ST. MARY"S UNIVERSTY SCHOOL OF GRADUATE STUDIES

THE EFFECTS OF SERVICE QUALITY ON CUSTOMER SATISFACTION IN THE CASE OF AWASH BANK

By: MELKAM TESFAYE

July, 2021

Addis Ababa, Ethiopia

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July, 2021

Addis Ababa, Ethiopia

DECLARATION

I hear by declare that this thesis entitled "**Effect of Service Quality on Customer Satisfaction in the case of Awash Bank"** has been conducted and written by me and it is the record of my original research work. I have carried out the study independently with the guidance and support of my research advisor Dr. Getie Andualem. No part of this work has been presented in any form for another degree or diploma in this or any other higher education institution. All borrowed information has been duly acknowledged in the text and a list of reference.

Name   **Signature**   **Date**

Melkam Tesfaye   _____   _____

ENDORSEMENT

I attest that the works contained in the thesis entitled "**Effect of Service Quality on Customer Satisfaction in the case of Awash Bank"** are the original research works of Melkam Tesfaye and conducted under my supervision.

Name the Advisor   **Signature**   **Date**

_____   _____   _____

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Abstract

The purpose of this study was to assess the effect of service quality on customer satisfaction in the case of Awash Bank. The study has used the SERVQUAL model of service quality with the application of the five service quality dimensions. These five dimensions of service quality (reliability, responsiveness, assurance, empathy and tangibility) are used to measure service quality and their effects on the level of customer's satisfaction in Awash Bank selected branch for this research. The study used quantitative research approach with the aid of descriptive and explanatory designs in order to achieve the research objectives. It has used both primary and secondary data sources to gather pertinent data for the study. Convenient sampling technique is used to select representative samples for the study. Primary data is collected through questionnaire while document review is used to gather information from secondary sources of data. Both descriptive and inferential statistics including correlation and regression analysis are employed to analyse data. According to the findings of the study, four of the five dimensions of service quality have shown a significant positive effect on customer satisfaction. The finding shows that service responsiveness did not show significant effects on customer satisfaction. The result of the study further show that the overall model adopted in the study indicates that tangibility and empathy in service delivery are highly significant at p=0.000. However, reliability and assurance are significant at p of 0.002 and 0.029 respectively. In general, the fitted model of the study expresses that service quality has a significant effect on the level of customer satisfaction in Awash Bank.

***Key words:** Service Quality, SERVQUAL, Customer Satisfaction.*

Acronyms

REL   Reliability

RESP   Responsibility

ASSR   Assurance

EMP   Empathy

TANG   Tangibility

CST   Customer satisfaction

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CHAPTER ONE INTRODUCTION

Background of the Study

According to Stephen 2001, service is any activity or benefit that one partly can offer to another that is essentially intangible and does not result in the ownership of anything. Quality in service is very important especially for the growth and development of business enterprises, which provides services (Rahaman et al, 2011). It works as a factor of determining the level of customer satisfaction (Ruyter & Bloemer, 1995). Ekinci (2003) indicates that the evaluation of service quality leads to customer satisfaction. Rust and Oliver (1994) define satisfaction as the customer fulfilment response, which is an evaluation as well as an emotion-based response to a service.

Juran (1988), in the business viewpoint state that qualities are those features of products which meet customer needs and there by provide customer satisfaction. The purpose of such higher quality is to provide greater customer satisfaction. However, providing more or better-quality features usually requires an investment and hence usually involves increases in costs. In today's competitive environment, delivering high quality service is the key for sustainable competitive effect on organizations profitability satisfies customers are the foundation of any successful business because customer''s satisfaction leads to repeat purchase, brand loyalty, and positive word of mouth. Service marketers have realized over past few years that competition can be well managed through quality. Thus, service quality is imperative to achieve competitive advantage. Poor quality places a firm at a competitive disadvantage. Service quality offers a way of achieving success among competing services, particularly in case of firms that offer nearly identical services. Service quality is focused evaluation that reflects the customer's perception of specific dimension of service: reliability, responsiveness, assurance, empathy, tangibility (Zethumuni, 2003). Service quality is what makes one business organization have a competitive advantage when comparing to other businesses. Gefan (2002) "define service quality as the subject comparison that customers make between the qualities of service that they want to receive and what they actually get." Bolton and Drew (1991) "describe service quality as a form of attitude that result from the comparison of expectations with performance" Berry et al. (1990) "pointed out that since customers are the "sole judge of service quality,"

An organization can build strong reputation for quality service when it can constantly meet customer service expectation

Service quality is as one of the significant structures to explain and justify behavioral objectives related to future. The desire effects on the financial results and consequences of company and service quality is as one of the key strategies for the survival of a company that have examined and evaluated it and considering importance of service quality, there is no wonder that many researchers have dedicated themselves to understanding the dimensions of service quality (Gilaninia et al., 2013). By providing quality service, organizations are trying to face the challenge of gaining competitive advantage (Warraich et al., 2013).

Banking industries are the largest and most dominant financial sectors, which provide financial service. They are entering into new phenomena of unprecedented form of competition, supported by modern information and communication infrastructure, in order to provide quality service to their customer (Ongari, 2013 and Worku et. al., 2016). Ethiopian Banks are encounter lots of challenges that emanate from high competition amongst different existing banks. As a result, various strategies are planned to keep customer to enhance the service quality stage and measured as the main success factor. At the present time service, quality has received much awareness because satisfied customers are a key to the long-term relationship of business success (Zeithaml et al., 1996).

Accordingly, Newman and Cowling (1996) "believes that excellent service quality is vital to to business profitability and survival" thus, from the finding of Newman and Cowling from the researcher understands that if service quality is going down in the organization, it will have negative effects on the organization's profitability. To this effect, the research is going to assess the effect of service quality on customer satisfaction with in Awash Bank. All the five dimensions of SERVQUAL model (responsiveness, empathy, reliability, assurance, and tangibility).

Background of the Bank

Bank is a financial institution licensed to receive a deposit and to provide loans. It provides many financial services, such as wealth management, currency exchange, and safe boxes. Generally, bank is a contemporary source as an organization, which provides facility for acceptance of deposit and provision of loans. Awash bank is the pioneer in opening its branch in the country the bank was established after the downfall of military regime and the introduction free market economy in Ethiopian in 1991 it was established by 486 shareholders, who are considered as founders, with a paid-up capital of birr 24.2 million. After having licensed on November 1994, the bank started its operation on February 13, 1995. Awash bank is a bank that has been operating for more than 25 years in swiftly changing competitive market. As of end of June 2020, the number of shareholder and it has paid up capital increased to over 4369 and birr 5.87 billion respectively. As of end June 2020, the total asset reached birr 95.6 billion with over 535 branch found across the country. Awash bank continues to be leading private commercial bank in Ethiopian. More importantly, the surge in the deposit level of the bank indicates the rise of public confidence on the bank on the one hand and growing awareness of the public to use modern banking service on the other hand. Awash Bank S.C. provides different banking service the main service of the bank among others, are mobilization of deposit, provision of credit services, international banking service, money transfer service, safe deposit service. Awash bank has been using different advertising strategies. It has been disseminating messages about its service using almost all sorts of the advertising media such as broadcast (Television advertising, Radio announcement), print (posters and bulletin boards, newspapers, magazines, brochures/flyers) web pages, sales promotion in order to communicate with its customer and to achieve its overall marketing and communication objectives.

Statement of the problem

The major objective of any service business organization is making profit by providing, and rendering service to current and potential customer. Today there is a worldwide competition in banking service sector, because quality service is a major driving force for success. The focus, of the bank is to satisfy customer and get sustainable profit. Because of its nature it is difficult to manage, the service quality and control that factor affect it. In addition, it is difficult to define

customer satisfaction it is varying from customer to customer. The quality service is a major deriving force for success and it is the prime concern of every service organization.

The number of banks especially privately owned is increasing from time to time in Ethiopia. On the arrival of privatization, different banks are highly competing over through, diversifying and improving the quality of their service and opening their branches at different areas of the country. The subject of service quality is of great importance for service industries that want to be competitive in marketplace. Since financial services, particularly banks, compete in the marketplace with generally undifferentiated products, service quality becomes a primary competitive weapon (Stafford, 1996). Currently, technological advancements are causing banks to rethink their strategies for services they offer to both commercial and individual customers.

Moreover, banks that excel in quality service could have competitive advantage since improved levels of service quality is related to higher revenues, increased cross-sell ratios and higher customer retention and expanded market share Besides, the banks understand that customers will be loyal if they can produce greater value than competitors. In addition, higher profits will be earned by the banks if they can position themselves better than their competitors within a specific market (Bowen and Hedges, 1993).

Customer satisfaction, affected by several factors is the major issue of the banking industries. Hence, satisfaction is their first and major mission-purpose (Rompho, 2014). Bank, in different countries of the world, have been found at different level in terms of customer satisfaction. It means that banks in developed countries have provided a better quality customer service and have higher customer satisfaction. This is because due to the country's ability to utilize extensive atomization, service customization and online real time banking experiences over the years (Gomachab, 2018). In contrast, developing countries have had different experience with customer satisfaction.

Currently, customer satisfaction and service quality are attracting the attention of all banking institutions around the world, and Ethiopia is not an exception. It is a known fact that the success and failure of any service providing organization, be it private business or public organization, merely depends on how well its customers are satisfied. Customer satisfaction and customer loyalty are keys to continued organizational survival. However, in Ethiopia, though numerous researches have been conducted in the areas of service quality and customer

Satisfaction, it is inadequate in the banking industry. For instance, Fasil, (2015) has employed SERVQUAL model and analyzed the impact of service quality on customer satisfaction and customer loyalty in Ethiopian insurance industry. In addition, Meron (2015) has conducted a study on the impact of service quality on customer satisfaction in the banking industry taking commercial bank of Ethiopia as reference. Moreover, Endalkachew (2013) has examined the impact of core banking and service quality in Commercial Bank of Ethiopia and revealed that service quality has a positive and significant impact on customer satisfaction. However, limited research works have investigated the effects of service quality on customer satisfaction in private commercial banks in Ethiopia. I reviewed research on Ethiopian and identified that the existing research did not evaluate the effect of service quality on customer satisfaction in case of Awash bank; so little is known so far about the relationship between service quality and customer satisfaction in the bank. This implies that an investigation on the effects of service quality on customers" satisfaction in private commercial banks in general and Awash bank in particular is essential to assure better quality services to their customers. To this end, the study inquiries into and measure the effect of service quality on customer satisfaction in light of service quality at Awash Bank. It will measure the level of service quality using the five dimensions of SERVQAL model associate with the level of customer's satisfaction.

Objectives of the Study

In this study, objectives are generated to see the effect of service quality dimensions based on SERVQUAL model on customer satisfaction. The study thus, has the following general and specific objectives.

General Objective

The general objective of the study is to examine the effect of service quality on customer satisfaction in selected branches of Awash Bank.

Specific Objectives

The followings are the specific objectives of the:

1. To examine the effects of service reliability on customer satisfaction in selected branches of Awash Bank;

2. To analyze the effects of service responsiveness on customer satisfaction in Awash Bank;

3. To investigate the effects that service assurance has on customer level of customer satisfaction in the study organization;

4. To study the extent of influence of service empathy on the level of customer satisfaction on customers" satisfaction; and

5. To explain the effects that service tangibility impose upon customer satisfaction in selected branches of Awash.

Research Hypotheses

Based on the research problem formulated and the review of existing literature, the following specific alternative research hypotheses are formulated

1. Service Assurance has positive and significant effect on customer satisfaction in selected branches of Awash bank

2. Service Reliability has positive and significant effect on customer satisfaction

3. Service Responsiveness has a positive and significant effect on customer satisfaction

4. Service Empathy has a positive and significant effect on customer satisfaction

5. Service Tangibility has a positive and significant effect on customer satisfaction

Definition of Terms

1.6.1 Conceptual Definition of Terms

➢ Bank: is a financial institution that provides loans for borrowers (Azman, 2013).

➢ Customer service: is a series of activities that are provided to the reception of the service (Arokiasamy, 2013).

