



ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

SERVICE QUALITY AND CUSTOMER SATISFACTION IN BANK OF ABYSSINIA

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June 2019
ADDIS ABABA, ETHIOPIA

“Service quality and customer satisfaction in bank of Abyssinia”

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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL
OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF
MARKETING MANAGEMENT

June, 2019

ADDIS ABABA, ETHIOPIA

SAINT MARRY UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA PROGRAM

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Bezuayew Abebe has carried out this thesis on the topic ‘service quality and customer satisfaction in bank of Abyssinia’ under the supervision of me. This research paper is suitable in partial fulfillment of the requirement for the award of master of marketing management.

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ACKNOWLEDGEMENTS

First of all I would like to praise almighty God, Jesus Christ who gave endurance and strength in all my life and next to GOD I would like to thank Alemayehu Melaku for supporting from the beginning and, my thesis advisor, Asst.pro. Zemenu Aynaddis for his Unreserved and timely support in checking and giving constructive suggestion.

Finally, I would like to thank all of the people who have responded for the questioner.

List of Acronyms and Abbreviations

BOA: Bank of Abyssinia

SPSS: Statistical Package for Social Science

SME: Small and Medium enterprise

SERVQUAL: Service Quality

SERVPERF: Service Performance

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ABSTRACT

The main purpose of this study was to assess the effect of service quality on customer satisfaction taking Bank of Abyssinia as a case study. Questionnaire survey approach was employed to see the customer's perceived value of the service of Bank of Abyssinia and in this case SERVPERF instruments developed by Cronin and Taylor applied the dimensions in designing the questionnaire. The researcher took 324 sample respondents, selected conveniently from six Grade-3 branches in Addis Ababa. The finding indicates that the service quality of the organization satisfied all the three segments such as Retails (mean 4.08), Small and Medium Enterprise, SME (mean 3.91) and Corporate customers (mean 3.83). The highest perceived service quality is observed in Empathy and Assurance. The regression result shows empathy has highest impact on customer satisfactions followed by assurance and responsiveness. However, Tangibility and Assurance shows insignificant difference between customer segments but significant difference was seen on reliability, responsiveness and empathy dimensions of the banks' service quality. As the customer groups of the bank had different perception in terms of the stated three dimensions, segmenting them with such factor holds ground. The bank is advised to give strong emphasis to all the service quality dimensions in maintaining but improving that service quality the bank provides dimensions having significant differences among customer's groups.

Key words: *Service quality, Customer Satisfaction, SERVPERF dimensions, Retails, Small and Medium Enterprise (SME), Corporate Customers*

CHAPTER ONE

INTRODUCTION

This chapter introduces the phenomenon under study. It consists of the background of the study, problem statement, objectives of the researcher, importance of the study and finally outlines the structure of the thesis.

1.1 BACKGROUND OF THE STUDY

Firms are often in process of seeking new ways to add value to their services as subjected to volatile market dynamics, competition and pressures of globalization. Financial services compete in the marketplace with generally undifferentiated products and thus, service quality becomes a primary competitive weapon. Among other business environment such as social, political, and economical factors, technological changes are causing banks to rethink their strategies for services offered to both commercial and retail customers (Hossain, 2010).

Banks that excel in quality service can have a distinct marketing edge since improved levels of service quality are related to higher revenues due to increased sales volumes, expanded market share and higher customer retention (Bennett, 1988). Therefore, banks should focus on service quality as a core competitive strategy. Within this background customer satisfaction and service quality are compelling the attention of all banking institutions assuming that service quality is a critical measure of satisfaction and organizational performance at large (Andreassen, 2008).

Following the economic liberalization, the emergence of private commercial banks, adoption of technologies, service modernization, aggressive market and outreach expansion in pursuit for resources, creates stiff competition in the financial sector of Ethiopia (Ermias, 2015). Banking is one of the numerous services in which the customer satisfaction has had an ever increasing importance in retaining existing customers and attracting new ones. This is essentially the fact that customers perceive very little difference in quality services offered by retail banks and any new offering is quickly matched by competitors.

Quality of service performance in the banking industry should be measured continuously as building customer relationship utterly depends on delivering superior value over competitors to the target customers as higher levels of quality lead to higher levels of customer satisfaction. Satisfying customers means not only exceeding their needs but also retaining them longer (Kotler and Keller, 2009).

Bank of Abyssinia is pioneer and the first bank founded in Ethiopia since a century ago. But reestablished as private bank in 1996 G.C under same trade name and has been providing services such as offering saving deposits, currency exchange transactions, providing business or personal loans and ancillary services. According to NBE (2017), Abyssinia bank had been a market leader in the retail and Small & Medium Enterprise segment (Mass and SME) and corporate since 2010 to 2013. The products offered by the bank can be classified into liability and assets products. The former includes current and savings accounts that are disaggregated into various market segments while the later refers loans. For this study Abyssinia is segmented into mass market (standard), SME (prestige, premier) and corporate segments. The products within the segments are also differentiated.

Asset product in mass segments is loans and liability products are savings, payroll and fixed deposit accounts respectively. The banking halls are standard and the queuing system is a characteristic of this segment, charges are minimal in comparison to the other segments and the operation hours are limited. This segment targets the low to medium class in terms of earnings and the students respectively. SME segment's liability products are prestige loan, premier loans, and executive loans. This segment also enjoys longer banking hours, minimal queues, and personalized services in addition to the services. The charges on the services are high and the segment targets the upper class income earners. Business segment's liability products are business loans, overdrafts and other lending services including letters of credit and guarantees. This segment is mostly relationship managed and the services are tailor made to specification, the charges are relatively high owing to the turnover and the cash movement involved. It targets the businessmen specifically the small and medium sized enterprises and corporate (BOA, annual report)

On top of that, a number of studies have been done on customer satisfaction (Meseret, 2016; Endale, 2016; Elsa, 2015) in terms of to what extent the service quality rendered by the bank affected it taking the entire customers as homogeneous and evaluation of their satisfaction level had not been done to segment level.

The aim of this research is, thus, to identify the most important service quality dimensions for each banking segment and analyze the relationship between the customer satisfaction and the service quality rendered to respective segments. Investigating these aspects is to add to the existing body of knowledge since there is a lack of research at segment level.

1.2 STATEMENT OF THE PROBLEM

Perceived service quality is a global consumer judgment or attitude, relating to service and results from comparisons by consumers' expectations of service with their perceptions of actual service performance. If there is a shortfall, then a service quality gap exists which providers would wish to close. Generally, consumer expectations are increasing and customers are becoming more critical of the service quality they receive (Parasuraman, 1985). In times of mature and intense competitive pressures, many firms are focusing their efforts on maintaining a loyal customer base. This is particularly true in the financial services sector where deregulation has created an environment that allows consumers considerable choice in satisfying their financial needs. In response, many banks are directing their strategies towards increasing customer satisfaction and loyalty through improved service quality customized and rendered based on proper market segmentation.

Since financial institutions and many other companies have finite resources, it is however impossible to produce all possible products and services for everyone, all of the time (Keller, 1991). Therefore, the best thing to do most of the time is to provide selected offerings for selected groups of people. That's why different banks offer different products and services based on their geographical location, demography, and psychographic characteristics. This process enables firms to focus on the specific needs of customers in the most effective and efficient manner. The needs for segmentation practices by many firms are often influenced by the needs to satisfy customer's requirements.

However, even though banking sector in developing countries particularly seldom show a tendency to compete in the marketplace with differentiated banking services (Magori, 2011) such as construction bank, development bank, commercial bank, etc., less attention has been given to their respective marketing strategies in regards to recognizing and addressing their customers' aspirations based on the existing segmentation within the company itself. Within the firm, segmentation is mostly limited to categories of Corporate, Small & Medium Enterprises (SME), and retail consumers. Corporate and SME customers are normally distinguished based on the sector they are involved or based on their geographical range of activities while retail customers are based on demographic criteria such as gender, age, and income (but not limited to).

After the commencement of financial liberalization policy in Ethiopia, the number of banks has grown immensely in the last couple of decades resulted in creating intense competition in the industry. Thus, banks are forced to develop a strategy in order to find a competitive advantage. Among a number of ways in which distinctive competitive positions can be developed and maintained, giving emphasis towards the importance of properly differentiated quality service in line with the existing segmentation is the basis for sustainability and long-term profitability (Gray, 1998). Such outstanding service gap, lack of focusing the coordinated activities of the organization towards satisfying the needs of particular market segment, is certain in the sector and Bank of Abyssinia is not far from the fact.

The bank has already segmented its customers in to three basic categories to overcome the problem arises from diverse customer needs and its difficulty to satisfy each and every specific demand separately. Even though a number of similar researches have been done on the area of service quality and its effect on customer satisfaction in Ethiopian banking sector (Abiy, 2015; Mahlet, 2016; Shimeles, 2017), to the best knowledge of the researcher, no studies took a critical look at how banks seek to overcome this problem by assessing the level of customers' perception towards their service quality with respect to the respective segmentation.

This study therefore intendeds to determine the level of customer satisfaction at each specific segments based on their perception towards BOA's service quality. It focuses on BOA for the reason that it has a good segmentation strategy to satisfy the various categories of customers in order to keep and increase the market share in the midst of stiffer competition from rival banks but to what extent its service quality affects its customer satisfaction at each segment remains unknown. In line with the statement of the problem, the following research questions were addressed:

1. What is level of customer satisfaction on the quality of service provided at each segments of Bank of Abyssinia?
2. Which services quality dimension has dominant influence on customer satisfaction at each market segments of Bank of Abyssinia?
3. What is the effect of service quality on overall customer satisfaction at Bank of Abyssinia?

1.3 OBJECTIVES OF THE STUDY

1.3.1 General Objective

The main objective is to assess the effect of service quality on customer satisfaction at Bank of Abyssinia S.C.

1.3.2 Specific Objectives

To achieve the intended general objective, the following specific objectives will be addressed:

- i. To measure the level of customer satisfaction based on the perceived quality of the services provided at each market segments of Bank of Abyssinia
- ii. To identify the dominant service quality dimension that affects customer satisfaction at each market segments of Bank of Abyssinia
- iii. To investigate the effects of service quality on overall customer satisfaction at Bank of Abyssinia

1.4 SIGNIFICANCE OF THE STUDY

Abyssinia bank is a pioneer and has a relatively prominent reputation in Ethiopian banking sector and thus such a research would be applied across all other banks in the same category. The feedback will be used to evaluate differentiation of service quality within the market segments and its efficacy towards achieving customer satisfaction. The study also evaluates the specific parameters on a dimensional basis that are emphasized in a specific market segment in comparison to what is actually required. This would enable a perfect fit towards provision of quality services. The study would enable a cost benefit analysis as the satisfaction will be compared to the level of investment in the segment and would point out the specific areas of emphasis as far as investment is concerned in specific segments and ensure that the service aligns to the prevailing market conditions and customer needs, while preserving value for the bank. In addition, the study can also serve as an additional source to conduct detailed studies by identifying research agenda.

1.5 SCOPE OF THE STUDY

Methodologically, the study will focus the effect of differentiating service quality in achieving customer service excellence in banking industry. Taking the stiffer competition in the Ethiopian banking sector, this research critically looks at how Bank of Abyssinia (BOA) has segmented their various customers into various categories and how the bank has developed tailor-made products and services to meet the needs of the customers in each segment using descriptive and explanatory analysis

Geographically, the study will be conducted on six Grade-3 branches in Addis Ababa namely Negadras, Aba mella, Raguel, Merkato, bombtera and Addisu Gebeya. The reason Grade-3 branches are targeted is the fact that they are the highest scale of branches in context of Ethiopian banking sector and comprise all the service rendered by lower-grade branches such as Grade-2, -1 and sub branches in descending order.

Conceptually, the study applies SERVPERF model to exhibit the relationship between service quality dimension and customer satisfaction. It is effective and economical measuring model as it is basically based on the perceived value of the bank service for the basic reason that targeted respondents might not be willing to fill questionnaires twice on same subject (SERVQUAL model Expectation, then Perception).

