial bank of Ethiopia to provide. The second section asks you to rank the bank you choose for the survey according to your experiences and perceptions.

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

N.B. Expectation deals with your opinions of commercial bank of Ethiopia. Please show the extent to which you think commercial bank of Ethiopia should possess the following features.

Perceptions relate to your feelings about the commercial bank of Ethiopia. Please show the extent to which you believe this bank has the feature described in the statement. Here, we are interested in a number from 1 to 5 that shows your Expectations & perception about the bank.

St. Mary university school of graduate studies

General MBA

Questionnaire to be filled by Employees

This questionnaire is part of a study for a Masters Degree at St.marry University .The objective of the research is to evaluate customer expectation and perception levels on the service quality of Commercial Bank of Ethiopia, and there by the customer satisfaction.

Your specific answers will be completely anonymous, but your views, in combination with those of others, are extremely important. I would like to thank you for allowing me to take a few minutes of your valuable time.

Instruction

- No need of writing your name
- Your confidentiality will be maintained sincerely.
- Use √ to indicate your answer.

Part I personal data

1. Sex?

Male

Female

2. Age?

21-34

35-44

45-54

55 or above

3. How long have you worked for CBE?

Less than one year

One year to less than two years

Two years to less than five years

Five years to less than ten years

Ten years or more

Part II: Survey Questions

Dimensions	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1. CBE'S planning and Strategies					
I understand the long-term strategy of CBE'					
I have confidence in the leadership of CBE'					
I participate in the preparation of plan					
2.Your role at CBE'					
I am given enough authority to make decisions					
I like the type of work that I do					
I feel I am contributing to CBE's mission/vision					
3.Corporate culture					
Service quality is a top priority with CBE'					
Individual initiative is encouraged at CBE'					
CBE' is customer-based bank					
We informed about the bank strategies and plans on time					
4.Your relations with your immediate supervisor					
My supervisor treats me fairly and with respect					
My supervisor understands my					

problem					
My supervisor asks me for my input to help make decisions					
5. CBE'S training program					
CBE provides induction program					
CBE provides as much ongoing training as I need					
CBE has a skill up grading training program					
6. Recognition and Rewards					
CBE gives enough recognition for work that's well done					
I like the reward and recognition policy of the bank					
The recognition and reward policy is transparent and clear					
My salary is fair for my responsibilities					
I have the materials and equipment I need to do my job well					
I believe I have job secure					
The physical working conditions are good					
8. Education level					
Better educational opportunities					
Opportunities for career					

development					
9. Satisfaction level	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Your overall satisfaction with CBE					

10. Any other Comment

Interview with manager

We would appreciate it if you would take a few minutes to answer this question on the strategies your bank follows in quality Service Delivery.

1. Do you think service quality and customer satisfaction are an important strategy for your bank? Explain?
2. What are the strategies applied in the bank to boost the quality service delivery of the bank?
3. Do you think that your bank has the ability to provide appropriate service quality that customers are satisfied with? If yes, explain?
4. Many banks undertake customer and employee satisfaction survey as a strategy to measure the quality of their service. What are the techniques applied to measure service quality in CBE?
5. What information do you collect from customers?
6. Do you have a “Customer Complaint Handling System” in place as a strategy of improving the service delivery of your bank? If yes, what are the strategies (mechanisms) used to handle the complaint?
7. What are the measures that your bank is taking to improve customer satisfaction?
8. Employees’ attitude /behavior play a central role with regard to customer’s satisfaction and quality service delivery. What strategies are followed in the bank to improve the attitude of the employees in relation to customer service?

Amharic Version Questionnaires

ቅድስት ማርያም ዩኒቨርሲቲ
ድህረ ምረቃ ፕሮግራም

በ ኢትዮጵያ ንግድ ባንክ ደንበኞች የሚሞላ መጠይቅ

ይህ መጠይቅ የተዘጋጀው በ ቅድስት ማርያም ዩኒቨርሲቲ የጀነራል ኤም ቢ ኤ የድህረ ምረቃ ተማሪ ሲሆን አላማው የኢትዮጵያ ንግድ ባንክ አገልግሎት አሰጣጥ እና የደንበኛ እርካታ በሚል ርእስ ለሚደረግ ጥናት መጀመርያ ደረጃ መረጃ ለመሰብሰብ ነው ። የሚሰጡት መልስ የሚወለው ለዚህ ጥናት አላማ ብቻ ነው። ስለሆነም ከዚህ በታች ለቀረቡት ጥያቄዎች ትክክል ነው የሚሉትን መልስ ይሰጡ ዘንድ በትህትና እጠይቃለሁ።

ስለትብብርዎ በቅድሚያ አመሰግናለሁ

መመርያ

- ስምዎን መጥቀስ አያስፈልግም
- ትክክል ነው የሚሉትን መልስ በተዘጋጀው ሳጥን ዉስጥ (✓) ምልክት ያስቀምጡ።

ክፍል አንድ

1. ስታ

ወንድ ሴት

2. እድሜ

18-21 45-50
 22-34 55 እና ከዚያ
 35-44

3. የትምህርት ደረጃ

የመጀመርያ ደረጃ የመጀመርያ ዲግሪ
 ሁለተኛ ደረጃ ሁለተኛ ዲግሪና ከዚያ በላይ
 ኢንተርኔት ባንኪንግ ሌላ

4. የየትኛው የባንክ አገልግሎት ተጠቃሚ ነዎት?

የ ቼክ ሂሳብ የቁጠባ ሂሳብ የብድር ሌላ

5. በምን አይነት ዘዴ የባንኩን አገልግሎት ተጠቃሚ ነዎት ?

ወደ ቅርንጫፉ በመሄድ በኤቲኤም በሞባይል ባንኪንግ
 ኢንተርኔት ባንኪንግ ሌላ

ክፍል ሁለት : የደንበኞች አገልግሎት ጥራት መጠይቅ

የዚህ ዳሰሳዊ ጥናት መጠይቅ ክፍል በኢትዮጵያ ንግድ ባንክ ላይ ያለዎትን ሀሳብ በግልፅ እንዲያስቀምጡ ያወሳል። የኢትዮጵያ ንግድ ባንክ ከታች ከተዘረዘሩት አገልግሎቶች መካከል በምን ያህሎቹ ላይ ባለቤት ነው ብለው ያስባሉ?