Operational Definition Term

The following operational definitions are derived from literature including Herington &Weaven (2009); Hardie & Walsh (1993); Giese and Cote (2002) and Ladhari (2009)

- Customer satisfaction: is positive and affective response of the customers for the service they gained from the bank.

- Service quality; an author define service as "any intangible act or performance that one party offers to another that does not result in the ownership of anything"

- Reliability: the ability to perform the promised service dependably and accurately

- Responsiveness: the willingness to help customers and to provide prompt service

- Assurance: he employees" knowledge and courtesy, and the ability of the service to inspire trust and confidence

- Empathy: the caring, individualized attention the service provides its customers.

- Tangibles: the appearance of physical facilities, equipment, personnel, and communication.

- Customer perception; is an option about something viewed and assessed and it varies from customer to customers, as every customer has different beliefs towards certain service and product that play an important role in determining customer satisfaction.

1.7 Significances of the Study

The findings of the present study contributes widens knowledge of service quality on customer satisfaction in the context of commercial bank system and help as a reference for further research work by anyone who may be interested. It helps to let the bank the extent of customers" satisfaction and express their feeling toward the bank since customers" satisfaction is the key success in bank. The study help employees and management of Awash Bank and other banks to understand how to hold loyal customer by satisfying their overall needs with expectation that they advocate for the bank and hold their trust upon the bank, which result in good profit and enhance reputations as well. Stakeholders involved in managing, monitoring and controlling the delivery of quality bank service to customer take corrective action where required. Besides, the outcome of this research help service sectors especially the bank industry to know the challenges that hamper the quality. It also benefit the researcher to increase the knowledge of doing

research, upgrading skill, and experience.

1.8. Scope of the Study

The scope of the study was cover theoretical, geographical, and methodological aspects. In theoretical aspects, effect of service quality on customer satisfaction can be conducted with many service industries but the researcher conducted the study considering private bank. In geographical aspect, the study can also be conducted at a country level but the researcher was focus on Awash Bank in Addis Ababa administrative city. In methodological aspect the study can conduct by using different methodology, but the researcher use mixed method research approach design.

1.9 Limitation of the Study

There were some limitations associated with this study that need to be discussed. The assessment was done only in a few selected branches of Awash bank. Thus, it is difficult to conclude that the findings are of the banking sector of the country. Carrying out this study on branches having different size could be a limitation because customers may expect more from bigger branches than smaller ones. Although assessing service quality needs to involve employees, the study did not consider the employees. However, the above limitations were less significant compared to the importance of carrying out this type of study. Such a study should be carried out frequently in order to monitor service quality and find out satisfaction levels of customers and hence it would help to make necessary adjustments in case of any weaknesses or strengths.

1.10. Organization of the study

The study is organized in three chapters. The first chapter is an introduction, which consist background of the study, background of the industry, statement of the problem, research question, research objective, research hypothesis, definition terms, significance of the study, and scope. The second chapter provides literature reviews about service quality and customer satisfaction. The third chapter explains the methodology of the study. Chapter four present the analysis and interpretation of data collected from respondents. The final chapter discussed the summary of finding, conclusions and recommendations of the study. List of reference follows chapter five of the study.

CHAPTER TWO

REVIEW OF LITERATURE

Introductions

This chapter is based on the introduction given lately and the researcher problem presented in the introduction and the previous studies that have been done within these constructs. It provides the reader with a literature review concerning the research area. Larger number of studies has been conducting in the field of service quality and customer satisfaction. There are useful contributions expressed by many authors about service quality dimension, tangibility, reliability, responsiveness, assurance, and empathy as important factors of quality service delivery.

Review of Theoretical Literature

Defining the concept of Service

A service is any activity or benefit that one party can offer to another, which is essentially intangible and does not result in the ownership of anything. The advance economies of the world are now dominated by the services and virtually all companies view services as critical to retaining their customers to day and in the future. Even manufacturing companies that, in the past, have depend on their physical goods for their existence but now their come to see and recognize that service provided one of their few sustainable competitive advantages (Zeithaml & Bitner, 2003).

Different authors give different definitions for the concept of service. For instance, Gronroos (1984) defined service as, "A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interaction between customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems." Kotler (1997) defines service as follow: "Service is any act or performance that one party can offer to another that in essentially intangible and does not result in the owner ship of anything. Its production may or may not be tied to a physical product. Zeithaml & Bitner (2003) defines service as deeds, processes, and performance provided or coproduced by one entity or person for another entity or person.

Service characteristics

A company must consider five main service characteristics when designing marketing programs namely intangibility, inseparability, variability, and perishability (Kotler, 1999, pp-647).

A. Intangibility

Service intangibility means that senders cannot be reading displayed, so they cannot be seen, tasted, felt, and heard, or sine lied before they are bought. Because, service offerings lack tangible characteristics that the buyer can evaluate before purchase, uncertainty is increased. To reduce uncertainty, buyers look for "signals" of service quality. They draw conclusions about quality from the place, people, equipment, communication material and price that key can see, (Kennath E. clowDevid L. Kurta 2003). Therefore, the service provider"s task is to make the service tangible in one or more ways. Whereas product marketers try to add intangible (e.g., fast delivery, extended warranty, after sales service) to their tangible offers.

Service marketers try to add tangible cues suggesting high quality to their intangible offers. Consider about that wants to conveyance idea that its service is quick and efficient. It must make this positioning strategy tangible in every aspect of customer contact. The bank"s physical setting must suggest quick and efficient service; its exterior and interior should have clean lines; internal traffic flow should be planned carefully and waiting lines should see short. The bank"s staff should be busy and properly dressed. The equipment computers, copying machines desks- should look modern (Kotler, 1999). The banks advertisements and other communications should suggest efficiency, with clean and simple designs and carefully chosen words and photos that communicate the banks positioning.

B. Inseparability

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

C.   Variability

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

First, they can select and train their personal carefully. Second, they can motivate staff by providing employee incentives that emphasize quality, such as, employee to- the mouth- a words or bonuses based on customer. Third, they can make service employees more visible and accountable to consumers car dealership can let customers talk directly with the machines working on their cars. A firm can cheek customer satisfaction regularly through suggestion and complaint system. Fourth, service firm can increase the consistency of employee performance by substituting equipment for staff (example, vending machines, automatics cash dispenser), and through heavy enforcement of standardized as well a detailed job procedure (Kotler, 1999).

D.   Perishability

Service perishability means that service cannot be stored for later sales or use. The perishability of services is not a problem when demand is steady. However, when demand fluctuates, service firms often have difficult problems. Service firms can use several strategies for producing a better match between demand and supply. On the demand side, differential pricing- that is charging different prices at different times- will shift some demand from peak periods to off, peak periods. On the supply side, firms can hire part time employees to service peak demand. Peak time demand can be handled more efficiently by rescheduling work so that employees do only essential tasks during peak periods (Clow and Kurzt, 2003)

Service Quality Dimensions

Service quality dimension represent how customers organize information about service quality in their minds (Zeithaml, Bitner, 2003) based on exploratory and quantitative research. These fives dimensions were found relevant for banking, insurance, appliance repair and maintenances.

A. Reliability: Delivering on Promise

Reliability is defined as the ability to perform the promised service dependably and accurately. In its broadest sense, reliability means that the company delivers on its promises, promises about delivery, service provision, problem resolution, and pricing, customers want to do business with companies that keep their promises, particularly their promises about the service out comes and core service attributes.

B. Responsiveness: Being Willing to Help

Responsiveness is the willingness to help customers and to provide prompt service. These dimension emphasizes, attentiveness and promptness in dealing with customer requests, questions, complimented and problems. Responsiveness is commentated to customer by the length of time they have to wait to for assistance, answers to questions or attention to problem.

Responsiveness also captures the notion of flexibility and ability to customize the service to customer needs. To excel on the dimension of responsiveness a company must be certain to view the process of service delivery and the handing of requisites from the customer point of view rather than from the company''s point of view. To truly distinguish them service on responsiveness, companies need well- staffed customer service departments as well as responsive font-line people in all contact positions.

C. Assurance: inspiring trust and confidence

Assurance is defined as employee''s knowledge, courtesy, and the ability of the firm and its employees to inspire trust and confidence. This dimension is likely to be particularly important for service that the customer services as involving high risk and /or about which they feel uncertain about their ability to evaluate out comes. Trust and confidence may be embodied in the person who links the customer to the company. In such service contexts, the company seeks to build trust and loyalty between key contact people and individual customers. The personal banker concept captures this idea: customers are assigned to a banker who will get to know them individual and how well coordinate all of their banking services.

D. Empathy: Treating Customers as Individual

Empathy is defined as the caring individualized attention the firm providence its customers. The essence of empathy is conveying, through personalized or customized service that customers are

unique and special customers want to feel understood by and important to firms that provide service to them.

E .Tangibles: Representing the Service Physically

Tangibles are defined as the appearance of physical facilities, personal and communication materials. All of this provides physical representation or images of the service that customers, particularly new customers, will use to evaluate quality.

Conceptual Framework for Service Quality

The study measures the relationship between customers satisfaction of the bank using the five SERVQUAL dimensions, all dimensions are important to customers, but some are more important than others are.

<div align="center">

SERVQUAL Model

</div>

Tangible

Reliability

Empath

Assurance

Responsiveness

Customer
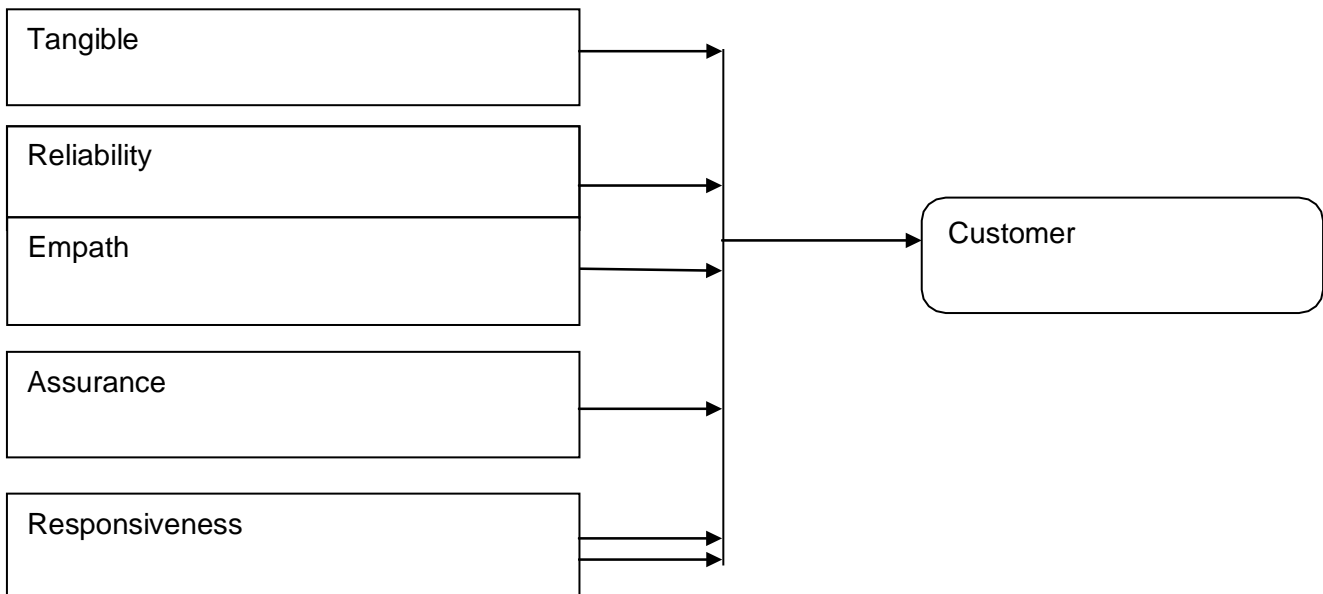
Explanatory variables Dependent variable

Figure 2.1: Conceptual Framework of the study

The framework above shows proposed framework to serve as foundation of this study. It is modified from the Zeithaml et al (1985) gap model theory. Purpose of this study is to examine the how tangibility, reliability, responsiveness, assurance and empathy of service, which are the independent variables, can bring effects on the dependent variables, customer satisfaction towards the service quality at Awash Bank.