Customers who have active account within a period of April, May, 2019, above 18 years old and willing to participate will be contacted to gather the required data. As the method of primary data collection, only questionnaire will be used to conduct the study.

1.6 DEFINITIONS OF KEY TERMS

- Service Quality:** The extent to which a service meets customers' needs or expectations (Wisniewski and Donnelly, 1996, pp - 153).
- Customer Satisfaction:** The post-purchase evaluation of products or services taking into consideration the expectations (Kotler and Armstrong, 2012, pp - 58)
- Tangibility:** Appearance of physical facilities, equipment, personnel and communication channels (Cronin,1992, pp - 132).
- Responsiveness:** Willingness to help customers and provide prompt service. (Cronin,1992, pp - 134).
- Reliability:** Ability to perform the promised service dependably and accurately (Cronin,1992, pp - 137).
- Empathy:** Caring, individualized attention the firm provides its customers (Cronin,1992, pp - 139).
- Assurance:** Knowledge and courtesy of employees and their ability to convey trust and confidence (Cronin,1992, pp - 142).
- SERVPERF** A model that measure the service quality of a given service (Cronin,1992, pp - 205).

1.7 ORGANIZATION OF THE STUDY

The research report comprises five chapters, which include the following, chapter one is the introduction part which have background of the study, statement of the problem, basic research questions, objectives of the study, significance of the study, and limitation and scope of the study. In chapter two, review of literature which consist both empirical and theoretical. The third chapter presents methodology which comprises research approach, method, design, population and sampling, data collection instrument, reliability and validity, data analysis techniques and ethical considerations. Fourth chapter includes data collection, analysis, and interpretation of the results. The last chapter includes summary, conclusion and recommendation of the study.

CHAPTER TWO

REVIEW OF THE RELATED LITERATURE

This chapter reviews the literature on the key aspects of this study which are service quality, customer satisfaction and market segmentation. Service quality, its determinants and measurements are analyzed and compared to customer satisfaction. The relationship between service quality and customer satisfaction is also supported by empirical studies and illustrated through a conceptual framework.

2.1 THEORETICAL REVIEW

With the ever increasing competition in the marketplace resulting from trade liberalization and free economy model, it is imperative for banks to achieve customer longevity, through excellence service delivery in line with customer-based market segmentation (Lassar, 2000). Service quality is recognized as potential for ensuring customer satisfaction and retention, operational efficiency and profitability of an organization.

Bank customer satisfaction is a positive emotional state that results due to a positive interaction experience. Considering the dealings within bank units, satisfaction is a result of positive interactions with bank personnel, with physical evidence and of customers' perceptions about the attributes referring to processes which provide customers with the comfort and efficiency benefits. On the other hand, machine service quality attributes (non-human delivery systems), may include aspects referring to the quantity and quality of the information, to the ease of use, system security etcetera. However, most financial services require considerable customer contact (Chebat and Kollias, 2000) and traditional services quality factors are very important in banks' attempt to satisfy their customers (Al-hawari, 2008). Therefore, bank management should pay attention to the human component of service quality differentiated based on the existing segmentation within the bank itself. The goal of this literature review is to compare the effect of service quality on customer satisfaction at different segmentation.

2.1.1 Service Concepts

The concept of service comes from business literature. Many scholars offered various definitions of service. For example, Ramaswamy (1996) described service as "the business transactions that take place between a donor (service provider) and receiver (customer) in order to produce an outcome that satisfies the customer. For Zeithaml and Bitner (1996), they defined service as "deeds, processes, and performances". Whereby, Gronroos (1990) pointed out that: a service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and /or systems of the service provider, which are provided as solutions to customer problems.

Some researchers view service from the perspective of a system-thinking paradigm: a production system where various inputs are processed transformed and value added to produce some outputs which have utility to the service seekers. This is not merely in an economic sense but from supporting the life of the human system in general, even may be for the sake of pleasure. Yong (2000) reviewed these definitions of service and pointed out that the following features of service are noteworthy in order to better understand the concept. First, service is a performance, it happens through the interaction between consumers and service providers (Gronroos, 1990; Ramaswamy, 1996). Second, other factors such as physical resources or environments play an important medium role in the process of service production and consumption. Third, service is needed by consumers to provide certain functions such as problem-solving (Gronroos, 1990). These points put together lead to the conclusion that a service, combined with goods products, is experienced and evaluated by customers who have particular goals and motivations for consumers for consuming the service.

Although there have been many efforts made to understand the concept of service, there is no consensus among researchers on the characteristics of service. Furthermore, according to Yong (2000), the conceptualization could be divided into two groups. First, some researchers view the concept from the perspective of service itself - they pay attention to the discrepancy between the marketing strategies of service and goods. This approach differentiates service (intangible) from goods (tangible), which suggests that different marketing strategies should be taken for each of these concepts. Parasuraman, (1985) identified four features of service that distinguish it from goods. Service is intangible, heterogeneous, and simultaneous in production and consumption, and perishable.

This approach distinguishes service from goods, by pointing out the unique features of service. It advances the understanding of the concept. However, it has drawn many critiques. On the one hand, the four characteristics mentioned above are not universal in all service sectors. Wright (1995) criticized this first approach for four reasons. First, a service industry depends more on tangible equipment to satisfy customers' demand while some customers do not care about whether goods are tangible or not. Second, some service businesses are well standardized such as franchise industries. In addition, in some cases, customers value the equality and fairness from the service provided. Third, many services are not simultaneously produced and consumed. Fourth, highly technological or equipment based services could be standardized. On the other hand, this approach focuses on service and ignores the role of customers (Wyckham, 1975).

The second approach is based on the ideas of some researchers who view service from the perspective of service customers - they focus on the utility and total value that the service provides for the consumer. This approach points out that service combines tangible and intangible aspects to satisfy customers during the business transaction (Gronroos, 1990). It is implied that because consumers evaluate service quality in terms of their experiences, customers' subjective perceptions have great impact upon service success or failure.

2.1.2 Service Quality

In today's increasingly competitive business environment, service quality is essential for the success of any organization. Service quality is important aspect that affects the competitiveness of business. Banks should always increase the quality of service continuously since there is no assurance that the current outstanding service will be suitable for future. Thus, banks should develop new strategy to satisfy their customer and should provide quality service to gain competitive advantage over competitors (Siddiqi, 2011).

Service quality is considered an important tool for a firms struggle to differentiate itself from its competitors (Ladhari, 2009). The relevance of service quality to companies is emphasized especially the fact that it offers a competitive advantage to companies that strive to improve it and hence bring customer satisfaction. The challenge in defining service quality is that it is a subjective concept, like beauty. Everyone has a different definition based on their personal experiences. It has also received a great deal of attention from academicians, practitioners and services marketing literature, service quality is defined as the overall assessment of a service by the customer. Researcher points out that, by defining service quality, companies will be able to

deliver services with higher quality level presumably resulting in increased customer satisfaction. Understanding service quality must involve acknowledging the characteristics of service which are intangibility, heterogeneity and inseparability. In that way, service quality would be easily measured (Negi, 2009).

Crosby (1984) defined quality as conformance to requirements. This definition implies that organizations must establish requirements and specifications. Once these requirements and specifications are established, the quality goal of the various functions of an organization is to comply strictly with them. Quality also defined from different point of views, from customer point of view quality means fitness for use and meeting customer satisfaction and from process point of view it means conformance with the process design, standards and specifications. Quality may also be defined as the degree of excellence at an acceptable price from product point of view and from the cost point of view it means best combination between costs and features. A solid foundation in defining and measuring service quality was emanated in the mid-eighties by Gronroos (1990). They were amongst the earliest scholars laid down the foundation for the definitions as well as development of service quality.

Service quality defined 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 based on a comparison between what the customer feels should be offered and what is provided (Parasuraman, 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, if 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. Expectation is viewed in service quality literature as desires or wants of consumer that is, what they feel a service provider should offer rather than would offer (Parasuraman, 1985).

According to Gronroos (1990) perceived service is the outcome of the consumer's view of the service dimensions, which are both technical and functional in nature. Parasuraman (1985) define perceived quality as a form of attitude, related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance. Therefore, having a better understanding of consumer's attitudes will help to know how they perceive service quality in banks and respond accordingly.

The service process as well as the service outcome will contribute quality evaluations. As stated by (Gronroos, 1990) 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). 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, 1996).

2.1.3 Service Quality Measurement

Since service quality attributes are not expected to be equally important across service industries, it has been suggested to include importance weights in the service quality measurement scales (Cronin and Taylor, 1992; Parasuraman, 1985). In the empirical literature, there are many alternative service quality models developed for measuring service quality. Sasser (1978) suggested three different attributes (levels of material, facilities, and personnel) all apparently dealing with the process of service delivery. Gronroos (1990) argued that service quality can be divided into two generic dimensions: technical quality (what is provided) and functional quality (how the service is provided), with image quality (the organization's reputation for quality) mediating the impact of these two dimensions on overall perceived quality.

Subsequently, Gronroos (1990) identified six specific dimensions viz., professionalism and skills, reliability and trustworthiness, attitudes and behavior, accessibility and flexibility, recovery, and reputation and credibility, on which service quality could be measured. However, these dimensions have not been subject to any rigorous empirical testing, although studies have used scales based on such principles. He discussed three dimensions viz., physical quality, involving physical aspects; corporate quality, involving a service firm's image and reputation; and interactive quality, involving interactions between service personnel and customers.

2.1.3.1 SERVQUAL model

Although the measurement of service quality was hard to pin down due to the service characteristics involving intangibility, perishability, inseparability, and heterogeneity, researchers had continuously investigated and contributed to this area. Among others, Parasuraman (1985) has been widely recognized for their service quality battery. Their significant contribution was the development of a service quality measurement, called “SERVQUAL”, based on the original conceptual GAP model of service quality (Parasuraman, 1985). It was seen as a generic service-quality measurement tool for services industries.

SERVQUAL is a multi-item scale developed to assess customer perceptions of service quality in service and retail business. Originally developed from the GAP model, SERVQUAL took shape and was grouped in to two statements, one to measure expectations concerning general factors about the company while the other measure perception about the particular firm whose service quality was being evaluated. Furthermore, these items were grouped in to following five distinct dimensions:

- **Tangibility:** - refers to physical facilities, equipment, and appearance of personnel. Customers choose tangibility factor of service quality in the banking industry Bank could build customer relationships by delivering added tangible and intangibility elements of the core products (Zineldin, 2005).
- **Reliability:** - means ability to perform the promised service dependency and accurately. Reliability is a significant factor of product quality in addition to good personal service, staff attitude, knowledge and skills (Walker, 1990). “It is found that service reliability is the service “core” to most customers and managers should use every opportunity to build a “do-it-right-first” attitude” (Parasuraman, Zeithaml & Berry, 1985).
- **Responsiveness:** - means willingness to help customers and provide prompt service. “Customers are very sensitive to employees' working environment in service organizations” (Parasuraman, Zeithaml & Berry, 1985). They reported that proper balance between staff skills and customers' expectation resulted in superior service quality towards customers.
- **Assurance:** - indicates knowledge and courtesy of employees and their ability to inspire trust and confidence. (Parasuraman, Zeithaml & Berry, 1985) found that assurance is an important factor of service quality next to reliability and responsiveness towards customer satisfaction. Assurance has the strongest impact on customer satisfaction that leads to positive word of mouth outcome.

- **Empathy:** - refers to caring, individualized attention the firm provides its customers (Parasuraman, Zeithaml & Berry, 1985) found that bank customers believed empathy as an essential factor of service quality. It is suggested that employees' commitment to deliver quality services, skillfully handling of conflicts and efficient delivery of services resulted in satisfied customers for long term benefits.