Review of Empirical Literature

Relationship between Service Quality and Customer satisfaction

The relationship between customer satisfaction and service quality has received a good deal of attention in literature. Bolton and Drew; (1994) defines service quality and customer satisfaction as "service quality is a global judgment or attitude relating to the superiority of the service, where as satisfaction is related to specification transaction." Kotler (2006) summarizes current thinking on satisfaction as follows. Satisfaction in a person"s feeling of pleasures or disappointment resulting from comparing a product"s perceived falls short of expectation, the customers is dissatisfied, if the performance exceeds expectations the customer is highly satisfied or delighted.

The key difference between service quality and customer satisfaction is that quality relates to managerial delivery of the service while satisfaction reflect customer experience with that service. They argue that quality improvements that are note based on customer need will not lead to improve customer satisfaction (Lacobucci et. al., 1995)

Service Quality: Understanding Quality

According to Hardie & Walsh, (1993); Sower and Fair, (2005); Wicks &Rotulien, (2009), quality has many different definitions and There Is no universals acceptable definition of quality. They claim it is because of the elusive nature of the concept from different perspectives and orientations and the measures applied in a particular context by the Person defining it.

The definition of quality varies between manufacturing and services industries and between academicians and practitioners. These variations are caused by the intangible nature of its components since it makes it very difficult to evaluate quality, which cannot be assessed physical implying other ways must be outlined in order to measure this quality. Some definitions of quality pointed out by Hardie & Walsh (1994, p. 53) include;

"***Quality*** is product performance which results in customer satisfaction freedom from product deficiencies, which avoids customer dissatisfaction" – (Juran, 1985, p. 5)

"***Quality*** is the extent to which the customers or users believe the product or service surpasses their needs and expectations" – (Gitlow et al. 1989)

"***Quality***: the totality of features and characteristics of a product that bear on its ability to satisfy stated or implied needs"– International Standards Organization (ISO).

"***Quality*** is the total composite product and service characteristics of marketing, engineering, manufacture, and maintenance through which the product in use will meet the expectations of the customer" – (Feigenbaum, 1986)

Service quality is company personnel need a common understanding in order to the able to address such issues as the measurement of service quality, the identification of causes of service quality short fall and the design and implementation of corrective actions (Lovelock, 2004). Parasuraman et. al. (1985) defines service quality as "the difference between customers" expectation of service and their perceived services. If the expectation greater than the service performance, perceived quality is less than satisfactory and hence customer dissatisfaction occurs. Parasuraman, Zeithaml and Berry (1985) described service quality as serviced by consumed starting from a comparison of how they feel firms should perform on this dimension with what they actually perceive. It is the gap between customer"s expectations and perceptions and this determines service quality.

Customer expectation and perception of service quality

Customer Expectation

Customer expectation are believes about service delivery that faction as standards or reference point against which performance is jugged. Because customers complain their perception of performance with its reference points when evaluating service quality, through knowledge about customer expel action is critical to service marketers. Knowing what the customer expects is the first and possibility most critical step in delivering quality service.

| Ideal expectations or desires |
| Normative"should" expectations |
| Experience Based Norms |
| Acceptable Expectations |
| Minimum Tolerance Expectations |
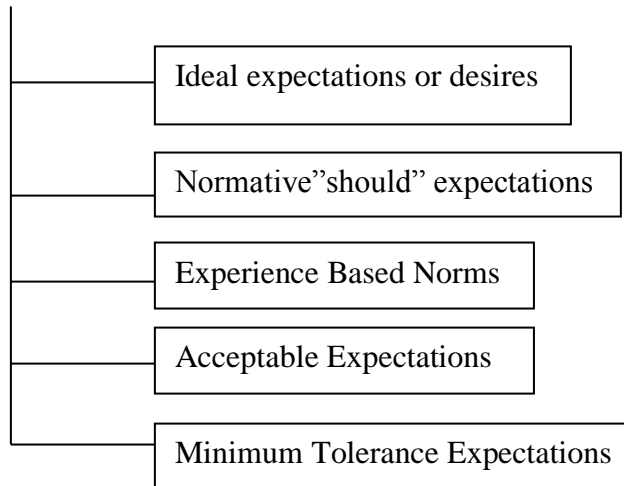
Levels of Customer Expectation

Figure 2.2: Levels of Customer Expectation

Source: R.K Teas, „Expectations, performance evaluation and consumers‟ perception of quality‟. Journal of Marketing (October 1993, pp. 18-34).

Factors that influences customer expectation

Because expectations play such a critical role in customer evaluation of service, company needs and wants to understand the factors to shape them. These are

•Personal needs

•Philosophy

•Social

•Physiological

Service quality, according to Parasureman et. al., (1994, p- 202), is the degree of discrepancy between customers normative expectations for the service and their perceptions of the service performances. A conceptual model of service quality, which inquired five gaps, is proposed by Parasuraman et. al. (1985) and Zeithaml et. al., (1988). This conceptual modal is useful in that it is easy for practitioners to understand service quality components.

The Gaps Modern of Service Quality

According to, Mauri, et al., (2013), the Gaps Model was first published in 1985 and then further modified and developed by the same authors (Parasuraman, Zeithaml & Berry, 1988; 1991; 1994a; 1994b; Parasuraman, Berry & Zeithaml, 1990; 1991; 1993). The model, based on the expectation-confirmation theory (Oliver, 1980; 1993), illustrates how customers assess quality, taking into account the factors that contribute to determine quality in its various connotations: quality expected by customers, quality offered by firms, quality perceived by users after the service consumption. Based on the definition of quality as the capability to satisfy customer expectations, the Gaps Model aims to identify the possible causes for a gap between expected quality and perceived quality. The model conceptualizes key concepts, strategies, and decisions, which are essential for the quality offer according to a sequence, which starts from the customer, identifies necessary actions for the firm to plan and offer a service, and go back to the customer in the hub of the model: the comparison between expectations and perceptions (Mauri, et. al., 2013).

Gap 1: Customer expectation - management perception gap

This occurs when the management wrongly assesses customers" quality expectations because of the lack of market research or the lack of upward communications within the firm (Mauri, et al., 2013). Service firms may not always understand what features a service must have in order to meet customer needs and what levels of performance on those features are needed to bring deliver high quality service.

Figure 2.3: The Gaps Model with changes of the authors, adapted from Parasurman, Zethaml and Berry (1985) and Zethaml, Berry and Parasuraman(1993)
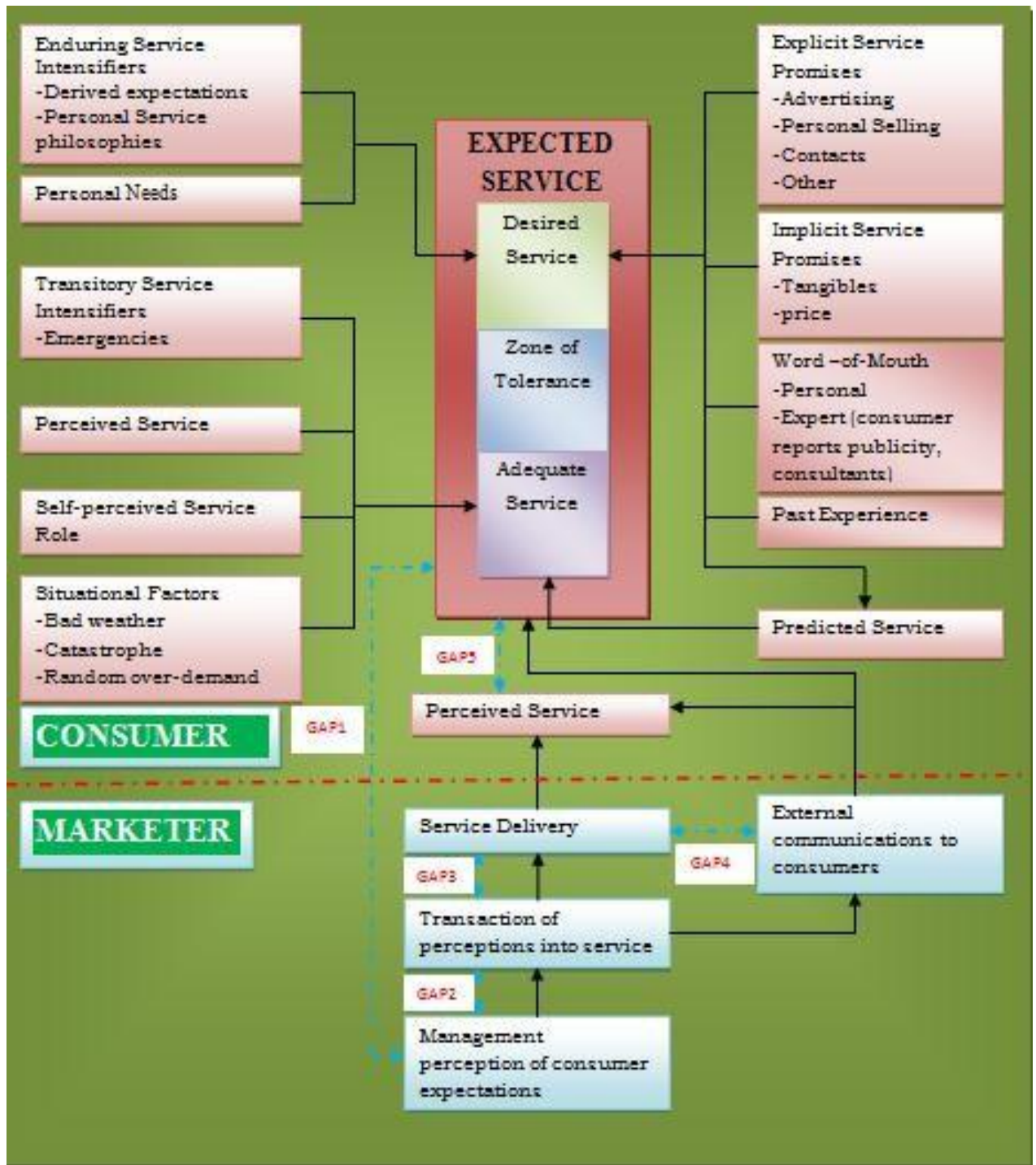
Source: Mauri et al., (2013)

Gap 2: Management perception - service quality specification gap

This deals with the discrepancy between management perception of customer expectation and the settlement of appropriate standard of service quality. This Gap may derive from the management inability/indifference to put into effect what learnt from the study of customer expectations about appropriate service standards (Mauri, et al., 2013). This gap arises when the company identifies what the customers want but the means to deliver to expectation does not exist. Some factors that affect this gap could be resource constraints, market conditions, and management indifference. These could affect service quality perception of the customer (Daniel and Berinyuy, 2010).

Gap 3: Service quality specifications – service delivery gap

This occurs when there is a discrepancy between service quality standards and firm personnel performance in the service delivery. It exist as a consequence of a lack of appropriateness of both the technology and the operating systems, which derive from organizational problems or related to the downward communication (Mauri, et al., 2013).Companies could have guidelines for performing service well and treating customers correctly but these do not mean high service quality performance is assured. Employees play an important role in assuring good service quality perception and their performance cannot be standardized. This affects the delivery of service, which has an impact on the way customers perceive service quality (Daniel & Berinyuy, 2010).

Gap 4: Service delivery – external communications gap

Occurs when quality characteristics conveyed to customers through external communications; advertisements, personal selling, etc. do not match those of the service delivered. The firm promises a service, which will not correspond to what actually will be delivered. Generally, this Gap is the result of inappropriate horizontal communication among divisions and inconsistent external communication (Mauri, et al., 2013). External communications can affect not only customer expectations of service but also customer perceptions of the delivered service. Companies can neglect to inform customers of efforts to assure quality that are not visible to them and this could influence service quality perceptions by customers (Daniel & Berinyuy, 2010).

Gap 5: Expected Service – perceived service gap

From their study, it showed that the key to ensuring good service quality is meeting or exceeding what customers expect from the service and that judgment of high and low service quality depend on how customers perceive the actual performance in the context of what they expected (Daniel & Berinyuy, 2010). According to this model, the firms that aim to remove the "Customer Gap" (Gap 5) have to strive for a reduction of the "Marketer Gap" from 1 to 4 (Mauri, et al.,2013). The gap modal positions the key concepts, strategies, and decisions in service marketing in manners that begins with the customers and builds the organizations tasks around what is needed to close the gap between customer expectation and customer perception point. The central focus of the gaps mole is the customer gap, the difference between customer expectation and perception.

Customer perception

Customer perceives services in terms of the quality of service and how much satisfied they are over all with their experiences. This customer oriented terms quality and satisfaction have been focus of attention for executives and researchers unlikely. Perceived service quality has been defined as the consumer"s global attitude or judgment of the overall excellence or superiority of the service. Perceived service quality results from comparisons by consumer of expectations with their perceptions of service delivered by the suppliers (Lewis et al., 1994; Takeuchi & Quelch, 1983; Zeithaml, 1988). It is argued that the key to ensuring good service quality perception is in meeting or exceeding what customers expect from the service. Thus, if perception of the actual service delivered by the supplier falls short of expectation, a gap is created which should be addressed through strategies that affect the direction of either expectations or perceptions, or both (Parasuramanet al., 1985; Zeithamlet al., 1990).

Customer Satisfaction

Satisfaction is generally recognized as a pleasurable out come a desirable and state of consumption or patronization. Precise definitions of satisfaction very, but common them as emphasized that it is a customer judgment of the consumption experience formed through some kind of physiological process that involves some form of comparison of what was expected with what was received. Similarly, consumers may from satisfaction judgments about specific attributes of a service (example, the responsiveness of staff the amount of information provide,

branch opening hoarse, etc) or about the service over all. Different authors define customer satisfaction differentially. Kotler (1996) defines customer satisfaction as follows; "Satisfactions a person"s filings of pleasure or disappointment resulting from cop ring a product"s preserved performance (or outcome) in relation to his /her expatiation." Consumers from judgments about the value of marketing offer and make their buying decision based up on these judgments (Kotler, 1996; pp- 475)

Several authors have defined customer satisfaction in various ways. According to Kotler (2000), satisfaction is a person"s feeling of pleasure or disappointment resulting from comparing a product"s perceived performance (or outcome) in relation to his or her expectation. Gaither (1994) defines customer satisfaction as the determination of customer requirements and demonstrated success in meeting them. Kotler (2006) again defined customer satisfaction by giving details on the attributes of a highly satisfied customer. According to him, a highly satisfied customer stays loyal, longer, and buys more as the company introduces new products and upgrades existing products. Customers talks favourably about the company and its products, pays less attention to competing brands and is less sensitive to price, offers service or product ideas to the company and costs less to serve him than new customers because transactions are routine.

Kotler and Armstrong (2001) in their Principles of Marketing, define customer satisfaction as the extent to which a product"s perceived performance matches a buyer"s expectations. They continued that, if the product"s performance falls short of expectations, the buyer would be dissatisfied but if performance matches or exceeds expectation, the customer will be satisfied or highly satisfied. In service quality literature , customer expectations are understood as desires or wants of consumers (Zeithaml, Berry & Parasuraman 1993) or "what they feel the service provider should offer rather than would offer" (Parasuraman et al., 1988). Customer perceptions are defined as "the customer"s judgment of the service organization"s performance" (Parasuraman et al., 1988).

- Customer satisfaction is a "psychological concept that involves the feeling of wellbeing and pleasure that results from obtaining what one hopes for and expects from an appealing product and/or service" (WTO, 1985);

- Customer satisfaction "as an attitude-like judgment following a purchase act or a series of consumer product interactions" (Lovelock &Wirtz, 2007);

- "Satisfaction is merely the result of things not going wrong; satisfying the needs and desires of consumers." (Besterfield, 1994);

- Satisfaction is a person"s feeling of pleasure or disappointment resulting from comparing a product"s performance (outcome) in relation to his or her expectation" (Kotler& Keller, 2006 p. 144).

Again, customer satisfaction may be described as a process or an outcome. One area that has received considerable debate in customer satisfaction literature is whether customer satisfaction should be defined as an outcome or a process. Many early definitions conceptualized satisfaction as a process which is currently the dominant view held by most scholars (Oliver, 1980, Parasuraman et al., 1988). The process perspective presupposes that customer satisfaction is a feeling of satisfaction that results from the process of comparing perceived performance and one or more predictive standards, such as expectations or desires (Khalifa & Liu, 2002). This perspective is grounded in the expectancy disconfirmation theory proposed by Richard Oliver (Oliver, 1980). The customer is satisfied if the performance of product/service is equal to his/her expectations and he/she is dissatisfied if the product/service performance is perceived to be below his/her expectation (negative disconfirmation). If expectation exceeds perceived performance, the customer is highly satisfied. By taking satisfaction as a process these definitions do not focus on satisfaction itself but things that cause satisfaction, the antecedents to satisfaction, which occur primarily during the service delivery process (Vavra, 1997).

Recent studies have found that satisfaction as an outcome or end result during the process of the consumption of a service; it is viewed as a post-purchase experience (Vavra, 1997). This view has its roots in motivation theories that postulate that people are driven by the desire to satisfy their needs (Maslow, 1954) or that their behavior is directed at the achievement of relevant goals (Vroom, 1964). In this way satisfaction is perceived as a goal to be achieved and can be described as consumer fulfillment response (Rust & Oliver, 1994).

Determines Customer Satisfaction

The followings are some of the determines of customer satisfaction (Zeizhaml, Bitner, p-87, 2003)

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

Customer emotion: customers" emotions can also a fact their perceptions of satisfaction with product and service. These emotions can be stable, preexisting emotions. Example, mood state or life satisfaction. Attribution for service excuse or failure: attributions are the perceived causes of events, influence prospection of satisfaction as well. When they have been surprised by, an outcome, (the service is either much better or worse than expected), customers tend to look for the resins. Besides, their assessment of the resins can influence their satisfaction.

Prospection of equality or fairness: customers ask them service did other treated fairing compared with other customers? Did other customers get better treatments, better price, or better quality service? Did I pay a fair price for the service? Notion of fairness are central to customers" prospection of satisfaction with products /services.

Other commerce, family members, and coworkers: In additions to products and service, features are one's own individual felling and believe, commerce satisfaction is often influenced by other people. A customer satisfaction is an ambiguous and abstract concept. Actual manifestation of the state of satisfaction will vary from person to person, product to product and service to service. The state of satisfaction depends on a number of factors, which consolidate as psychological, economic, and physical factors.

The quality of service is one of the major determinants of the customer satisfaction, which can be enhanced by using information communication technology available to survive (Vijay, 2012).Several factors affect customer satisfaction. The kinds of products that banks offer to its customers can cause customer satisfaction or dissatisfaction. Consumers do not buy a product or service for its own sake. They buy to acquire benefits that the product offers.

They buy to satisfy a need. Products therefore exist for what they fulfill in terms of consumer needs. It is an essential feature of benefit that the buyer expects to receive from using the product. This determines motivates buying behavior (Boateng, 1994). Service delivery process also plays a key role in customer satisfaction. When the process of service delivery is too long, it lengthens customer-waiting time. According to (Sasraku, 2007), the physical evidence also plays a role in customer satisfaction. The physical evidence includes the edifice or buildings and its decorations, an imposing banking hall with comfortable seats, places of conveniences, etc. The office or building and its external and internal decorations can satisfy a customer. The customer can pride him or herself as customer of that bank.

Another service element that causes customer satisfaction or dissatisfaction is the people or the employees delivering the product or service (Covey, 2004). The employees occupy the first point of contact with the customer. Employee behaviors are therefore important to customers. If the employee is cold or rude, the customer takes it as a measure of the state of the company. Unhappy employees will have difficulty in keeping customers happy (Dei-Tumi, 2005). In addition, easy access to the bank premise would make a customer feel happy in transacting business with a bank, for example, if the bank premise is located on a high street. However, the nice edifice of a banking hall will not be noticeable if customer service is poor and there are unnecessary delays and lack of personal support from staff (Sasraku, 2007).

The technology being used by the bank in service delivery could be a source of satisfaction to customers. When electronic devices like computers are used, they tend to speed up the processing time of transactions. System and processes solely do no create satisfaction. Service system quality, behavioral service quality, service transaction accuracy and machine service quality are necessary to make the technology in use worthwhile(Aldlaigan & Buttle, 2002). Furthermore, the security of customers and their deposits is an area of concern to customers. When customers are assured of protection from external threats, they feel secured and happy. For example, if a bank is situated at a place noted for criminal activities, most of the customers become scared and dissatisfied with the location of the bank (Sasraku, 2007). Of course, the internal security is equally important to customer who will want to deal with personnel with integrity and good moral values especially, the financial institutions (Lovelock & Wirtzn, 2007).

Customer Satisfaction in Banking Services Context

In contrast to products, customers are not able to evaluate services before the service process takes place. The interaction with the service provider and the customers, the so-called service encounter, is the key in the evaluation of service performance (Gil, 2009). During these encounters, the customer is able to get an impression of the way the company provides its services. His/her service experience is defined by the interaction with the organization, the processes, and the employees.

Accordingly, customer satisfaction is built upon the basis of service encounters. Service providers have significant opportunities to manage the interactions that together form the experience (Wirtz, 1994). They can design and the interactive production process; select, train and manage service employees; design and maintain the service environment; selectively target, socialize and educate customers. In banking services, satisfaction is usually conceptualized as a multidimensional Construct (Manrai & Manrai, 2007). The list of bank service attributes used for the measurement of satisfaction comprises elements like appearance of the facility, attitude, and behavior of staff, decor and atmosphere, business hours, interest rate, waiting time. Bank customers may regard some of these elements as being not equally important as the others.

CHAPTER THREE

RESEARCH METHODS AND METHODOLOGY

3.1. Introduction

This chapter contains the methodology part that helps in collecting the research data. It includes the research approach, research design, target population, sample size, sampling procedure, sampling technique, type of data collection instruments, data collection procedures and data analysis techniques, validity and reliability, research ethics. Each topics will be elaborated briefly below.

3.2 Research Approach of the Study

In the study, considering the nature of the research objectives and research problem, quantitative research approach is followed. The research approach is used because the study focuses on the measurement of the effect of service quality on customer satisfaction. Quantitative research involves the use of numerical data and quantitative methods of data analysis. In this regard, reason for the choice of quantitative research approach is that the study collects numerical data and the researchers assume that the data is measurable and presentable in the form of numbers and statistics.

Research Design

As an approach and mechanism of accomplishing the required work in developing this research paper, the researcher has used both descriptive and explanatory research design. Because descriptive research method is used to describe data and characteristics, about the population or phenomena that are being studied and explanatory design helps to explain, understand, predict, and control the relationship between or among variables. In addition, the study is cross sectional in the sense that relevant data was captured at one point in time through snap shooting.

Target Population

Parahoo (1997) describes population as the total number of units from which data can be collected such as individuals, artifacts, events or organizations. Burns and Grove (2003) describe population as all the elements that meet the criteria for inclusion in a study. Because the researcher lack various resources including times and money to gather information from every

branch and each customer, selection of sample was a must. The population of this study therefore are customers from three branches of Awash Bank which are Yoseph , World Bank and Lafto branches. Awash Bank categorizes its branch from grade 1 to 5 from smallest to largest respectively based on the number of customers they serve. In this context, the study included sample from grade 4, 3 and 2 branches. In order to have representative sample not only from each district but also from each grade i.e. from grade 4 Yoseph branch from grade 2 Lafto branch from grade 3 World Bank branch are selected using simple random sampling technique. By using this sampling technique, each grade branch was included in the study. The target population for a survey is the entire set of units for which the survey data are to be used to make inferences. Thus, the target population defines those units for which the findings of the survey are meant to generalize (Paul, 2008). Accordingly, the target population of the study is customers of Awash Bank in randomly selected branches.