2.1.3.2 Gronroos's Model

Gronroos (1984) relates definition of service quality with the result of the comparison that customers make between their expectations about a service and their experience of the way the service has been performed. According to him, services are produced, distributed, and consumed in the interaction between the service provider and the service receiver. Accordingly, services must be viewed from an interactive perspective.

The model proposed by Gronroos (1984) focuses on the role of technical quality (or output) and functional quality (or process) as occurring prior to and resulting in outcome quality. In the model, technical quality refers to what is delivered to the customer while functional quality is regarding with how the result of the process was transferred to the customer. The model states that the consumer is not interested only on what he/she receives as an outcome of the production process, but also on the process itself. The perception of the functionality of the technical outcome (technical quality) is a major determinant of the way he/she appreciates the effort of the service provider.

2.1.3.3 Cronin's SERVPERF Model

SERVQUAL grounded in the Gap model, measures service quality as the calculated difference between customer expectations and performance perceptions of a service encounter (Parasuraman, 1985). Cronin and Taylor (1992) challenged this approach and developed the SERVPERF scale based on Parasuraman's SERVQUAL methodology which directly captures customers' performance perceptions in comparison to their expectations of the service encounter.

SERVPERF only measures performance perceptions and operationalizes service quality as customers' evaluations of the service encounter. It uses only performance data because it assumes that respondents provide their ratings by automatically comparing performance perceptions with performance expectations. As a result, SERVPERF uses only the performance items of the SERVQUAL scale (Brady, 2002; Cronin and Taylor, 1992). Arguments in favor of

SERVPERF are based on the notion that performance perceptions are already the result of customers' comparison of the expected and actual service (Babakus and Boller, 1992).

Therefore, performance only measures should be preferred to avoid redundancy. Thus, SERVPERF assumes that directly measuring performance expectations is unnecessary. Cronin and Taylor (1992) built their argument for the superiority of SERVPERF over SERVQUAL by empirically showing that SERVPERF is a better predictor of overall service quality than SERVQUAL. Nevertheless, many authors concurred those customer assessments continuously provided services may depend solely on performance. Hence, the authors suggesting that performance-based measures explain more of the variance in an overall measure of service quality. These findings are consistent with other research that have compared these methods in the scope of service activities, thus confirming that SERVPERF (performance-only) results in more reliable estimations, greater convergent and discriminate validity, greater explained variance, and consequently less bias than the SERVQUAL and Expectation-Perception scales (Cronin and Taylor, 1992; Parasuraman, 1994).

The author concluded that customers' favorable and unfavorable experience, as well as their positive and negative emotions may have an important impact on perceived service quality. SERVPERF, being a generic measure of service quality, is considered as a very adequate instrument by which to assess perceived quality. This research bears on these conclusions and adopts the SERVPERF a performance-only measurement of service quality.

2.1.4 Customer Satisfaction

Customer satisfaction is an applied term that determines on how products and services supplied by a company meet or surpass customer expectation. Cronin (2000) conceptualized customer satisfaction to be an evaluation of an emotion, reflecting the degree to which the customer believes the service provider evokes positive feelings. Customer satisfaction reflects the degree to which a consumer believes that the possession or use of a service evokes positive feelings. Cronin's (2000) various models and theories that have been developed to this end (Oliver, 1980), indicate that customer satisfaction is related to the size and direction of disconfirmation, which is defined as the difference between the post-purchase and post-usage evaluation of the performance of the product and the expectations held prior to the purchase (Sharma, 2004).

The dream of every organization; having a satisfied customer will be injection for its success and basis to continue its business lifecycle, if achieved through continuous delivery of satisfactions

by reducing resistance and reluctance of the customers towards offered products and services. If not, just a respite and waste of time and fund. Customer retention is also dependent on a number of other factors. These include a wider range of product choices, greater convenience, better prices, and enhanced income (Storbacka, 1994). Whereas Ioanna (2002) further proposed that product differentiation is impossible in a competitive environment. Organizations everywhere are delivering the same products. For example, there is usually only minimal variation in interest rates charged or the range of products available to customers. Prices are fixed and driven by the marketplace. Thus, organizations tend to differentiate their firm from competitors through service quality. Service quality is an imperative element impacting customers' satisfaction level in organizations. Quality is a multi-variable concept, which includes differing types of convenience, reliability, services portfolio, and critically, the staff delivering the service.

Studies showed that increased use of service quality and professional behaviors (such as formal greetings) improved customer satisfaction and reduced customer attrition. Several studies are conducted in this setting regarding the customer satisfaction. In those studies, the contradiction occurs in variables that affect the customer satisfaction. In some studies, price and variety of product/services are major factors affecting the customer satisfaction while in some other studies there is an inverse finding that there is no possibility to differentiate their price and services, thereby they have less or no impact in customer satisfaction.

2.1.5 Service Quality and Customer Satisfaction

Previous reference has been made to the concept of customer satisfaction in the context of customer-perceived service quality. Indeed, a review of the literature will reveal that both terms are quite often used interchangeably, which has caused confusion. While both concepts are related and appear to be merging, there are still gaps in the understanding of the two constructs, their relationship to each other, and their antecedents and consequences (Gwynne, Devlin, and Ennew, 1998). A distinction needs to be made between both. According to Cronin and Taylor (1992), this distinction is important to both managers and researchers alike, because service providers need to know whether their objective should be to have consumers who are satisfied with their performance or to deliver the maximum level of perceived service quality. Oliver (1981) takes the view that satisfaction is "the emotional reaction following a disconfirmation experience. Getty and Thompson (1994) define it as a summary psychological state experienced

by the consumer when confirmed or disconfirmed expectations exist with respect to a specific service transaction or experience.

The most commonly used representation of customer satisfaction is the disconfirmation approach (Ramaswamy, 1996), in which satisfaction is related to the variation between a customer's pre-purchase expectations and their post purchase perceptions of the actual service performance. According to disconfirmation theory, the extent of satisfaction or dissatisfaction that a customer has with a particular service is determined by the difference between the customers' expectations of performance and the actual perceived performance of the service (Oliver, 1996). Any difference between them is referred to as disconfirmation. If the service experienced is better than expected, then positive disconfirmation or high levels of satisfaction will result. If, however, the service performance falls short of what was expected, then negative disconfirmation or dissatisfaction will result. Confirmation or zero disconfirmation results when perceived performance just meets the customer's expectations or when the service experience is much as expected in the customers.

2.1.6 Service Quality and Market Segmentation

The real need of market segmentation was investigated by Laurent (1979) employing a factor analysis centered around five banks that differed from each other on seven main attributes: friendliness, quality of service, community spirit, standard of facilities, convenience, range of services and ownership. The main findings revealed that on the basis of perceptions of the overall image of the five banks relative to each other, there existed three distinct market segments: convenience, service, and staff friendliness-oriented segments. Laroche (1986) studied diverse demographic segments to find the services used and factors considered important in selecting a bank. Key findings included importance of location convenience, speed of service, competence and friendliness of bank personnel.

Ricky (1993) conducted a study on the banking behavior of college students that confirmed several findings from western countries like limited banking, demand of students, popularity of split banking in account ownership, price consciousness of students, and importance of location convenience and on campus promotion. In a study by Clifford and Russ (1994) the factors that predict the successful sale of financial services to SME investors were gone into, by collecting data using a new set of scales that measure traits, selling strategies, and compliance gaining

tactics. Results suggest that effective relationship managers to sell the services of financial service institutions to various; geographically diverse, SME investors

Raj and Everett (1996) used benefit segmentation by factor analysis group customers in relation to their particular attitudes and behavior instead of geographic, demographic, socio-economic, and psychological characteristics to segment the market for financial services. The study identified eight benefits, in order of their popularity as personal service, investment, limited banking, accessible cash, cash card, advice, money management, and full banking. Achim and Sebastian (2001) studied the use of segmentation by demographic factors in bank marketing and found that the correlation of such factors with the needs of customers is often weak. Finding is that segmentation by expected benefits and attitudes could enhance a bank's ability to address the conflict between individual service and cost-saving standardization. Niels (1995) in his study found that the bank customers may be divided into an Internet banking segment and a branch banking segment and that the former is growing and the latter is declining, necessitating the development of technology in bank marketing.

2.2 Empirical Review

While a substantial amount of research has reported a causal link between service quality and customer satisfaction (e.g. Anderson and Sullivan, 1993; Bolton and Drew, 1991; Cronin and Taylor, 1992), few have investigated the link between each of the service quality dimensions and satisfaction and have reported some mixed results (Johnston, 1995; Lassar., 2000; Zhou, 2004; Arasli, 2005). For example, Arasli (2005) reported that assurance, reliability, empathy and tangibles dimensions of service quality were predictors of customer satisfaction in the Cyprus banking sector. Additional support comes from Zhou (2004), who reported that reliability and assurance were important predictors of satisfaction for bank customers in China.

Service quality is an important tool to measure customer satisfaction. Empirical studies show that the quality of service offered is related to overall satisfaction of the customer. According to Jamal and Naser (2002), reliability, tangibility and empathy are positively related with customer satisfaction. Joshua and Moli (2005), in their study on 'expectation and perception of service quality in old and new generation banks', observed that the performance of the new generation banks across all the service quality dimensions are better than those of old generation banks. Al-Fazwan (2005) in his study found that the bank should concentrate on the accessibility

dimension. He stated that the particular bank should make maximum efforts to raise the level of services to meet the customer expectations.

Sudesh (2007) revealed that poor service quality in public sector banks is mainly because of deficiencies in tangibility, lack of responsiveness and empathy. Private sector banks, on the other hand, were found to be more reformed in this respect. Above all, foreign banks were relatively close to the expectations of their customers with regard to various dimensions of service quality. Further, the study revealed that there existed service quality variations across demographic variables and suggested that the management of banks should pay attention to potential failure points and responsive to customer problems.

Koushiki (2007) in his study suggests that customers perceive four dimensions of service quality in the case of the retail banking industry in India, namely, attitude, competence, tangibles and convenience. Identifying the underlying dimensions of the service quality construct in the Indian retail banking industry is the first step in the definition, and hence, provision of quality service. The paper has drawn upon the findings of the service quality dimensions to determine the initiatives that bank managers can take to enhance their employees' skills and attitudes and instill a customer-service culture.

Musyoka (2010) in his study implied that service quality accounted for 73.9% of library user satisfaction among universities in Kenya. The findings further revealed that reliability dimension contributed most towards user satisfaction while empathy dimension contributed the least. The results also indicate that the libraries cannot afford to ignore any of these other dimensions since they all appear to influence customer satisfaction although at different degrees.

On the relationship between customer satisfaction and service quality. Research was conducted in a bank in Tehran, Iran by Osman (2010) revealed that service quality would be one of the determinants of satisfaction. The finding that nearly 43% of customer's satisfaction changes is explained by service quality.

On the relationship between Bank Service Quality, Customer Satisfaction in Ethiopian Banking Sector, Messay (2012) concluded that all service quality dimensions are positively correlated with customer satisfaction indicating 90.7% of the variance in customer satisfaction can be predicted by the service quality offered by the private banks. In addition, results of this research show that there is a positive significant relationship between customer satisfaction and loyalty, and explain 62% of the variance.

On the relationship between Service quality, satisfaction, perceived value among customers in commercial banking in Nakuru Municipality, Kenya, Daniel (2012) concluded that service quality and customer satisfaction were positively and significantly associated indicating 19.8% of the variance in customer satisfaction can be predicted by the service quality offered by the commercial banks.

2.3 CONCEPTUAL FRAMEWORK

SERVQUAL is a well-known research instrument for evaluating service quality in banking industry. SERVPERF perfectly covers the dimensions that are considered by a customer in evaluating quality of service in a bank. SERVPERF can generally be applied for evaluating service quality in any service sector (Parasuraman, 1985). Most of the studies have utilized it for evaluating service quality of banking industry (Arasli, 2005; Zhou 2004). This will form the conceptual framework of this study taking service quality dimensions such as tangibility, reliability, responsiveness, assurance and empathy as independent variables (factors) while customer satisfaction as dependent variable.