Sampling Techniques

According to Oso & Onen (2005), sampling refers to the process of selecting subsets from a population of research interest to enable detailed study for further generalization of research results. The research is undertaken using a non-probability sampling method called convenient sampling technique. It was implemented to select representative samples from the population of the study. Yin (2005) posits that convenient samplings a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher. Since past customer who got service in the bank may live and work in diverse places and it could be hard to reach, the study adopted convenient sampling techniques to enable sampling of customers. Customers who got service in the bank within a week have been taken as a grand population to select the sample size.

Sample Size Determination

The position is held by Britton & Garmo (2002) that a research sample size constitutes a selection of a small researchable unit of a given population using methods that enable representation and generalization. Among 452 populations who had Awash Bank service from selected branch, customers were sampled to respond to the data collection instrument. Adapted from: Yamane" (1967)

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

Where,

$n =$

$n=$ sample size

$N=$ total population

$e=$ level of precision with 0.05 Con.

$N = \underline{452}$

$1+452(0.05)2$ $n=212$

Sources of Data

The data sources for the research are both primary and secondary sources. According to Naresh (2010), primary data are organized for the specific purpose of addressing the problem on hand.

Primary Source of Data

Primary data refers to first-hand information or data obtained originally by the researcher on the variables of interest for the specific purpose of the study (Sekaran & Bougie, 2009). In this context, the primary source of data in the study are sample customers selected using convenient sampling technique. Data is collected from sample customer who comes to Awash Bank to get services during the data collection period. Data is collected using questionnaire. While distributing the questionnaire, the researcher gets cooperation and provides clarification to the respondents.

Secondary Sources of Data

Secondary sources include published articles, research works, previous studies, books, government official reports and other sources are reviewed. In addition to this, as the research objectives invite a quantitative research approach, collection and analysis of quantitative data is conducted.

Data Collection Methods

The primary data collection tools of the study are questionnaire and document analysis techniques. The tool to collect data for this study were developed and taken from different source in order to assess effect of service quality on customer satisfaction in Awash Bank. Questionnaire is used to obtain both object and subject information about a certain topics. Because of this, the researcher used questionnaires as one tool for gathering data. The questionnaire had three parts. Part one was prepared to gather general information about the respondent demographic characteristics including gender, age, educational status, and employment. Part two was prepared to ask respondents to answer basic questions for measuring service quality. Part three was prepared to ask about customer satisfaction.

Procedure of data collection

The time of data collection is regarded based on the interest and willingness of respondent and permission of the customers. The questionnaire was first developed in English language. However, to make it clear for respondents, the questionnaire was translated into Amharic language. This made respondent to understand the entailer massage of questions and answered questions appropriately. When the respondent needed further clarification about the questions under questionnaires, explanations were given by the researcher. This helped the researcher to get clear self answered information from all of the respondents. Data collection instrument is the item used to collect data for research project (Agbor, 2011). This could be questionnaire or personal interview. In this case, data are collected from primary source using questionnaire that are distributed to customer of selected branches of Awash Bank.

Methods of Data Analysis

Before the actual data analysis is started, the researcher has processed the raw data. After data collection is completed, each questionnaire was checked for completeness and code is give before data entry. Data was then entered, stored, edited and cleaned for missed values. Then, data analysis was done by using statistical tools including descriptive and inferential statistical techniques. In order to examine the effects of the dimensions of service quality on customers satisfaction, regression and correlation analysis are conducted. Multiple linear regression was used to know by how much the independent variable i.e. tangibility, reliability; responsiveness, assurance, and empathy explain or influence the dependent variable which is customer

satisfaction. Correlation analysis was also conducted to measure the strength relationship of service quality dimension and customer satisfaction. The statistical tools descriptive analysis was used for the demographic factor such as gender, age, education and employment.

Validity and Reliability of Data Collection Instrument

Reliability and Validity was confirmed by continuous follow up during data collection and explaining the role and object of the study for respondent. In order to reduce the possibility of getting wrong answers, different actions, or consideration were taken to ensure the soundness of the study. Data was collected from reliable source, fro respondent who are customer of the bank and the questionnaires were constructed based on literature review to ensure the soundness of the result.

Since most of the questionnaires were adapted from Ndubi and Wah (2005), Huseyin et al., (2005), it is believed to be valid. Besides, before data collection, sample questionnaires were tested and referred by scholars, professional, and some bank experts. They were asked to check the quality of the questionnaires if they measure the intended variables, and if they serve the purpose of the research. Their comments were taken to consideration for developing the final version of the instrument and finally approved by the research advisor. Reliability test was also conducted on the dependent and independent variable, i.e. service quality dimension and customer satisfaction. The Cronbach Alpha is used in this study to assess the internal consistency of the research instrument, the developed Alphas a coefficient of reliability used to measure the internal consistency of the test or scale, and it resulted as a number between 0 and 1. As the results approach to one, the more is the internal consistency of the items, which means all the items measure the same variable. The result of the coefficient alpha for this study instrument was found to be above the standard, which is much higher than the threshold value of 0.6.

As the data was collected from the customers by the researcher, data was collected accordingly to their willing. The study was free from bias, the customer will not invite to write their name and address, to keep and assure their confidentiality. According to Saundrs, Lawis & Thornhill (2001:130), "ethics refers to the appropriateness for your behaviour in relation to the right of those who become the subject of your work or are affected by it." The data was collected from those of willingness customers without any unethical behaviour or forcefully action. The subject in a Researcher must be aware that their participation in this study is voluntary. The study

considers ethical issues when collecting questionnaires form customer their permission will asked to fill the questionnaires. Name of the respondent and the bank name were not asked to write in orders to increase the confidentiality of the information they give and also the questionnaires explain that the purpose of the Research was for academic purposes and finally the respondent was include based on their willingness.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

Introduction

The chapter focuses on the analysis and interpretation of data collected from respondents. In doing this, it tries to see the effects of service quality on customer satisfaction using SERVQUAl model based on the analysis of empirical data. It seeks to bring out a general insight that service quality lead to improved customer satisfaction. In line with the major objective, the study has also formulated specific objectives discussed in the introductory chapter of the study. Given the objectives, the research has also formulated five hypotheses of the study. As it is indicated in chapter two, the formulation of the research hypotheses has been done based on pre-existing assumptions and scales found in the literature.

This chapter hence, presents the data analysis and discussion made concerning the above issues. The data were gathered through questionnaire, document analysis, and review of related literature. Descriptive statistics including frequency distribution, mean, and standard deviation analysis have been made to determine the demographics characteristics of the respondents and study variables. Besides, in order to test the hypotheses, and the model fit, the study has adopted linear regression testing modalities. Accordingly, in the following sections of the chapter, the analysis and discussion of data is conducted and presented thematically. In the first section, frequency distributions employed to show the demographics characteristics of the respondents. In the second section of the analysis, description of the responses of respondents is presented using percentage, mean, and standard deviation. In the final part of the chapter, regression analysis is made to test each specific research hypothesis. In order to conduct the analysis, Statistical Package for Social Sciences (SPSS) version-20 software was used for data analysis, hypotheses testing, model fit test purposes. Where it is found relevant, the data analysis and discussion is supported byrelevant literatures and researcher"s own opinion.

Before the actual data analysis is made, the study has checked the reliability of the data collection instrument. The reliability among the multiple measures of the variables that comprise this study is measured using Cronbach Alpha coefficient generated by statistical SPSS. Cronbach"s Alpha is a measure of internal consistency of questions within the questionnaire and

checks if the questions of the questionnaire were understood and if the data are reliable for analysis (Kothari, 2004). Accordingly, Cronbach Alpha test was conducted to check the consistency of the questions and the reliability statistics was 0.946. This implies that there is a higher level of consistency in the questionnaire in measuring all the variables of the study.

The data is collected from sampled customers and the study has selected 212 respondents (as the target population. Following this, the researcher has distributed 212 questionnaires prepared for this purpose to the selected respondents. Accordingly, out of the total number of questionnaire distributed, 183 complete questionnaires are received, translating into 86.3% response rate. The response rate was considered appropriate since Nulty, (2008) argues that any response rate above 75% is classified as appropriate. The remaining questionnaires are discarded for their incompleteness or respondents did not return them at all.

Demographic Characteristics of Respondents

The following table number 4.1 shows the demographic characteristics of respondents. Accordingly, as it is indicated in the table around 57% of the respondents or 104 of them was male while the remaining 43% respondents were female.

Table 4.1: Demographic characteristics of respondents

Variable	Measurement	Frequency	%
Gender of Respondents	Male	104	56.8
	Female	79	43.2
	Total	183	100.0
Age of Respondents	under 20years	18	9.8
	21-30years	60	32.8
	31-40years	35	19.1
	41-50 years	33	18.0
	Above 50years	37	20.2
	Total	183	100.0
Educational level of Respondents	Below grade 12	9	4.9
	12grades complete	36	19.7
	Certificate	47	25.7
	College diploma	76	41.5
	First Degree	15	8.2
	Total	183	100.0
Employment Status	Public/ government organization	90	49.2
	Private organization	25	13.7
	Unemployment	10	5.5
	Student	58	31.7
	Total	183	100.0

Source: Field Survey, 2021

As presented in Table 4.1 the respondents for this research have the following demographic makeup. When we consider gender respondents, it shows 104 or 56.8% of the respondents were male and the remaining 79 or 43.2 % of the respondents were female, which indicate the dominancy of male among customers of awash bank selected branch. As far as the age of respondents is concerned 9.8% of the respondents were in the age range of less than 20 years, 32.8% of the respondents were in the range of 21-30 years, 19.1% of the respondents were in the age range of 31-40 years, 18% of the respondents 41-50 years and 20.2 above 51 years. This indicates that most of the respondents are at adult age group. This age is working age group of the population having more banking usage culture, which may have implication to the bank that it has many young people who may continue to do business with the bank for a long time if they are satisfied with service quality of the bank.

With regard to educational background of respondents, 4.9% of the respondents were under the

category of below grade 12 while about 19.7 % of respondents were grade 12 complete. Almost twenty-six percent of the respondents were certificate holders while 41.5% of them had collage diploma. The remaining 8.2% of the respondents were having first degree and above that means majority of the respondents are capable of reading and writing, and the second highest respondents are also certificate holders and this indicates that the respondents have good educational readiness to understand the data collection instruments and provide credible responses to the study.

Employment Status 49.2% was public/government organization worker, 13.7% were private organization, 5.5% were unemployment, and 31.7% were student. This percentage indicates that the most number of respondents had public government organization.

Descriptive Analysis of Data

Various studies have been conducted to the effects of service quality on the extent of customers" satisfaction taking different organizations as case references. These studies have considered the five-dimension model of SERQUAL. Five dimensions/factors that can affect customers" satisfaction are reliability, responsiveness, assurance, , empathy, and tangibility (Parasuraman et. al., 1988). Accordingly, this study has measured each dimension of service quality using standardized instruments adopted from different studies. The following section shows the descriptive analysis of raw data collected from study participants collected using questionnaire.

Service Reliability

As it is indicated in the following, reliability of services in the study has been measured in four indicators. The responses of respondents" indicate that majority of the respondents disagreed (43.2%) and strongly (26.2) disagreed with the statement that the bank provides services that as it promised to do. The remaining 14.2% hold a neutral view. Small number of the respondents agrees (14.2%) and strongly agreed (2.2%) that the bank provides services as it promised for customers.