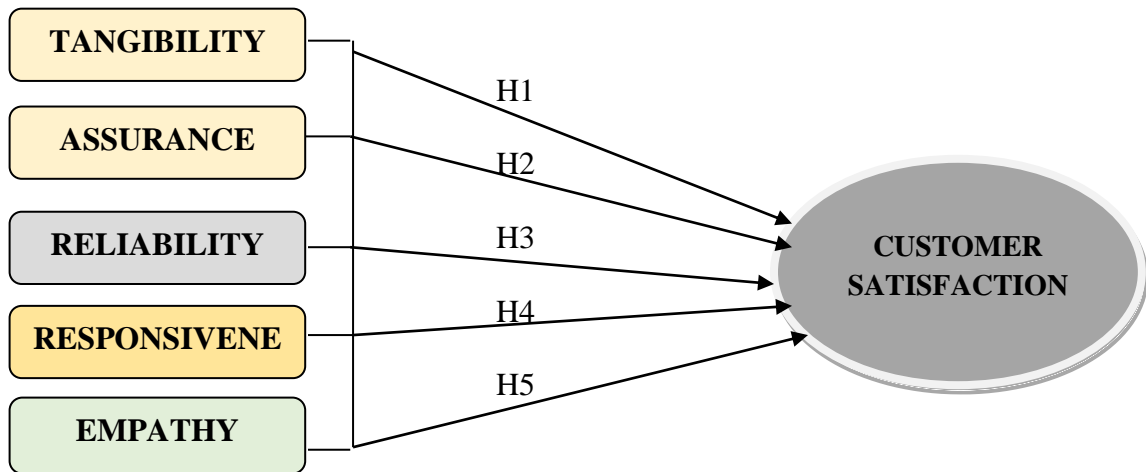


Figure 2.1 Conceptual Frame works (Source: Cronin and Taylor, 1992)

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter highlights the overall methodological considerations of the research. This includes approach, research design, population and sampling, data source and collection instrument, reliability and validity, data analysis technique and ethical considerations.

3.1 Research Design

Research can be classified as descriptive, explanatory and exploratory depending on the specific purpose that the research tried to address. Descriptive research sets out to describe and to interpret what is. It looks at individuals, groups, institutions, methods and materials in order to describe, compare, contrast, classify, analyze and interpret the entities and the events that constitute the various fields of inquiry. It aims to describe the state of affairs as it exists. On the other hand, explanatory research, aims at establishing the cause and effect relationship between variables. Exploratory research is less formal, sometimes even unstructured and focuses on gaining background information and helps to better understand and clarify a problem. It can be used to develop hypotheses and to develop questions to be answered (Abiy, 2009).

The researcher uses the facts or information already available to analyze and make a critical evaluation of the data/information. Accordingly, the study employs descriptive and explanatory research design with which to describe and explained the five service quality dimensions and their relationship with overall customer satisfaction. Moreover, the contribution of the five service quality dimensions towards the dependent variables will clearly be examined.

3.2 Research Approach

Research approaches are strategies of inquiry that provide specific direction for procedure in a research design. Creswell (2003) classified scientific research approaches into three: quantitative, qualitative and mixed research. Qualitative research involves studies that do not attempt to quantify results through statistical summary. It seeks to describe various aspects of social and human behavior through particular methods such as interview, observation, focus grouping and so on. Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and their relationships. Its basic objective is to develop and employ

mathematical models, theories and hypotheses pertaining to natural phenomena (Bhattacharjee, 2012). Whereas, mixed research approach involves collecting and analyzing both quantitative (numeric) and qualitative (descriptive) forms of primary data in a single study (Creswell, 2003).

Accordingly, this research adopts quantitative approach in addressing the research question raised. The use of quantitative approach, solely, to evaluate/ measure perception of service quality is well supported and extensively applied in most service quality researches on account of customer perception of service quality and their effects on customer satisfaction.

3.3 Target population, Sampling Technique and sample size

Sampling enables a researcher to study a relatively small number of units in place of the target population to obtain data that are representative of the whole target population.

3.3.1 Population

According to (Zikumund, 2003) population is identifiable total set of elements of interest being investigated by a researcher. The target population is defined as the entire group a researcher is interested in. The general population for this study is customers of bank of Abyssinia who have active bank account and aged 18 years old and above. Throughout the country, the bank has over 320 branches of which 146 of them are found in west Addis Addis and east Addis district and the rest 174 are under Bahirdar ,Hawassa and Mekelle district. According to the annual report on 2018, a total of over 1,012,148 customers have enrolled to have bank account of which is around half of are registered under branches located in Addis Ababa. (Both in west and east Addis district)

The bank categorized its branches with different grade-levels based on their capacity to handle bank services. It has a total of 39 are Grade-3, it is around 85 are Grade-2, 17 of them are registered under sub branch and the rest 179 branches are Grade-1 branches (BOA annual report, 2018). The target population of the study is customers of only Grade- 3 branches for the reason that these branches were selected as they carry out all banking function and many account holders. For this reason, the branches were qualified as a good representative of the various categories of customer of BOA.

3.3.2 Sampling technique

Basically, sampling methods can be categorized into probability sampling and non-probability sampling. Probability sampling is a technique in which every unit in the population has a chance (non-zero probability) of being selected in the sample, and this chance can be accurately determined. It often requires a sampling frame and enumeration of the population to select respondents on random basis. Nonprobability sampling is a sampling technique in which some units of the population have zero chance of selection and/or where the probability of selection cannot be accurately determined. Nonprobability sampling relies on personal judgment of the researcher in the selection process and encompasses particular methods such as Quota Sampling; Purposive or Judgmental Sampling; Snowball Sampling; and Convenience Sampling.

This research used non-probability sampling. The participants of the survey were selected using a non-random selection method. A non-probability sample was chosen against a probability sample primarily due to the large population that potentially could be involved, the absence of a sampling frame, and the limitations in the timing of conducting the survey.

Within non-probability sampling, convenience sampling is selected as suitable for respondent to be administered with survey questionnaire. Convenience method is more suitable over other methods of non-probability sampling because it can obtain a large number of completed questionnaires quickly and economically, enables the researcher to access people who are available in the branches of the chosen banks and the sample selection process can be continued until the required sample size has been reached. Moreover, convenience method is acclaimed for soliciting a good level of response rate.

3.3.3 Sample Size

Sample size refers to the number of items to be selected from the universe to constitute a sample. Determining sample size is a very important issue because samples that are too large may waste a lot of time, resource and money, while samples that are too small may lead to inaccurate results (Kothari, 2004). Since the number of customers' having current saving accounts in these banks are enormous, the researcher employed convenience sampling technique in order to draw the sample from each branch. Sample size is selected based on Cochran (1963) who developed the formula to yield a representative sample for large population size at 5% margin of error and within 95% confidence level. It is demonstrated as:

$$n = \frac{z^2 * p * q}{e^2} = \frac{(1.96^2)(0.5)(0.5)}{(0.05^2)} = 384.16$$

Where:

n- Sample Size

z- Confidence level of 95% (z = 1.96)

p- probability of occurrence (50%)

q- (1 - p)

e- marginal error (5%)

Thus, the total sample size was estimated 384 which would be distributed proportionally to the number of customers in selected (six Grade-3) branches. Referring marketing department of BOA, the number of customers in each branch is nearly similar, equal proportion of customers will be taken from each branches.

Table 3.1 Distribution of Sample Size to Each Branch

Level	Segment	*Percent	Sample	Ratio (Sample*percent)	Each Branch (Ratio/6 branches)
Grade-3	Corporate	9.5%	384	36	6
	SME	26.8%	384	103	17
	Retail	63.7%	384	245	41
	Total	100%		384	64

* Source: Marketing Department of BOA, 2018)

3.4 Source of Data

The source of data for this study is basically primary data. According to Kothari (2004), the primary data are those which are collected afresh and for the first time, and thus happen to be original in character. Data that have been observed, experienced or recorded close to the event are the nearest one can get to the truth, and are called primary. The data were collected from mass, SME and corporate customers' responses of 6 Grade-3 branches which are found in West Addis district. Thus, primary source of data was used in this research for data analysis.

3.5 Data Collection Instrument

Questionnaire survey instrument is used for collecting the primary data. As suggested by (Kothari, 2004), administering questionnaires allows the researcher to collect data with low cost even when the universe is large and is widely spread geographically, it is free from the bias of the interviewer; answers are in respondents' own words, respondents have adequate time to give well thought out answers, respondents who are not easily approachable can also be reached conveniently and large samples can be made use of and thus the results can be made more dependable and reliable (Kothari, 2004).

The questionnaire has three sections. The first section covers the demographic profile of the participants. The second section is structured on a Likert scale of 1-5 to show their degree of agreement or disagreement to the sentences about the constructs under study (service quality and customer satisfaction). The questionnaire was adopted from a previous study about the same construct under study and modified to the banking sector without modifying the concepts in the construct.

3.6 Data Collection Procedure

The research was conducted by a person and it has been done for the fulfillment of academic requirement. A total of 64 questionnaires were distributed to respective Grade-3 branches. Volunteer respondents filled the questionnaires accordingly after having their full consent and briefed the aim of the study. A sum of 384 responses was expected from 6 selected branches.

3.7 Validity and Reliability of the Study

3.7.1 Validity

Validity is concerned with whether the findings are really about what they appear to be about (Sounders, 2003). It can be defined as the extent to which data collection method or methods accurately measure what they are intended to measure (Sounders, 2003). Different steps will be taken to ensure the validity of the study. Data will be collected from the reliable sources, from respondent who have experiences in insurance claim services. Survey question will be made based on literature review and frame of reference to ensure result validity.

In selecting a relevant measure for an outcome variable, it is critical that logical inferences can be made from the operation upon which the measure is based to the theoretical constructs

relevant to the study. Construct validity refers to the degree to which inferences of this type can legitimately be made.

3.7.1.1 Content Validity

Content validity, is the assessment of the correspondence of the variables to be included into a summated scale and its conceptual definition (Hair, 1998). All variables (items) were inspected by the researcher and three branch managers to ensure that they were an adequate and a thorough representation of the construct under investigation. To test the questionnaire for clarity and to provide a coherent research questionnaire, a detailed review was accurately performed. Some items were added, based on their valuable recommendations. Some others were reformulated to become more accurate and clear, and this was required for the purpose of enhancing the research instrument.

3.7.1.2 Validity of Summated Scale

In order to reduce measurement error by improving individual variables, Hair (1998) recommend using multivariate measurements, which are known as summated scales, as identified as replacement variables. Hair (1998) described a summated scale as a method of combining several variables that measure the same concept into a single variable in an attempt to increase the reliability of the measurement through multivariate measurement. The ultimate goal of adopting summated scales is to avoid the use of only a single variable to represent a concept and, instead, to use several variables as indicators, all representing differing facets of the concept to obtain a more well-rounded perspective. The use of multiple indicators enables researchers to specify more accurately the desired responses (Hair, 1998). However, the content validity reliability and dimensionality of the measure must be assessed before the creation of a summated scale. The following section reviews the validity, dimensionality and reliability of the measure.

3.7.2 Reliability

To evaluate the research instruments, reliability is one of the major criteria. Reliability estimates the consistency of the measurement or simply, the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects. Reliability is essentially about consistency. That is, if something is measured many times and the result is always the same, then we can say that our measurement instrument is reliable. (John, 2007). It is preferred that outcomes (and covariates) be assessed with relatively little measurement error. Other things being equal, unreliability increases unexplained variation within groups and reduces the power of the analysis. In practice, it may be impractical to assess the reliability of measurement procedures within the scope of a given study, but the selection of measurement instruments should certainly take this factor into consideration. On the other hand, if a study involves observations or ratings by judges, some effort must be undertaken to assure consistency of measurement across raters or judges (Abiy, 2009).

In this research Cronbach's alpha will be used to test the reliability of the measures. Cronbach's alpha is an index of reliability associated with the variation accounted for by the true score of the underlying construct. Construct is the hypothetical variable that is being measured (Hatcher, 1994). Alpha coefficient ranges in value from 0 to 1, may be used to describe the reliability of factors extracted from dichotomous (that is, questions with two possible answers) and/ or multi point formatted questionnaires or scales (that is, rating scale: 1= poor, 5=excellent). The higher the score, the more reliable the generated scale is. Nunnaly (1978) has indicated 0.7 to be an acceptable reliability coefficient.

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 - 20.0. From data analysis the Cronbach's Alpha for this study is good according to the standard set by George (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 1 Summary of Reliability Test Result of the variables

<i>Dimensions</i>	<i>No. of Items</i>	<i>Cronbach's Alpha</i>
<i>Tangibility</i>	4	0.712
<i>Reliability</i>	5	0.761
<i>Responsiveness</i>	4	0.761
<i>Assurance</i>	4	0.748
<i>Empathy</i>	5	0.747
<i>Overall Scale Reliability</i>	22	0.868

(Source: Survey Result, 2019)

3.8 Data Analysis Techniques

Both descriptive and inferential statistics were used to analyze the quantitative data gained through structured questionnaire. All the variables were coded and entered into the SPSS to analyze data obtained through questionnaires. Descriptive statistics is used to describe the usefulness of the data set and examine relationships between variables. In order to describe the data, preliminary descriptive statistics such as frequency, percentages, and mean scores were computed. To view the internal consistency of the scale items, Cronbach coefficients (alpha) are computed. Multiple regression analysis is performed using the five selected service quality dimensions as independent variable and the customer satisfaction as dependent variable. The basic aim is to see the extent to which customer satisfaction is affected by the service quality dimensions in terms of coefficient of determination (R^2 value), the regression coefficient (Beta coefficient) and the P-values for the significance of each relationship.

Correlation coefficients are used to quantitatively describe the strength of the association between the variables. According to Hair (2002) the Pearson correlation coefficient measures the degree of linear association between two variables. It varies between -1.00 to +1.00, with 0 representing absolutely no association between two variables, and -1.00 or +1.00 representing a perfect association between two variables negatively and positively respectively.

3.9 Ethical Consideration

Confidentiality of their response of the respondents will be maintained at a high level to make the respondents feel comfortable so that their responses are considered non-biased and reflect the truth about the situation in question. The voluntariness of the participants will be also taken into consideration. In this study, there are descriptive questions about the respondent's demographic profile but this information is not enough to identify the person. The second ethical principle to consider is the lack of informed consent. The potential participant should receive as much information needed to make a decision whether to participate or not. In this study the survey will contain information about the research and contact details for further questions. The third ethical principle concerns the invasion of privacy. The respondent might find some questions too private and do not wish to make the answer public. In this study the respondent has the opportunity to skip a question if it is judged sensitive. Furthermore, this study is not of a sensitive nature which enhances the respondents' willingness to answer.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents the results of the data analysis according to the research methodology discussed in chapter three. It mainly comprises background information on the respondent statistics under demographic variables, followed by descriptive statistics, Pearson correlation matrices and multiple linear regression analysis.

4.1 Results

After distributing 384 questionnaires for BOA customers, a total of 362 answered questionnaires were retrieved, which is 94.3% of the total distributed questionnaires. After checking the retrieved questionnaires, the 324 questionnaires were valid for statistical analysis for the fact that it was found 23 missing data and the rest 15 were filled ambiguously. Ultimately, 84.4% of the total questionnaires distributed utilized for the analysis.

Missing data frequently occurs in a situation in which a respondent cannot respond to one or more questions of a survey (Hair, 1998). According to him, mean substitution is a widely used method for replacing missing data, whereby missing values for a variable are replaced with the mean value based on all valid responses. In this study, missing value above 1%, on a single item was considered as incomplete and the response was rejected from further analysis. Because of low percentages of missing values considered, the primary procedure used in this study was to replace missing values with mean substitution.

4.2 Demographic Characteristics of the Respondents

The first part of the questionnaire consists of the demographic information of the participants. This part of the questionnaire requested a limited amount of information related to personal and demographic characteristics of respondents contacted at BOA Grade-3 branches. Accordingly, the variables about the respondents were summarized and described in the Table 3.1.

Based on distribution (ratio) of customers in their respective stratification, out of 324 respondents, it was found 207 (63.9%) Retail; 81 (25.0%) Small & Medium Enterprise; and 36 (11.1%) Corporate account-holder customers who were fully participated in filling the distributed questionnaires. Among them, male respondents constituted 58.3% while the rest 41.7% were females. It is evident that majority of bank users were found to be between the age group 30 – 60 (55.9%). Regarding age-group, respondents below 30-years and above 60-years

accounted for 36.1% and 8.0% respectively. Considering their educational background, high school 10.5%, 63.0% Degree, 17.0% Masters and 0.6% Ph.D. holders whereas less than one fifth (8.95%) were holders of other certification including high school.

Table 2 Demographic Characteristics of the Respondents

Demographic Characteristics		Frequency (f)	Percentage (%)
Sex	Male	189	58.3
	Female	135	41.7
Age	Below 30 years	117	36.1
	30 - 60 years	181	55.9
	Above 60 years	26	8.0
Education	High school	34	10.5
	Degree	204	63.0
	Masters	55	17.0
	PHD.	2	0.61
	Others	29	8.95
Account Type	Retail	207	63.9
	Small & Medium Enterprises	81	25.0
	Corporate	36	11.1
Bank Visit	Daily	28	8.6
	Weekly	176	54.3
	Monthly	71	21.9
	Other	49	15.1
Duration	Less than a year	33	10.2
	1 – 5 years	119	36.7
	Above 5 years	172	53.1
Total		324	100.0

(Source: Own Survey, 2019)

The trend shows that more than half (54.3%) of the respondents visits the bank at least once in a week while about one fifth (21.9%) went to the bank on monthly basis. On the other hand, 15.1% visited the bank irregularly and 8.6% accounted for those who contact the bank on daily basis. With regard to length of relationship with their bank, 10.2% of respondents have less than years of relationship; 36.7% have 1- to 5-years of banking relationships; but more than half (53.1%) of

them had more than 5-years since they have opened the account in BOA. Based on the results, the demographic characteristics of the respondents revealed that majority of them were well educated adult male respondents who were loyal and frequent customers who came to the bank at least once in a week. The longer the customer stayed with the bank, the stronger the relationship he/she develops with it. From this it can be inferred that customers (contacted respondents) at BOA had a good banking experience to judge the bank's services.

4.3 Descriptive Analyses of Variables

The analysis of this study was done using descriptive statistic (through using central tendency). The main reason of using the mean scores of each variable was to demonstrate the average responses of respondents for each question that was included under each dimensions of the predictor variable and to reach the grand mean of each dimension.

The analysis is done in line with the research questions and objectives set and presented in the form of tables as well as graphs in order to give better explanations. All tables as well as graphs in the analysis are generated from survey data through the statistical package for social studies (SPSS 20) after being coded. However, in addition to the SPSS version excels spreadsheets are used to make the necessary calculations. Finally, the interpretation is made through using the grand mean of each independent dimension for the aim of achieving partial research objectives of the study. The interpretation was made based on the following measurement scale intervals or range. A Five-Point Likert scale item analysis approach ranging from "strongly disagree" (1) to "strongly agree" (5) was used to measure the contribution of service quality dimensions for building customer satisfaction. The perception levels towards service quality of the bank has been explored and the degree of satisfaction towards service quality of the bank is set from 1 to 5 (5 is from the highest satisfaction, whereas, 1 is the lowest satisfaction).

4.3.1 Service Quality Assessment

In order to assess the customer-perceived quality of BOA, descriptive statistics were computed per dimensions, as given below. The statistical analysis shows the comparison of customer's perception segmented in to three strata such as Retail, SME and Corporate customers.

4.3.1.1 Tangibility

Tangibility refers to the appearance of physical facilities, equipment, personnel and communication materials. In this regards, the perception of each segment (Retailers, SME and Corporate) respondents is presented based on the results depicted on Table 4.2.

Majority of retailer strongly agreed on visually appealing features of the bank facility (4.37), staffs' well-grooming habits (4.17), equipped with modern (4.13) and visual attractiveness (4.07) equipment. The average mean scored value of 4.19 shows that the retailers were strongly satisfied with the tangibles of the BOA's services. SME also strongly agreed (mean 4.21) that the staffs are well groomed but agreed on modernity (mean 3.82) and visual attractiveness (3.66) of the facility with appealing equipment (mean 3.98). The average mean scored value of tangibility (3.92) reveals that SME respondents were satisfied with the tangibility of BOA's service quality along with necessity of some improvement. On the other hand, corporate respondents expressed their strong agreement on the well-grooming habits of the staffs (mean 4.07) but neutral on modernity (mean 3.36) and visually appealing facility (mean 3.25) with attractive equipment (mean 3.21). The average mean scored value of 3.47 shows that majority of corporate customers were indifferent on the modernity and attractiveness of the facility fitted with visually appealing equipment. The results imply that the bank is strict on grooming of customer handling staffs resulted in achieving strong customer satisfaction. Nonetheless, the inconsistency of the bank in regards to organizing its facility to satisfy all segments of customers equally (fairly). Thus, implementation of tangible services should be based on the needs or requirements of its targeted customers accordingly.

Table 3 Tangibility Dimension

Tangibility Attributes	Retail (207)		SME (81)		CORP (36)	
	Mean	STD	Mean	STD	Mean	STD
BOA has modern looking facility.	4.13	0.955	3.82	0.641	3.36	0.625
BOA's facility are visually appealing	4.37	1.112	3.66	0.882	3.25	0.720
BOA's front line staffs are well groomed	4.17	0.732	4.21	0.917	4.07	0.551
BOA's Equipment are visually appealing	4.07	0.782	3.98	0.583	3.33	0.865
Average	4.19	0.895	3.92	0.756	3.51	0.690

4.3.1.2 Reliability

Reliability refers to the ability to perform the promised service dependably and accurately. It is regarded as the most important determinant of perceptions of service quality. Referring Table 4.3, the results revealed that Retail customers strongly agreed on keeping its promise (mean 4.11), sincerity in solving problems (mean 4.26), performing right at first exposure (mean 4.09), delivering service timely (mean 4.32) and insisting on error-free records (mean 4.53). the average mean score value (4.26) showed that retail customers are highly satisfied with reliability of the bank services. SME customers were also highly satisfied (average mean 4.20) on the service reliability for the fact that they strongly agreed on staffs genuinely keeping their promise (mean 4.38), showing sincere interest in solving problems (mean 4.01), performing right at first exposure (mean 4.11), delivering service timely (mean 4.20) and insisting on error-free records (mean 4.29). On the other hand, Corporate customers were strongly satisfied only with staffs' sincerity towards solving problems (mean 4.17) although they also agreed on error-free records (mean 3.93); performing right at first exposure; timely service delivery (mean 3.77); and keeping its promises (mean 3.73). It can be concluded that even though the reliability of bank's service quality was perceived positively, inconsistency has still persisted among segmented customers. Particularly, corporate customers expect more improvement on timeliness, honesty (keeping promise) and error free records.