Table 4.2: Reliability of Services Delivery

N	Measurement Items	Percentage Distribution of Respondents' Rating										Mean	SD
		Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree			
		Fr.	%	Fr.	%	Fr.	%	Fr.	%	F	%		
1	The bank can provide you the service as promised	79	43.2	48	26.2	26	14.2	26	14.2	4	2.2	2.06	1.2
2	The bank provides you accurate information	65	35.5	56	30.6	28	15.3	29	15.8	5	2.7	2.2	1.2
3	The bank performs the service right at the first time	78	42.6	56	30.6	27	14.8	20	10.9	2	1.1	1.97	1.3
4	Employee handle customer complaints effectively	68	37.2	53	29.0	29	15.8	14	7.7	19	10.4	1.05	1.3

Source: Field Survey, 2021

Concerning, availability of accurate information to customers, majority of respondents (more than 66%) stated that the bank is not providing accurate information to customers. Forty- two percent of the respondents strongly disagreed with the idea that the bank performs the service at the right way at the first time. Similarly, 30.6% of study participants disagreed to the idea. The remaining 14% respondents hold a neutral view while 11% of them agreed that the bank provides the right service at the right time. Regarding complaint handling mechanism, similar to the above data, majority of the respondents disagreed (more than 67%) that employee off the bank do not hand employees complains effectively. The remaining respondents (around 18%) agreed to the idea while around 15% of them hold a neutral view. The detail is shown in the above table 4.2. The above descriptive numbers are also supported with the results of the mean analysis of the responses of respondents. The mean of the responses given by the study participants for all indicators of reliability (ranging between 2.2 to 1.05) indicate that majority of the respondents either disagree or strongly disagree with the statements mentioned under reliability dimension of service quality.

Service Responsiveness

The study has also measured the service responsiveness of Awash Bank taking five indicators of responsiveness as it is indicated in the following table 4.3. Accordingly, majority of the respondents strongly disagree (35%) and disagreed (27.9%) with the view that the bank informs customers exactly when service is provided. About 13.1% of the participants hold neutral view while the remaining 14.8% and 9.3% agree and strongly agree with the assertion that the bank provides accurate information regarding when the services are given. More than 62% of the respondents disagreed that the bank provides prompt services to customers. The remaining respondents 8% and 29% were neutral and agreed to the assertion respectively.

Table 4.3: Responsiveness of Services Delivery

N	Measurement Items	Percentage Distribution of Respondents' Rating										Mean	SD
		Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree			
		Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%		
1	The bank tell you exactly when service will be provides	64	35.0	51	27.9	24	13.1	27	14.8	17	9.3	2.4	1.3
2	The bank give your prompt service	70	38.3	44	24.0	15	8.2	44	24.0	10	5.5	2.3	1.3
3	The bank provide diversified service to the customer	64	35.0	58	31.7	32	17.5	25	13.7	4	2.2	2.1	1.1
4	The employee are happy and willing to serve the customer	63	34.4	53	29.0	34	18.6	26	14.2	7	3.8	2.2	1.2
5	The bank give quick response to customer request	56	30.6	46	25.1	38	20.8	32	17.5	11	6.0	2.4	1.3

Source: Field Survey, 2021

Concerning diversity of services, majority of respondents (almost 67%) disagreed that the bank provides diversified services to customers while limited number of them (16%) agreed to the assertion. The remaining respondents hold a neutral view. Similarly, majority of the respondents (63.4%) indicated their disagreement to the assertion that employees are happy and willing to serve customers while about 18% supported the statement. Respondents were also asked to rate the extent to which the bank give quick response to customer requests. Majority of the respondents (55.7%) suggested that the bank does not give quick responses to their demand while around 21% of them maintained a neutral position. The results of the mean analysis also support the above description. The calculated mean for all five indicators of service responsiveness suggest that majority of the respondents have disagreed to the assertion indicated as the measures of service responsiveness.

Service Assurance

Available literature informs that assurance dimension of service quality is very significant to determine the level of customer satisfaction in banking industry. Assurance is defined as knowledge and behaviour of an employee and conveys trust and confidence to their customers. In line with this, the study has measured the extent of service assurance in the study bank. Accordingly, overwhelming number of the respondents (69.4%) disagreed that the bank provides knowledge of bank information to the customers while about 16% suggested the opposite view.

Table 4.4: Assurance in Service delivery

No.	Measurement Items	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	SD
		Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%		
1	The bank product knowledge of bank information	82	44.8	45	24.6	26	14.2	22	12.0	8	4.4	2.1	1.2
2	The employees have required skill to perform service	48	26.2	61	33.3	19	10.4	35	19.1	20	10.9	2.6	1.3
3	Employees speak to customers using appropriate means	34	18.6	70	38.3	37	20.2	32	17.5	10	5.5	2.5	1.1
4	The bank are trust worthy	64	35.0	39	21.3	24	13.1	45	24.6	11	6.0	2.4	1.3
5	The employee makes customer feel safe in their transaction	58	31.7	51	27.9	30	16.4	37	20.2	7	3.8	24.	1.2

Source: Field Survey, 2021

Concerning the employees‟ skill, majority of the respondents (almost 60%) indicated that employees do not have the required skill to perform service while about 10% of them maintained a neutral position. The remaining respondents (30%) agreed that employees have the required skills to provide services to customers. Majority of the study participants declared that employees do not speak to customers using appropriate means while 23% of them agreed that employees use appropriate means to communicate with customers. The remaining respondents were neutral on the matter. Regarding the trustworthiness of the bank, significant number of respondents (69.2%) declares that the bank is not trust worthy while 24% indicate an opposing view to the majority. The rest of the respondents (13.1%) hold a neutral opinion. The above percentage descriptive is supported with the results of the mean analysis. The results of the mean analysis indicates that majority of the respondents have disagreement with the assertions indicated in the table.

4.3.4 Service Empathy

The following table 4.5 indicates the frequency distribution of the response of respondents collected through questionnaire. In the table, it is shown that majority of the respondents (61.7%) disagreed that the bank makes customers feel safe. The remaining 17.5% of the respondents have neutral opinion while 20.8% of them agreed that the bank makes customers feel secured. Majority of the respondents declared their disagreement to the assertion that employee understand customer¨s specific needs while about 28.4% of them supported the assertion.

Table 4.5: Empathy in Service Delivery

No.	Measurement Items	Percentage Distribution of Respondents' Rating										Mean	SD
		Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree			
		Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%		
1	The bank makes you feel safe	61	33.3	52	28.4	32	17.5	26	14.2	12	6.6	2.3	1.2
2	Employee understand customer specific needs	51	27.9	53	29.0	27	14.8	34	18.6	18	9.8	2.5	1.3
3	Employee treat customer with great respect	63	34.4	46	25.1	36	19.7	22	12.0	16	8.7	2.3	1.3
4	Employee always treat customers in friendly manner	55	30.1	52	28.4	46	25.1	26	14.2	4	2.2	2.3	1.1
5	The bank use convenient time management	60	32.8	34	18.6	35	19.1	41	22.4	13	7.1	2.5	1.3

Source: Field Survey, 2021

Concerning employee treatment to customer, significant number of study participants (almost 60%) mentioned that employees mistreat customers. However, around 21% of the respondent agreed that employees treat customers with respect. The remaining 19.7% of them hold neutral view on the issue. Similar to the above idea, majority of the respondents disagreed with the assertion that employee always treat customers in friendly manner while 16.4% of them agreed with the statement. Respondents are also asked to rate the extent the bank use convenient time management. Accordingly, majority of them (51.4%) rated that the bank does not use convenient time management while about 29.5 indicates their agreement with the assertion. Similar to the number description made in the above, the results of the mean analysis of the responses of respondents indicate that majority of respondents disagreed with the assertions indicated in table

4.5. This suggest that majority of respondents are not satisfied with the service empathy indicators in the study organization.

4.3.5. Service Tangibility

Service tangibility refers to the appearance of physical facilities, equipment, personnel, and communication materials in the organization. In this regard, the study has assessed the extent to which service tangibility meet the customers" expectations in the study bank. Accordingly, majority of the respondents (62.9%) disagreed that the bank has up-to-date equipment while about 24% of them agreed that the bank has up-to-date equipments. With regard to employees" office appearance, significant number of the respondents (61.8%) indicates that employees do not dress well and appear neat. Similarly, overwhelming number of respondents disagree that the physical layout of the bank is appealing while about 25.5% of them indicates their agreement to the assertion indicate in the questionnaire. The remaining respondent mentioned their neutral stance regarding the issues. Similarly, majority of the respondents disagree that the equipment and material used in the bank are in line with the type of service provided while about 21% of them argued in the opposite. The remaining respondents hold neutral opinion.

Table 4.6: Tangibility of Services

No.	Measurement Items	Percentage Distribution of Respondents' Rating										Mean	SD
		Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree			
		Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%		
1	The bank has up to date equipment	68	37.2	47	25.7	23	12.6	32	17.5	13	7.1	2.3	1.3
2	Employees of the bank are well dressed and appear neat	68	37.2	45	24.6	24	13.1	32	17.5	14	7.7	2.3	1.3
3	The physical facility (office layout, furniture, etc.) of the bank will be visually appealing	56	30.6	52	28.4	28	15.3	33	18.0	14	7.7	2.4	1.2
4	The equipment and material will be in line with the type of service provided	64	35.0	46	25.1	34	18.6	19	10.4	20	10.9	2.3	1.3

Source: Field Survey, 2021

The results indicated in the above description are also supported by the score of the calculated mean of responses given by respondents on each indicators of service tangibility. The results of the mean analysis indicate that majority of the respondents are disagreed with the assertions indicated in table 4.6.

4.3.6 Customer Satisfaction

Customer satisfaction is one of the most important issue concerning business organization of all types, which is justified by the customer oriented philosophy and the principles of continues improvement in modern enterprise(Arokiasamy, 2013). Ladhari, (2009) defines customer satisfaction as the pleasure obtained from consuming an offer. In this context, measuring customer satisfaction could be very difficult at times because it is an attempt to measure human feelings. However, using standardized instrument adopted from literature (Ladhari, 2009), the study has investigated the level of customers" satisfaction in the study branches of Awash Bank.

Accordingly, the following table presents the summary of the responses collected from respondents through questionnaire. In the table it is indicated that majority of the respondents mentioned that they are not satisfied with bank complete range services while about 27.3% of them are satisfied. Regarding employees performance, overwhelming number of respondents mentioned that they are not satisfied with the performance of employees while 23.5% of them are satisfied. The remaining number of respondents hold a neutral opinion.

Table 4.7: Customers Satisfaction in Service Delivery

No.	Measurement Items	Percentage Distribution of Respondents' Rating										Mean	SD
		Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree			
		Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%		
1	I am satisfied with bank complete range services	48	26.2	55	30.1	30	16.4	34	18.6	16	8.7	2.5	1.3
2	I am satisfied with the performance of the employee of this bank	55	30.1	57	31.1	28	15.3	31	16.9	12	6.6	2.4	1.2
3	I am satisfied of being a client of this bank	55	30.1	49	26.8	27	14.8	38	20.8	14	7.7	2.5	1.3
4	I am satisfied with the bank employees" professional competence	61	33.3	45	24.6	26	14.2	32	17.5	19	10.4	2.5	1.4

Source: Field Survey, 2021

In addition, significant number of respondents (56.9%) indicates that they are not satisfied as clients of the bank. About 29% of the study participants mentioned that they are satisfied being clients of the bank while around 15% maintained neutral view. Similarly, around 585 of respondents are not satisfied with the professional competency of the bank while 28% of them hold opposing opinion to the views of the majority. In this regard, the results of the mean analysis of the indicators of customer satisfaction show that majority of the respondents are not satisfied with the services the bank offers.

Test of Hypotheses

Assumption Test Results

The study has employed multiple regressions to see the effects of the explanatory variables on the dependent variables of the study. The study has considered five independent variables: reliability, responsiveness, assurance, empathy, and tangibility of service delivery. Each independent variable is measured using the summation of values of items measured using likert scale in the instrument. The dependent t variable (customer satisfaction) is also measured in the summation of its indicators. Accordingly, the study has conducted multiple regressions to see the effects of the explanatory variable on the dependent variable. However, before conducting multiple regressions, assumption tests are conducted. Pallant (2001) states that when running a multiple regression, there are assumptions that the researcher needs to check to confirm that the data meets the requirements and reliable and valid analysis is conducted. Accordingly, assumption tests including sample size adequacy, normality, outliners, multicollinearity, and homoscedasticity are conducted.

With regard to sampling adequacy, the formula developed by Tabachnick and Fidell (2007) is used. The formula is indicated as follows.

N> 50 + 6*n -- N> 86

Where: N= number of respondents participated in the study n= number of independent variables

The calculated N entails that the sample size for the study should be 86. However, the sample size considered in the study is 212. Therefore, the sample size of the study is adequate to conduct multiple regressions. In addition, multicollinearity is checked using tolerance value and VIF of each of the explanatory factors. Accordingly, the tolerance values of the explanatory variables are greater than 0.1 and the VIF is less than 10. Tabachnick and Fidell (2007) and Pallant (2001) state multicollinearity problem does not exist when the tolerance value of the explanatory variable is > 0.1 and VIF is less than 10. Hence, it is concluded that there is no problem of multicollinearity among the explanatory factors of the study. The study has also checked the assumptions of outliers using descriptive statistics. The result of the test suggested that there are no outliers in the data. Besides, the study checked the normality and linearity of the data using P-P plots of regression. It is seen in the P-P plots that the data is normally distributed, and satisfies

the assumption of linearity. Assumption of homoscedasticity is also checked using the regression standardized residual/ the results of the tests are attached in annex number 2/.

Pearson Correlation Test

Table 4.7 indicates that the Pearson Correlation statistic on the correlation between internal the independent variables and dependent variable. According to the test statistic, the p-value is 0.00 for the extent of correlation between the independent variables/ service tangibility, reliability assurance, responsiveness and empathy/ and dependent variable/customer satisfaction/, which is even less than 1% level of significance. Hence, it can be suggested that there is a significant correlation between the independent variables and dependent variable at 1% level of significance.

Table 4.8: Pearson Correlation

		Correlations					
		CS	TANG	EMPA	ASS	RES	REL
CS	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	183					
TANG	Pearson Correlation	.769**	1				
	Sig. (2-tailed)	.000					
	N	183	183				
EMPA	Pearson Correlation	.805**	.755**	1			
	Sig. (2-tailed)	.000	.000				
	N	183	183	183			
ASS	Pearson Correlation	.752**	.717**	.758**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	183	183	183	183		
RES	Pearson Correlation	.728**	.660**	.744**	.758**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	183	183	183	183	183	
REL	Pearson Correlation	.641**	.543**	.565**	.594**	.684**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	183	183	183	183	183	183
**. Correlation is significant at the 0.01 level (2-tailed).							

Source: SPSS Output, 2021

Linear Regression

In order to test the hypotheses of the study, multiple regression analysis is conducted. Accordingly, the researcher performed the regression analysis and established the relationship between the independent variables (reliability, responsiveness, assurance, empathy, and tangibility in service delivery) and dependent variable (customer satisfaction). To this effect, the researcher conducted multiple linear regressions and found out the following results.

According to table number 4.8, the model explains that 75.1% of the variations in the dependent variable are attributed to the influence of the independent variables. In other words, this implies idea that 75.1% of the variation in customer satisfaction is explained in the variation of reliability, responsiveness, assurance, empathy, and tangibility in service delivery. The following table indicates the model summary.

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.867[a]	.751	.744	2.09004

Source: SPSS Output, 2021

In this context, 75.1% explained variation is the variation in the dependent variable due to factors that are included in the regression model. As stated above R^2 measures the proportion or variation in the dependent variable that is explained by the explanatory variables. If the value of R^2 is small then this puts into question the usefulness of the fitted regression model. In this study, however, as R^2 is larger it is possible to state that there is a significant relationship between the independent variables and dependent variable. Nevertheless, it is not good to pass final judgment until the model has been subjected to an objective statistical test. In light of this, to consolidate the findings further, ANOVA test is conducted. ANOVA test for the significant of R^2 (i. e. the adequecy of the multiple linear regression model) is equivalent to testing the hypotheses). The purpose of this test is to prove that the regression model on relationship between independent variables and dependent variable is adequate or fit. In conducting the test, the study has formulated the following null and alternative hypotheses.

Ho: β = β = β3 = β4 =β5 H1: At least one βi ≠ 0

The null hypothesis states that all regression coefficients are insignificant (none of them explains the dependent variable) hence, rejecting Ho means such a model is adequet, and can be used for prediction or inferenctial purposes. Regarding the test, the folloiwng table indicates the result.

Table 4.10: Analysis of Variance (ANOVA)

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2333.409	5	466.682	106.835	.000[b]
	Residual	773.181	177	4.368		
	Total	3106.590	182			
a. Dependent Variable: Sum of the indicators of Customer satisfaction						
b. Predictors: (Constant), Sum of the indicators of Reliability, Sum of the indicators of Tangibility, Sum of the indicators of Assurance, Sum of the indicators of Responsiveness, Sum of the indicators of Empathy						

Source: SPSS Output, 2021

The test statistic indicated in table number 4.9 shows that the model fit is significant in the relationship between the independent variables and dependent variable at p-value of 0.000, F=106.835 with 5 degree of freedom. The p-value is less than 0.05 and even 0.01 of significance level. Hence, the null hypothesis is rejected and concluded that at least one of the independent variables has a significant effect on customer satisfaction. The implication is that it is possible to make valid inference about customer satisfaction in the banks service delivery based on the independent variables. Once it is reached at the conclusion that the model is adequate, the next step would be to test for significance of each of the coefficients in the model. This helps to test the hypotheses of the research established in chapter one. The following table indicates test statistic on individual regression coefficients.

Table 4.11: Coefficients of Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.411	.482		-.851	.396
	Sum of the indicators of Tangibility	.272	.063	.264	4.304	.000
	Sum of the indicators of Empathy	.308	.061	.349	5.087	.000
	Sum of the indicators of Assurance	.129	.059	.147	2.198	.029
	Sum of the indicators of Responsiveness	.063	.063	.068	.998	.320
	Sum of the indicators of Reliability	.205	.065	.166	3.178	.002

Regression Equation

Based on the results of the regression analysis, it is possible to portry the regression equation of the customer satisfaction. The following equation shows the same

CS=-.411+ .272Tangibility+ .308 Empathy + .129Assurance+.205 Reliability

It is seen in the results that the p-values for four of the independent variables are less than 0.05. Thus, it is concluded that **tangibility, empathy, assurance, and reliability in service delivery significantly affect customers' satisfaction in selected branches of Awash International Bank. From this, we can infer that four of the alternative hypotheses indicated in chapter one of the study are not rejected while the remaining one alternative hypothesis is rejected.** This is shown in the following table number 4.11.

Table 4.12: Result of tests of hypotheses

No.	Hypotheses	Reason	Actual Result
1	Service tangibility has positive and significant effect on customer satisfaction	.272, P<.05	Accept
2	Service empathy has positive and significant effect on customer satisfaction	ß=.308, P<.05	Accept
3	Service assurance has positive and significant effect on customer satisfaction	ß=.129, P<.05	Accept
4	Service responsiveness has positive and significant effect on customer satisfaction	ß=.063, P<.05	Reject
5	Service reliability has positive and significant effect on customer satisfaction	ß=.205, P<.05	Accept

From the signs of the estimated regression coefficients, it is possible to see that the direction of influence is linear meaning that **those four independent variables affect customers' satisfaction positively**. In general, the overall model as shown on table 4.10 indicates that tangibility and empathy in service delivery are highly significant at p=0.000. However, reliability and assurance are significant at p of 0.002 and 0.029 respectively. In general, the fitted model of the study expresses that service quality has a significant effect on the level of customer satisfaction in the study bank. The findings of this study are similarly attested by other previous studies. For instance, the study conducted by Meron (2015) on the impact of service quality on customer satisfaction in the banking industry confirmed that all the five dimensions of SERVQUAL model of service quality have positive impacts on customer satisfaction and assurance is the dominant service quality dimension, which affects customer satisfaction. Similarly, Olu (2010) concluded that service quality has effect on customer satisfaction and that there is a positive relationship between service quality and customer satisfaction. Moreover, Azman et al. (2013) concluded in their study that the five service quality dimensions have direct relationship with customer satisfaction.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary of Major Findings

The present study investigated the effect of service quality on customer satisfaction on Awash Bank. The study mainly focuses on service quality dimensions (reliability, responsiveness, assurance, empathy, and tangibility). Accordingly, the followings are the major findings of the study.

1. The results from the descriptive analysis indicates that majority of the respondents felt that service reliability was not maintained in the bank. This is evidenced both in the analysis of frequency distribution and mean score of respondents on the indicators of service reliability.

2. Concerning service responsiveness, majority of the respondents mentioned that service delivery system in studied branches of Awash Bank did not ensured service responsiveness to customers.

3. The findings of the study further show that service provision in selected branches of the bank have limited achievement in maintaining service assurance. Majority of the respondents (based on the analysis of frequency distribution and mean score) declared that service assurance was not up to their expectation.

4. In terms of service empathy, overwhelming number of respondents mentioned that the service provision in the selected branches was not based on the empathy principle of service quality. They indicated that there was low level of service empathy in the study branches.

5. Service tangibility of branches of Awash Bank was measured based on the opinion of respondents and majority of the respondents had the view that there was low service tangibility in the studied branches.

6. The study findings show that customers had low level of satisfaction on the quality of services they received from those branches of Awash Bank included in the study.

7. The regression result tells that service quality has a significant effect on the level of customer satisfaction in the study bank. In this regards, the fitting model of the study is expressed as customer satisfaction = -.411+ .272Tangibility+ .308 Empathy +

.129Assurance+ .063Responsiveness +.205 Reliability

8. In addition, four of the independent variables /reliability, assurance, empathy and tangibility affect customers" satisfaction positively. Furthermore, tangibility and empathy in service delivery are highly significant at p=0.000 While reliability and assurance are significant at p of 0.002 and 0.029 respectively.

Conclusions

The purpose of this study was to assess and measure service quality and its effect on customer satisfaction in selected branches of Awash Bank. The effect of service quality and customer satisfaction was made in view of SERVQUAL model, a model widely used to measure perceived service quality. Quantitative research approach was followed to undertake this research project. Primary data was obtained through questionnaire and it was collected from 183 sampled customers at randomly selected branches of the bank. The data was analyzed and interpreted via table and percentage, frequency distribution, descriptive ad inferential statistical tools.

The findings of the descriptive analysis indicate, the branches of the bank included in the study had low performance in ensuring the dimensions of service quality in service delivery processes. Majority of the respondents had the opinion that the bank was not providing quality services to its customers. Service reliability, responsiveness, assurance, empathy, and tangibility were not mainstreamed in service delivery system of the branches. To this effect, the level of customer satisfaction in the quality of services was found to be low. The branches of the bank were not performing to the expectations of customers in terms of the dimensions of service quality and this in term resulted in dissatisfaction of customers. The results of the inferential statistics show that service quality has a significant effect on the level of customers satisfaction in the branches incorporated in the study. This is illustrated in the model fitness /r2/and model adequacy test/ ANOVA test/ that the model considered in the study is fit and shows existence of statistically significant effect of service quality on customer satisfaction. Furthermore, study concluded that four of the dimensions of service quality /reliability, assurance, empathy and tangibility/ significantly affect customers" satisfaction positively.

Recommendations

In light of the analysis and conclusion, it is advisable to Awash Bank to address the gaps observed in ensuring service quality to customers. This would aid to maximize on the opportunities that the company can get by properly implementing the right strategy to get customers satisfied. Since Awash Bank is the pioneer private commercial bank in Ethiopia and most of the customers have been customers for the bank for long, the bank must use this opportunity for its efficiency and effectiveness.

Furthermore, the following recommendations are forwarded to Awash Bank as a way forward in addressing its gaps and achieve customer satisfaction that will lead the company in to higher profitability

- All employees at Awash Bank should be committed and involved in service quality improvement that is visible to all customers in order to meet or exceed their expectation.