Table 4 Reliability Dimension

Reliability Attributes	Retail (207)		SME (81)		CORP (36)	
	Mean	STD	Mean	STD	Mean	STD
<i>When BOA promises to do something by certain time, it does so</i>	4.11	1.002	4.38	0.741	3.73	0.842
<i>If there is a problem, BOA shows a sincere interest in solving it.</i>	4.26	0.602	4.01	0.852	4.17	0.675
<i>BOA performs the service right the first time.</i>	4.09	0.847	4.11	0.486	3.94	0.516
<i>BOA provides its service timely.</i>	4.32	0.941	4.20	0.963	3.77	0.861
<i>BOA insists on error free records.</i>	4.53	0.366	4.29	0.245	3.93	0.327
Average	4.26	0.752	4.19	0.657	3.91	0.644

(Source: Survey Result, 2019)

4.3.1.3 Responsiveness

Responsiveness is the timely reaction towards the customers' needs. It is essential that the bank staffs were willing and able to help customers provide prompt service to exceed the customers' expectation. Table 4.4 below, the results show that majority of the respondents strongly agreed on prompt responsiveness of the staffs for the fact that retailers, SME and Corporate customers voted for responsiveness within the range of mean scored value of 4.06 - 4.32, 4.19 – 4.37 and 4.24 – 4.61 respectively. This implies that respondents were highly satisfied with staffs' willingness to help, ability to instill confidence, provision of prompt service along with informing the exact time the service to be rendered.

Table 5 Responsiveness Dimension

Responsiveness Attributes	Retail (207)		SME (81)		CORP (36)	
	Mean	STD	Mean	STD	Mean	STD
<i>Staffs in BOA tell you exactly when the service to be done.</i>	4.11	0.883	4.19	0.909	4.28	0.551
<i>Employees in BOA give prompt service to you.</i>	4.06	0.719	4.25	0.832	4.24	0.603
<i>Employees in BOA are always willing to help you.</i>	4.32	0.834	4.36	0.699	4.55	0.528
<i>The behavior of staffs in BOA instills confidence in you.</i>	4.13	0.891	4.37	0.706	4.61	0.414
Average	4.16	0.832	4.29	0.787	4.42	0.524

(Source: Survey Result, 2019)

4.3.1.4 Assurance

The assurance dimension refers to Knowledge and courtesy of employees and their ability to convey trust and confidence. Table 4.4 shows that majority of Retail customers believed that transaction with BOA was safe (mean 4.27); staffs had enough knowledge to answer customers' questions efficiently (4.45); and give due attention to every customer individually (4.21) but consistency of staff courteous (mean 3.86) relatively exhibited the requirement of some improvement. On the other hand, even though SME customers strongly agreed on the safety of transacting with the bank (mean 4.37) as well as the competency of its staffs in regards to properly addressing any customer inquiry (4.36), they also pointed out the need of improvements in the area of consistent staff's courteous (mean 3.88) and giving due attention (mean 3.79) to individual customers. Same token, corporate customers also supported the view of SME respondents by voting mean scored value of 4.03 and 4.49 for safe transaction and individual

attention to its customers respectively. It has an implication of exceeding customer expectations through proper implementation of banking services that instills confidence on customers.

Table 6 Assurance Dimension

Assurance Attributes	Retail (207)		SME (81)		CORP (36)	
	Mean	STD	Mean	STD	Mean	STD
<i>You feel safe in your transactions with BOA</i>	4.27	0.612	4.37	0.539	4.03	0.511
<i>Staffs in the bank are consistently courteous with you.</i>	3.86	0.717	3.88	0.328	3.61	0.703
<i>BOA Staffs have the knowledge to answer your questions</i>	4.45	0.618	4.36	0.696	4.49	0.668
<i>BOA gives you individual attention</i>	4.21	0.555	3.79	0.509	3.67	0.465
Average	4.20	0.626	4.10	0.518	3.95	0.587

(Source: Survey Result, 2019)

4.3.1.5 Empathy

The empathy dimension represents the provision of individualized attention to customers and ease of contact, effective communication, and understanding the customers. Based on the data analysis, the results on Table 4.6 show that majority of the respondents strongly agreed on effective communication of BO's staffs as Retails, SME and Corporate customers voted for mean scored value of 4.04, 4.13 and 4.16 respectively. Similarly, they also agreed (Retail = mean 3.73; SME=3.71; and Corporate=3.83) that employees of BOA understand the specific needs of individual customer. However, Retails and SME have neutral stand with mean scored value of 3.29 and 3.33 on BOA's staffs having customer's best interest at heart while 3.37 and 3.21 on having convenient working hours respectively. corporate respondents agreed (mean 3.66) on the former but, to the contrary, they disagreed (mean 2.73) on the later. In regards to BOA having staffs who give personal attention to customers, corporate revealed their negative perception (mean 2.54) whereas SME and Retails agreed with mean scored value of 3.59 and 3.62 respectively. This implies that BOA's staffs have inconsistent reputation in terms of understanding their customers according to their desires.

Table 7 Empathy Dimension

Empathy Attributes	Retail (207)		SME (81)		CORP (36)	
	Mean	STD	Mean	STD	Mean	STD
BOA's employees are able to communicate effectively	4.04	0.573	4.13	0.359	4.16	0.865
BOA has operating hours convenient to all its customers.	3.37	0.847	3.21	0.374	2.73	1.344
BOA has employees who give personal attention to you.	3.62	0.591	3.59	0.825	2.54	1.411
BOA's staffs have your best interests at heart.	3.29	0.943	3.33	0.768	3.66	0.784
The employees of BOA understand your specific needs.	3.73	0.735	3.71	0.934	3.83	0.664
Average	3.61	0.739	3.59	0.652	3.38	1.014

(Source: Survey Result, 2019)

4.3.2 Overall Customer Satisfaction

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 (Oliver, 1981; Brandy and Robertson, 2001; Lovelock, Patterson and Walker, 2001). However, the customers have different levels of satisfaction as they have different attitudes and perceived performance from the product/service. Based on this, it has been tried to measure the level of customer satisfaction; and the descriptive statistical analysis shows that the level of customer satisfaction was found to be mean scored value of 4.08 for Retails, 3.91 for SME and 3.83 for corporate customers. It implies that customers of the organization were strongly/ satisfied by the bank's service delivery. Moreover, the standard deviation also shows that relatively homogeneous perception among respondents except SME customers. The company should improve its overall service quality to exceed its customers' expectation as per the needs and desires of each segmented or targeted groups

Table 8 Overall Customer Satisfaction

Overall Customer Satisfaction	Retail (207)		SME (81)		CORP (36)	
	Mean	STD	Mean	STD	Mean	STD
Your overall satisfaction with the bank	4.08	0.755	3.91	0.824	3.83	0.515

(Source: Survey Result, 2019)

4.4 Assumption Testing for Regression Analysis

Meeting the assumptions of regression analysis is necessary to confirm that the obtained data truly represented the sample and that researcher has obtained the best results (Hair, 1998). Two assumptions for regression analysis used in this study will be discussed for the individual variables: multi-collinearity and linearity. In the following paragraphs, each assumption is explained.

4.4.1 Multi-collinearity

Hill (2003) explain that economic variables may move together in systematic ways when the data are the result of an uncontrolled experiment. Such variables are believed to have problems with collinearity or multi-collinearity when several variables are involved. Generally, as multi-collinearity rises, it will complicate the interpretation of the variables because it is more difficult to confirm the effect of any single variable, owing to their interrelationship. According to him, multi-collinearity is not a violation of the assumptions of regression but it may cause serious difficulties. Hill (2003) proposes that these serious difficulties include: (1) variances of parameter estimates may be unreasonably large; (2) parameter estimates may not be significant; and (3) a parameter estimate may have a sign different from what is expected.

Table 9 Pearson's Correlation Matrix for Predictors and Customer Satisfaction

Variables	TA	RL	RS	AS	EP	OCS
Tangibility (TA)	1					
Reliability (RL)	0.410*	1				
Responsiveness (RS)	0.432*	0.505*	1			
Assurance (AS)	0.426*	0.426*	0.655*	1		
Empathy (EP)	0.404*	0.396*	0.488*	0.545*	1	
Overall Customer Satisfaction (OCS)	0.506*	0.509*	0.613*	0.635*	0.663*	1

*Correlation is significant at $p < 0.01$

(Source: Survey Result, 2019)

4.5 Regression Analysis

Regression is a technique used to predict the value of a dependent variable using one or more independent variables (Albaum, 1997). It is a statistical tool for the investigation of relationships between variables. In order to ascertain the causal influence of one variable upon another, researchers assemble data on the underlying variables of the causal variables upon the variable that they influence. Researchers typically evaluate the “statistical significance” of the estimated relationships, namely, the degree of confidence that the true relationship is close to the estimated relationship (Malhotra, 2007).

A regression analysis examines the relation of the dependent variable to specified independent variables. Multiple linear regressions were conducted to identify the relationship and to determine the most dominant variables that influenced the customer satisfactions of BOA. The significance level of $p < 0.05$ was used with 95% confidence interval. The dependent variable was customer satisfaction and the independent variables include the SERVPERF dimensions, which are tangibility, reliability, responsiveness, assurance and empathy. The reason for using this multiple regression analysis was to examine the direct effect of these SERVPERF dimension on customer satisfaction towards BOA and the output was shown below. In order to show the impact that each dimension has on the dependent variable, the study checked the Standardized Coefficients. The table shows the slope of multi-regression analysis.

Referring the model summary, R (0.784) indicates correlation of the five independent variables with the dependent variable customer satisfaction and the weighted combination of the predictor variables (SERVPERF dimensions) explained or affect approximately 61.5% (R^2) of the variance of customer satisfaction and the remaining 38.5% is by extraneous variables. This result also indicates that there may be other variables that could have been neglected by the current study in predicting satisfaction.

Table 10 Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the estimate
1	.784 ^a	.615	.606	.4632

^a Predictors: (constant), Empathy, Reliability, Tangibles, Assurance, Responsiveness

(Source: Survey Result, 2019)

Table 11, the ANOVA test, it is noticed that F value of 105.800 is significant at the 0.000 level or significant at 1%. Therefore, from the result, it can be concluded that with 61.5% of the variance (R^2) in customer satisfaction is significant and the model is appropriately measure the latent construct.

TABLE 11 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	79.417	5	15.883	105.887	0.000 ^b
	Residual	47.623	318	0.150		
	Total	127.040	323			

^a Dependent Variable: Overall Customer Satisfaction

^b Predictors: (constant), Empathy, Reliability, Tangibles, Assurance, Responsiveness

(Source: Survey Result, 2019)

The last output in the analysis of the multiple regression models represents the output for the beta coefficients of each service quality dimensions. The regression equation for this research is presented below.

$$OCS = \beta_0 + \beta_1TA + \beta_2RL + \beta_3RS + \beta_4AS + \beta_5EP + e$$

Where, OCS = Customer Satisfaction, TA = Tangibility, RL= Reliability, RS = Responsiveness, AS = Assurance, EP = Empathy, B₀ = Constant, B₁ to B₅ = beta coefficients, and e = error terms.

Before getting started the interpretation for the beta coefficients it is important to evaluate the model in terms of the issue of multi-collinearity which is the concern in the multiple regression analysis (it has already been seen there were no multi-collinearity issues under assumption testing for regression analysis). But for further confirmation, the issue has been addressed through the results of variance inflation factor (VIF) and the tolerance level in the model output. The tolerance Values that are less than 0.10 may merit further investigation whereas the VIF result suggested that predictor variables whose VIF values are greater than 10 may merit further investigation. As it can be seen from the table these requirements are not invalidated in the results and there is no issue of multi-co linearity.

Table 12 Estimated Regression Coefficients for retail customers

Model		Unstandardized Coeff.		Standardized Coeff.	t	*Sig.
		β	Std. Error	β		
1	Constant	0.391	0.556		0.703	0.002
	Tangibility	0.059	0.823	0.055	0.072	0.114
	Reliability	0.381	0.753	0.213	0.506	0.000
	Responsiveness	0.156	0.415	0.199	0.376	0.001
	Assurance	0.171	0.147	0.067	1.163	0.072
	Empathy	0.421	0.653	0.401	0.645	0.000

❖ Sig. at p- value <0.05
(Survey Result,2019)

Source

In the table 12, the beta coefficients indicated that how and to what extent servqual dimensions such as tangibility, reliability, responsiveness, assurance and empathy influence customer's satisfaction of a bank. It has been found that reliability (b=.381, t= .506 p<0.05), responsiveness (b =.156, t=.376, p<0.005), empathy (b=.421, t=.645, p< 0.005), are significant effect on customer satisfaction where as assurance (b=.171,t=1.163, p>0.05), tangibility (b =.059, t=.072, p>0.05) were found insignificant to influence customers satisfaction of the bank.

Table 13 Estimated Regression Coefficients for SME customers

Model		Unstandardized Coeff.		Standardized Coeff.	t	*Sig.
		β	Std. Error	β		
1	Constant	0.614	0.745		0.824	0.002
	Tangibility	0.326	0.467	0.322	0.698	0.055
	Reliability	0.251	0.951	0.213	0.264	0.000
	Responsiveness	0.442	0.248	0.401	1.782	0.001
	Assurance	0.061	0.555	0.001	0.110	0.156
	Empathy	0.530	0.689	0.403	0.769	0.000

Sig. at p- value <0.05

Source (Survey Result, 2019)

In the table 13 again, the beta coefficients indicated that how and to what extent servqual dimensions such as tangibility, reliability, responsiveness, assurance and empathy influence customer's satisfaction of a bank. It has been found that reliability (b=.251, t= .264 p<0.05), responsiveness (b =.442, t=1.782, p<0.005), empathy (b=.530, t=.769, p< 0.005), are significant effect on customer satisfaction whereas, assurance (b=.061, t=.110, p>0.05), tangibility (b=0.326, t=.698, p>0.05) were found insignificant to influence customers satisfaction of the bank.

Table 14 Estimated Regression Coefficients for corporate customers

Model		Unstandardized Coeff.		Standardized Coeff.	t	*Sig.
		β	Std. Error	β		
1	Constant	0.281	0.582		0.483	0.002
	Tangibility	0.096	0.735	0.104	0.131	0.510
	Reliability	0.374	0.915	0.366	0.409	0.002
	Responsiveness	0.522	0.618	0.471	0.845	0.000
	Assurance	0.426	0.581	0.385	0.733	0.172
	Empathy	0.216	0.486	0.211	0.444	0.004

Sig. at p- value <0.05

Source (Survey Result, 2019)

In the table 14 again, the beta coefficients indicated that how and to what extent servqual dimensions such as tangibility, reliability, responsiveness, assurance and empathy influence customer's satisfaction of a bank. It has been found that reliability (b=.374, t=.409 p<0.05), responsiveness (b=.522,t=.845,p<0.005),empathy(b=.216,t=.444,p<0.005),are significant on customer satisfaction where as tangibility (b=.096,t=.131, p>0.05), assurance (b =.426, t=.733, p>0.05) were found insignificant to influence customers satisfaction of the bank.

- We learn from the above three table in all three segments customer satisfaction are significantly effect on reliability, responsiveness and empathy where as assurance and empathy doesn't effect on customer satisfaction on this study.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Summary of major findings, conclusion and some suitable recommendations that might be useful to banks, marketers and other researchers are presented in this chapter.

5.1 SUMMARY OF MAJOR FINDINGS

The initial result of the analysis presents the outcomes for the demographic nature of the respondents and the reliability test for the instrument and its dimensions. The descriptive statistics and the multi-regression analysis were used to illustrate and test the effects of the stated variables of interests.

The study was intended to investigate the effect of service quality on customer satisfaction at Bank of Abyssinia based on the questionnaires consisting of 324 conveniently selected customers at Grade-3 branches in Addis Ababa.

- Based on customers' stratification, it was found that majority (63.9%) was Retails and 25.0% Small & Medium Enterprise but the rest (11.1%) were corporate customers.
- Among them, majority were male (68.8%), within the age-group of 31 – 60-years (55.9%), first degree holders (63.0%), opened account for more than 5-years (53.1%) and came to the bank (54.3%) on weekly basis.
- Both Retails (mean 4.21) and SME (3.91) agreed on tangibles of the bank service in terms of modern facility furnished with visually appealing equipment and well-groomed staffs whereas Corporate customers took neutral (mean 3.50) stand in this regards.
- Regarding reliability of the bank's service, both Retail and SME customers strongly agreed (mean 4.26 and 4.19 respectively) on bank's commitment in keeping its promise, showing sincere interest to solve complains, and accomplishing routine tasks accurate on time. But corporate customers still have some doubts on this dimension as the average mean scored value (3.91) shows that they were not strongly agreed on it.

- Majority of the respondents strongly agreed on prompt responsiveness of the staffs as Retails, SME and Corporate customers voted for it with mean scored value of 4.16, 4.29 and 4.42 on average respectively.
- Referring assurance, both Retails (mean 4.16) and SME (mean 4.29) strongly agreed on safeness of transaction as well as knowledge and courtesy of the staffs. Though Corporate customers were also agreed on (mean 3.95), they had still some reservation on staffs' courtesy (mean 3.67) and lack of giving individual attention to customers (mean, 3.67).
- Amongst other dimensions of BOA's service quality, empathy has got the least as Retails, SME and Corporate respondents voted for average mean scored value of 3.61, 3.59 and 3.38 respectively.
- Overall Customer satisfaction, the analysis results revealed that the level of customer satisfaction was found to be high for Retails (mean 4.08) and medium for SME (mean 3.91) and for corporate customers (mean 3.83).
- The correlation result shows that, the five service quality dimensions (tangibility, reliability, responsiveness, assurance, empathy) are positively and significantly related with customer satisfaction.
- The service quality dimensions explained or affect approximately 61.5% (R^2) of the variance of customer satisfaction and the remaining 38.5% is by extraneous variables. The model appropriately measured the latent construct as the five dimensions (independent variables) were found significant at $p < 0.05$.
- By examining this beta weight of data analysis result, empathy followed by assurance and responsiveness was making relatively larger contribution to the customer satisfaction.
- Amongst the five service quality dimensions, significant difference was found for Tangibility and Assurance dimensions at $p > 0.5$. On the other hand, there were no significant difference had been seen for reliability, responsiveness and empathy dimensions of the banks' services.

5.2 Conclusion

The study was conducted to examine the effect of service quality on customer satisfaction in BOA and whether there were significant differences among customers' strata. The bank has segmented its customers as Retail, SME and Corporate based on ownership and size of the business organizations they ran. The assessment focused on the determination of the level of their perception, the effect of its service quality on customer satisfaction, and the presence of significant variation among the groups/ segments.

The finding of the study indicates that among the five service quality dimensions which are tangibility, reliability, responsiveness, assurance and empathy;

- Retail customers of BOA were highly satisfied with the Tangibility, Reliability, Responsiveness and Assurance but slightly satisfied with Empathy dimensions.
- SME customers also expressed their strong satisfaction with Reliability, Responsiveness and Assurance but had some doubts on Tangibility and Empathy.
- On the other hand, Corporate customers were highly satisfied only with staffs' responsiveness whereas indifferent on Tangibility and Empathy. Such variations on perceived quality of the bank's service, has an implication of different segments of customers have different requirements that should be addressed to exceed their expectations accordingly.

The five service quality dimensions are positively and significantly related with customer satisfaction. They have positive and significant effect on customer satisfaction but among the groups, variations of perception on the tangibility and empathy dimensions of the bank's service quality has been observed. Corporate customers need more attractive, modern facility fitted with visually appealing equipment than the other groups. Besides, even though the reliability of bank's service was perceived positively, inconsistency has still persisted among segmented customers. Particularly, corporate customers expect more improvement on timeliness, honesty (keeping promise) and error free records. In regards to Assurance service quality dimension (staffs' willingness to help, ability to instill confidence, provision of prompt service along with informing the exact time the service to be rendered), the bank exceeded its customers' expectations through proper implementation of banking services that instills confidence on

customers. However, BOA staffs' inconsistent reputation in terms of understanding their customers according to their desires were perceived negatively.

It is evident that heterogeneous customers have different requirements on the service provided by the same organization. It holds true for business companies having different customer's segmentation and BOA is not far from this fact. Since the bank has already segmented its customers, the quality of its banking service hasn't been tuned in line with the actual needs/ desires/ expectations. Thus, it requires the bank's management to reconsider the quality of their service provision accordingly.

5.3 Recommendations

Based on the analysis and the findings, the following are recommended to help improve service quality so that SERVPERF dimensions measuring customer satisfaction will exceed the expectations of the customers.

- Regular assessment of banking service delivery based on customer's perception at different segment is required to determine level of their satisfaction in terms of SERVPERF dimensions of banking service. Bank of Abyssinia will be informed about the area that requires improvement to enhance service performance. It will also inform the service areas that have been given less attention, so that decision will be made to upgrade those areas.
- It is recommended that certain service quality dimensions need a pragmatic effort in the bank to ensure its improvement since the perception of different customers at different market segmentation varies considerably. Service dimensions like tangibility and empathy, a pragmatic effort is needed to ensure an improvement in these dimensions that helps in the overall service quality and a better customer service delivery in the bank.
- BOA should take measures on the improvement of empathy attributes such as facilitating convenient opening hours, giving equal attention and understanding customer's best interests considerably promote customers' satisfaction of all the three segments.
- The managements of BOA should renovate the existing office buildings of the bank services or rent attractive modern facility and furnish them with visually appealing equipment to enhance the satisfaction level of SME and Corporate customers from which the bank generates most of its revenue.

- Concerning the empathy dimension, the bank should work towards finding better ways of identifying its SME and Corporate customers' individual needs, and enhancing its employees' skills towards understanding the specific needs of its customers.
- BOA should improve overall service delivery as the comparison between segments exhibited considerable variation in customer's perception. BOA is required by this revelation to consider repackaging and redesigning of its service operations to match up with customer segmentation. This can be done by finding out from customers what they expect from the Bank and provide accordingly.
- Future researchers are hereby called upon to conduct a research to measure the service quality delivery of the various banks of the same level, to ascertain the extent of service quality delivery among the commercial banks in Ethiopia.

5.4 Limitation of the study

This study is limited to service quality and customer satisfaction in three BOA banking segment which is retail, small and medium enterprise and corporate only by taking customers of six branches of grade three among over 320 branches and there are different segment like customers who are engaged in export and import business, conventional banking service and non-conventional banking services and and Though customer satisfaction is the result of many other variables this study trying to define customer satisfaction as five dimensions of service quality.

5.5 Future area of research

Future researchers, who want to investigate similar area, may include import and export customers of the bank and conduct comparison analysis to whether there is a service quality and customer satisfaction difference in between different sections of the same institution(banks) and . Moreover they can further investigate the levels of service quality and customer satisfaction among conventional banking services and non-conventional banking services. Since this study focus only on the relationship between service quality and customer satisfaction, future researchers may include other factors that can have a big impact on customer satisfaction and do a survey.

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Appendices

Appendix I ONE WAY ANOVA

Difference of Respondents' Perception based on Customer Segmentation

Dimensions		Sum of Squares	df.	Mean Square	F	Sig.
Tangibility	Between Groups	0.242	2	0.121	4.321	0.169
	Within Group	0.652	321	0.028		
	Total	1.031	323			
Reliability	Between Groups	0.034	2	0.034	16.682	0.013
	Within Group	0.660	321	0.002		
	Total	0.694	323			
Responsiveness	Between Groups	0.034	2	0.017	18.515	0.000
	Within Group	0.293	321	0.001		
	Total	0.327	323			
Assurance	Between Groups	0.032	2	0.016	0.861	0.704
	Within Group	6.054	321	0.019		
	Total	6.086	323			
Empathy	Between Groups	0.353	2	0.177	15.088	0.018
	Within Group	2.103	321	0.007		
	Total	2.456	323			

(Source: Survey Result, 2019)

Appendices

Appendix II - Questionnaire

St. MARY'S UNIVERSITY

MASTER'S IN MARKETING MANAGEMENT

MMM PROGRAM

Questionnaire to be filled by customers

This questionnaire is designed to collect data to measure service quality and customer satisfaction; the study will be taken the case of Bank of Abyssinia. The information that you provide with this questionnaire will be used as a primary data in the case study conducting as a partial fulfilment of the requirements for the degree of Masters of Marketing Management. I would like to assure you this research is only for academic purpose authorized by St. Mary University and no other person will have access to it. I would like to express my appreciation for your generous time, honest and prompt response.

There is no need to write you name

Bizayehu Abebe (0913934748)

Part I. General Information

1. Gender Female Male
2. Age Below 30 years 30 - 60 years Above 60
3. Education Primary secondary Diploma Degree
 Masters others
4. Account type
 Retail Corporate Small & Medium Enterprises
5. How often do you visit the bank?
 Daily weekly Monthly other, please specify

5. How long have you been a customer of the bank?

less than a year 1 – 5 years above 5 years

Part II. Study questions related with promotional strategies and brand equity

Please read each statement carefully and show your level of agreement on the statements by putting “X” mark in the boxes using the following 5-scale Likert scales: Strongly agreed (SA)=5, Agreed (A)=4, Neutral (N)=3, Disagreed (DA)=2, and Strongly disagreed (SDA)=1

Code	Description	SDA	DA	N	A	SA
		1	2	3	4	5
TA1	Bank of Abyssinia has modern looking equipment.					
TA2	Bank of Abyssinia's physical features are visually appealing					
TA3	Bank of Abyssinia's front line employees are well groomed and neat appearing.					
TA4	Equipment and materials (ATM cards, check book, statements) are visually appealing					
		1	2	3	4	5
RL1	When Bank of Abyssinia promises to do something by a certain time, it does so.					
RL2	When you have a problem, Bank of Abyssinia shows a sincere interest in solving it.					
RL3	Bank of Abyssinia performs the service right the first time.					
RL4	Bank of Abyssinia provides its service at the time it promises to do so.					
RL5	Bank of Abyssinia insists on error free records.					
		1	2	3	4	5
RS1	Employees in the bank tell you exactly when the services will be performed.					
RS2	Employees in Bank of Abyssinia give prompt service to you.					
RS3	Employees in Bank of Abyssinia are always willing to help you.					
RS4	The behavior of employees in Bank of Abyssinia instills confidence in you.					
		1	2	3	4	5
AS1	You feel safe in your transactions with Bank of Abyssinia					
AS2	Employees in the bank are consistently courteous with you.					
AS3	Employees in Bank of Abyssinia have the knowledge to answer your questions.					
AS4	Bank of Abyssinia gives you individual attention					
		1	2	3	4	5
EP1	Bank of Abyssinia’s employees are able to communicate effectively					
EP2	Bank of Abyssinia has operating hours convenient to all its customers.					
EP3	Bank of Abyssinia has employees who give personal attention to you.					
EP4	Bank of Abyssinia has your best interests at heart.					
EP5	The employees of Bank of Abyssinia understand your specific needs.					

Overall Customer Satisfaction		Very dissatisfied	dissatisfied	Neutral	satisfied	Very satisfied
		1	2	3	4	5
OCS1	Your overall satisfaction with the bank					

Many thanks for your valued time!!!

ለአቢሲኒያ ባንክ ደንበኞች የተዘጋጀ መጠይቅ

በአሁኑ ወቅት በአቢሲኒያ ባንክ የአገልግሎት አሰጣጥ ጥራት በደንበኞች እርካታ ላይ የሚኖረው ውጤት ለመገምገም የተዘጋጀ ነው።

ውድ ፤ የአቢሲኒያ ባንክ ደንበኞች

አቢሲኒያ ባንክ የአገልግሎት አሰጣጥ ጥራት በደንበኞች እርካታ ላይ ያለው ተጽእኖ የሚለውን ጥናቱን ለማከናወን ከእናንተ የሚገኘው ግብዓት ቁልፍ በመሆኑ ጊዜያችሁን መስዋት በማድረግ ይህንን መጠየቅ በመሙላታችሁ አስቀድሜ አመሰግናለሁ።

የዚህ ጥናት አለማ በቅድስት ማርያም ዩንቨርሲቲ በገበያ ሥራ አስተዳደር በማስተር ኦፍ ኦርጋኒዜሽን ዲግሪ ለመስራት በከፊል ማሟያ የሆነውን ጥናቱን ለመስራት ነው። መጠይቁ ሰስት ዋና ዋና ክፍሎች አሉት የመጀመሪያው ክፍል የመላሹ ድህረ ታሪክ ላይ ያተኮረ ሲሆን ፣ሁለተኛው ክፍል በደንበኞች እርካታ ደረጃ የሚለካውን የአገልግሎት አሰጣጥ ጥራቶች ላይ ያተኮረ ነው፣ ሶስተኛው ክፍል ደግሞ የደንበኞች አጠቃላይ እርካታ ላይ ያተኮረ ነው። በመጠይቁ ውስጥ ያሉትን መጠይቆች ሞልቶ ለመጨረስ ከ5 ደቂቃ በላይ አይወስድብዎትም ስለሆነም ሁሉንም ጥያቄዎች ሙሉ በሙሉ እንዲሞሉ እጠይቃለሁ።

በድጋሚ አመሰግናለሁ።

ስም መፃፍ አያስፈልግም።

ብዙአየሁ አበበ /0913934748/

ክፍል አንድ - የመላሾች ድህረ ሁኔታዎች

መመሪያዎች:- በእያንዳንዱ ጥያቄዎች ስር ያሉትን አማራጭ ፊደል() እባክዎ ትክክለኛ የሆነውን መልስ ይምረጡ።

1. ጾታ

ወንድ ለ. ሴት

2. እድሜ

ከ30 በታች ከ30 እስከ60 ከ60 በላይ

3. የትምህርት ደረጃ

ሁለተኛ ደረጃ ዲግሪ ሁለተኛ ዲግሪ/ማስተርስ/ ፕሎችዲ ሌላ

4. የደንበኛው አይነት

የግል ድርጅት

5. በአቢሲኒያ ባንክ ለምን ያህል ጊዜ በደንበኝነት ቆይተዋል።

ከአንድ ዓመት በታች ከ1ዓመት--5ዓመት ከ5 ዓመት በላይ

6. በምን ያህል ጊዜ ውስጥ ወደ ባንኩ ይመጣሉ።

በየቀኑ በየሳምንቱ በየወሩ ሌላ ካለ ይግለጹ

ክፍል - ሁለት የአገልግሎት አሰጣጥ ጥራት ጥያቄዎች

እባክዎ የባንኩን የአገልግሎት ጥራት በሚመለከት ለቀረቡት ጥያቄዎች ተገቢ ነው የሚሉትን ምላሽ () ያድርጉ።

1. በጣም አልስማምም 2. አልስማምም 3. አስተያየት የለኝም 4. እስማማለሁ 5. በጣም እስማማለሁ

1. ተጨባጭነት /tangibility/

1.1 አቢሲንያ ባንክ ዘመናዊ መገልገያዎች አሉት?

1. 2. 3. 4. 5.

1.2 የአቢሲንያ ባንክ መገልገያዎች ለአይን የሚስቡ ናቸው።

1. 2. 3. 4. 5.

1.3 ፊት ለፊት ያለ የአቢሲንያ ባንክ ሰራተኞች ጽዱ ላሉ ናቸው

1. 2. 3. 4. 5.

1.4 የአቢሲንያ ባንክ የብድር ካርዶች፣ ጽሑፎች እና ተመሳሳይ መገልገያዎች ለአይን የሚስቡ ናቸው)

1. 2. 3. 4. 5.

2. ታማኝነት/Reliability/

2.1 አቢሲንያ ባንክ ቃል የገባውን አገልግሎት ቃል በገባበት ሰአት ይሰጣል።

1. 2. 3. 4. 5.

2.2 አቢሲንያ ባንክ ሰራተኞች እርስዎ እንደ ደንበኛ ያሉባትን ችግሮች ለመረዳት ከልብ የመነጨ ፍላጎት አሉዎቸው?

1. 2. 3. 4. 5.

2.3 አቢሲንያ ባንክ ለመጀመሪያ ጊዜ የሚሰጥ አገልግሎት ትክክለኛ (ከስህተት የጸዳ) አገልግሎት ነው?

1. 2. 3. 4. 5.

2.4 አቢሲንያ ባንክ ቃል የገባውን አገልግሎት ቃል በገባበት ሰአት ይሰጣል?

1. 2. 3. 4. 5.

2.5 አቢሲንያ ባንክ ከስተኞች የጸዳ መረጃዎች አሉት?

1. 2. 3. 4. 5.

3 ምላሽ ሰጪነት /Responsiveness/

3.1 የአቢሲኒያ ባንክ ሰራተኞች የሚፈልጉትን አገልግሎት የት እንደሚያገኙ በትክክል ይናገራሉ?

1. 2. 3. 4. 5.

3.2 አቢሲኒያ ባንክ ይሰጣል ተብሎ ቃል የተገባበትን አገልግሎት ይሰጣል?

1. 2. 3. 4. 5.

3.3 በአቢሲኒያ ባንክ የሚሰሩ ሰራተኞች ሁልጊዜ ደንበኛን ለመርዳት ፍቃደኛ ናቸው?

1. 2. 3. 4. 5.

3.4 የአቢሲኒያ ባንክ ሰራተኞች ባህሪ ደንበኞች እምነት እንዲያደርባቸው ይረዳቸዋል?

1. 2. 3. 4. 5.

4 ማረጋገጫ /Assurance/

4.1 ስራ በሚሰራበት ጊዜ ደንበኛ በባንኩ ላይ እና ስራዎችን በሚሰሩት ላይ የደህንነት ስሜት ይሰማዋል?

1. 2. 3. 4. 5.

4.2 የአቢሲኒያ ባንክ ሰራተኞች ደንበኞችን በሚያስተናግዱበት ጊዜ ትሁት ሆነው ያስተናግዳሉ?

1. 2. 3. 4. 5.

4.3 የአቢሲኒያ ባንክ ሰራተኞች የደንበኞችን ጥያቄ ለመመለስ በቂ እዉቀት አላቸው።

1. 2. 3. 4. 5.

4.4 አቢሲኒያ ባንክ እንደ ደንበኛዉ አይነት ልዩ ትኩረት ይሰጣል

1. 2. 3. 4. 5.

5 ደንበኞችን መረዳት /Empathy/

5.1 የአቢሲኒያ ባንክ ሰራተኞች የደንበኞችን ልዩ ፍላጎት መረዳት የሚችሉ ናቸው።

1. 2. 3. 4. 5.

5.2 የአቢሲኒያ ባንክ የስራ ሰአት ለሁሉም ደንበኞች ምቹ ነዉ።

1. 2. 3. 4. 5.

5.3 በአቢሲኒያ ባንክ የሚሰሩ ሰራተኞች አስፈላጊ ሆኖ ሲገኝ ለደንበኞች በግል አገልግሎቶቹን ይሰጣሉ?

- 1.
- 2.
- 3.
- 4.
- 5.

5.4 በአቢሲኒያ ባንክ የሚሰሩ ሰራተኞች የሚሰሩ ሰራተኞች ደንበኞቻቸው ከልባቸው የሚፈልጉትን ነገር ይረዳሉ?

- 1.
- 2.
- 3.
- 4.
- 5.

5.5 በአቢሲኒያ ባንክ የሚሰሩ ሰራተኞች የእያንዳንዱን ደንበኛ ልዩ ፍላጎት ይገነዘባሉ?

- 1.
- 2.
- 3.
- 4.
- 5.

ክፍል ሶስት - አጠቃላይ የደንበኛ እርካታ ጥያቄዎች

1. በአጠቃላይ ሲታይ በአቢሲኒያ ባንክ አገልግሎት አሰጣጥ ላይ ምን ያህል እርካታ ይሰማዎታል?

በጣም እርካታ አይሰማኝም

እርካታ አይሰማኝም

አስተያየት የለኝም

እርካታ ይሰማኛል

በጣም እርካታ ይሰማኛል