- Draw more customers by improving customer service that makes them loyal to Awash Bank. The bank should assure the quality of its products in order to win customers" satisfaction and consequently achieve a competitive advantage and long run survival. This is due to the reason that customer satisfaction is found to be an important tool to create and maintain loyal customers. These loyal customers contribute towards high repeated purchases

- Improved and distinct customer service has to be considered as strategic tool that is dedicated for change and improvement. The new technology like Automated Teller Machines (ATM), online banking, mobile banking must be with 100% availability. For instance, now a day, there are problems of network, system failure, power interruption and lack of knowledge on the side of customers on how to use and operate the systems. Before introducing a new system into the bank intensively, the bank has to take survey and give adequate training and development to the respective employees. In addition, the bank has to aware its customers how to use and operate, and there must be standby generators when there is no electric power.

- Equip all employees with the necessary training and motivation to serve customers better as compared to other competitors. Staff training is one of the most important factors for delivering better customer service. As such, it is a fundamental driver for organizational performance and profitability. When employees are motivated towards their jobs, they are motivated to do more

work.

- Set highest standard customer service quality that cannot be beaten by competitors. By getting the best practice in the industry, the Bank can set the standard. That set standard should be practiced by all employees in the value chain without any compromise. Highest SERVQUAL standards have to be set and gaps identified must be filled immediately.

- Customer satisfaction should be taken as a culture of change that is undertaken in continuous way without any reservation in the true sense of its term.

- Customer satisfaction by providing excellent customer service has to be linked with Company"s Day to day activities and performance & reward system for its effectiveness (It has to be linked with some incentives for best performers).

Finally, the researcher believes that this paper is not exhaustive that could provide all lists of topics researched. However, it gives a bird-eye view on topic

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St University

Department of Business Administration

Service Quality Satisfaction Survey

(Questionnaire to be Filled by Customers)

Appendix

</div>

Dear respondents,

This Questionnaire is designed to collect primary data on a research topic entitled ***"Effect of Service quality on customer satisfaction on Awash Bank"*** for the partial fulfilment of the Masters (MA) in Business Administration Program at St. Mary's University College. The questionnaire is structured under three Parts: Part-I: General information; Part-II- Basic Questions for Measuring Service Quality; Part-III -Customer Satisfaction. Filling the questionnaire doesn"t take you more than 15 Minutes. The data collected will be used only for academic purposes and is strictly confidential. You are kindly requested to fill each part of the questionnaire completely with care, honesty and due attention. You are not required to write your Name.

With Kind Regards (Melkam Tesfaye) Mobile Number (0913974111)

Instructions: please select an appropriate   response   category by circling an appropriate choice against each question.

1. Gender   1. male   2. female

       2. Age   1. under 20years   2. 21-30years   3. 31-40years

       4. 41-50 years   5. Above 50years

       3. Educational status?   1. below grade 12   2. 12grades complete

       3. certificate   4. college diploma

5. First Degree   6. 2nd degree and above

4. Employment   1. public/government organization   2. private
Organization

3. unemployed   4 student   5. self-employee

Part II.Basic Questions for Measuring Service Quality

Direction: Please rate the statements below designed to measure the level of agreement or disagreement in relation to Service Quality Dimensions. Select an option by encircling the appropriate number against each question. Where:

I	Reliability	SDA	D	N	A	SA
1.	The bank can provide you the service as promised	1	2	3	4	5
2.	The bank provides to your accurate information	1	2	3	4	5
3.	The bank performs the service right at the first time	1	2	3	4	5
4.	Employee handle customer complaints effectively	1	2	3	4	5
II.	*Responsiveness*					
5.	The bank tell you exactly when service will be provides	1	2	3	4	5
6.	The bank give your prompt service	1	2	3	4	5

1- Strongly Disagree (SDA); 2- Disagree (D); 3- Neutral (N); 4- Agree; (A); 5-Strongly Agree (SA)

7.	The bank provides diversified service to the customer	1	2	3	4	5
8.	The employee are happy and willing to serve the customer	1	2	3	4	5
9.	The bank gives quick response to customer request	1	2	3	4	5
III.	Assurance					
10.	The bank product knowledge of bank information	1	2	3	4	5
11.	The bank have required skill to perform service	1	2	3	4	5
12.	The bank speak with you by using an appropriately	1	2	3	4	5
13.	The bank is trust worthy	1	2	3	4	5

14.	The employee makes customer feel safe in their transaction	1	2	3	4	5
IV.	*Empathy*					
15.	The bank makes you feel safe	1	2	3	4	5
16.	Employee understand customer specific needs	1	2	3	4	5
17.	Employee treat customer with great repeat	1	2	3	4	5
18.	Employee always treat customers in friendly manner	1	2	3	4	5
19.	The bank use convenient time management	1	2	3	4	5
V.	*Tangibles*					
20.	The bank has up to date equipment	1	2	3	4	5
21.	Employees of the bank are well dressed and appear neat.	1	2	3	4	5
22.	The physical facility (office layout, furniture, etc.) of the bank will be visually appealing	1	2	3	4	5
23.	The equipment and material will be in line with the type of service provider	1	2	3	4	5

Sympathy

III.CustomerSatisfaction Questionnaire (CSQ)

Direction: Please rate the statements below designed to measure the level of agreement or disagreement in relation to Customer Satisfaction of Awash Bank. Select an option by encircling the appropriate number against each question. *Where*: 1- Strongly Disagree (SDA); 2- Disagree (D); 3- Neutral (N); 4- Agree; (A); 5-Strongly Agree (SA)

S.No.	Statements					
24.	Customer satisfaction	1	2	3	4	5
25.	I am satisfied being a client of this bank.	1	2	3	4	5
26.	I am satisfied with the bank employees" Professional competence	1	2	3	4	5
27.	I am satisfied with the quick service of this bank.	1	2	3	4	5
28.	I am satisfied with there spectful behaviour of employee	1	2	3	4	5

"Thank you for your collaboration"!

ውድ የጥናቱ ተሳታሪዎች   በቅድሚያ ጊዜዎን ሰዉተዉ ትክክለኛና   ታማኝ የሆነ ምላሽ ለመስጠት ፍቃደኛ በመሆንዎ ልባዊ ምስጋናዬን አቀርባለሁ፡፡

እኔ የቅድስት ማርያም ዩኒቨርስቲ የማስተርስ ኦፍ ቢዝነስ አድሚኒስትሬሽን ተማሪ ስሆን በእሁኑ ስአት የመመረቂያ ጥናቴን የማደርገዉ በአዲስ አበባ አዋሽ ባንክ የሚሰጠዉን የደንበኞች አገልግሎት በደንበኞች እርካታ ስለሚኖረዉ ተፅእና የሚያተኩር ነዉ፡፡

መጠየቁ ሶስት ዋና ዋና ክፍሎች አለት የመጀመሪያዉ ክፍል የመላሹ ድህረ ታሪክ ላይ ያተኮረ ሲሆን፣ ሁለተኛዉ በደንበኞች እርካታ ደረጃ የሚኬዉን የአገልግሎት አሰጣጥ ጥራቶች ላይ ያተኮረ ነዉ፣ ሶስተኛዉ ደግሞ የደንበኞች አጠቃላይ እርካታ ላይ ያተኮረ ነዉ፡፡ በመጠይቁ ውስጥ ያለትን መጠይቆች ሞልቶ ለመጨረስ ከ5 ደቂቃ በላይ አይወስድብዎትም ስለሆነም ሁለንም ጥያቄዎች ሙሉ በሙሉ እንዲሞሉ እጠይቃለሁ፡፡

ክፍል አንድ ፡ የመላሾች ድህረ ሁኔታዎች

መመሪያዎች:- በእያንዳንዱ ጥያቄዎች ስር ያለትን አማራጭ ፊደል በማክበብ እባክዎ ትክክለኛ የሆነዉን መልስ ይምረጡ፡፡

1. ፆታ   ሀ. ወንድ   ለ. ሴት

2. እድሜ   ሀ. ከ20 በታች ለ. ከ21-30 ሐ. ከ31-40 አመት መ. 41-50 አመት ሠ. ከ50 አመት በላይ

3. የትምህርት ሁኔታ ሀ. ከ12ኛክፍልበታችዋ. 12ኛ ክፍል የጨረሰ/ች   ሐ. ሰርተፍኬት መ. ዲፕሎማ ሠ. የመጀመሪያ ድግሪ   ረ. ሁለተኛ ድግሪ እና ከዚያ በላይ

4. የስራሁኔታ   ሀ. የመንግስት ተቀጣሪ ለ. የግል ድርጅት ተቀጣሪ ሐ. ተማሪ መ. የግል ሰራተኛ

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ክፍል ሁለት፦ የደንበኞች አገልግሎት ጥራቶች መጠይቆች

1. በጣም አልስማማም 2. አልስማማም 3.መካከለኛ 4.እስማማለሁ 5. በጣም እስማማለሁ

መመዘኛዎች		መለኪያዎች				
		1.በጣም አልስማማም	2.አልስማማም	3.መካከለኛ	4.እስማማለሁ	5.በጣም እስማማለሁ
1.Reliability	የባንኩ ሰራተኞች ቃላቸውን በሰአቱ ይፈፅማል/ያከብራል።					
	የባንኩ ሰራተኞች ግልፅ የሆነ መረጃ ያቀርባል					
	የባንኩ ሰራተኞች ለመጀመሪያ ጊዜ ለመጣ ደንበኛ ጥሩ አገልግሎት ይሰጣል።					
	የባንኩ ሰራተኞች ለደንበኞች አስፈላጊውን እርዳታ ያደርጋለ።					
2.Responsiven ess	አንድ ጥሩ ባንክ መረጃን በአግባቡና ጥራት ባለው መልኩ ይይዛል					
	አንድ ጥሩ ባንክ የባንኩ ሰራተኞች ፈጣንና ክስተት ፅዱ የሆነ አገልግሎት ይሰጣል					
	አንድ ጥሩ ባንክ ሰራተኞች በቅን ልቦና ለመርዳት ዝግጁ ናቸው።					
	አንድ ጥሩ ባንክ ሰራተኞች ለደንበኞቹ ቅሬታ /ጥያቄ ምላሽ ለመስጠትመቸምአይታክቱም።					
3.Assurance	የአንድ ጥሩ ባንክ ሰራተኞች ስለባንኩ ትክክለኛ እና በቂ እውቀት ኖራቸው ተግባራዊ ያደርጋሉ					
	የአንድ ጥሩ ባንክ ሰራተኞች አገልግሎት ለመስጠት የሚያስፈልጋቸውን እውቀት አሟልተዋል።					
	የአንድ ጥሩ ባንክ ሰራተኛ እርስዎን በሚገባዎት ቋንቋ ያስተናግደዎታል።					

	የባንኩ ሰራተኞች ታማኝ ናቸው፡፡					
4.Empathy	የባንኩ ሰራተኞች ስጋት እንዳይሰማዎት ያደርጎዎታል፡፡					
	የባንኩ ሰራተኞች ከእርሶ ጋር በደንብ መግባባት ይችላሉ፡፡					
	የባንኩ ሰራተኞች ለእርሶ ትኩረት ይሰጣሉ					
	የባንኩ ሰራተኞች የእርሶን እያንዳንዱን ፍላጎቶች ያውቃሉ፡፡					
	የባንኩ ሰራተኞች ምቹ የሆነ የጊዜ አጠቃቀም ይጠቁማሉ፡፡					
5.Tangibles	አንድ ጥሩ ባንክ ዘመናዊ ቁሳቁስ ይኖሩታል					
	አንድ ጥሩ ባንክ ለአይን ማርኪያና ምቹ የሆኑ መገልገያ መሳሪያዎች ይኖሩታል፡፡					
	አንድ ጥሩ ባንክ ሰራተኞች ዕዱና ለአይን የሚማርኩ መሆን ይኖርባቸዋል፡፡					
	የባንኩ አገልግሎት መስጫ ቁሳቁሶች ባንኩ ከሚሰጠው አገልግሎት ጋር ይጣጣማሉ፡፡					

ሶስተኛው ክፍል ደግሞ የደንበኞች አጠቃላይ እርካታ ላይ ያተኮረ ነው

	በጣም እስማማለሁ	አስስማማለሁ	መለከትሁኝ	እስማማሁ	በጣምእስማማሁ
የደንበኛ እርካታ					
1. በባንኩ የተማላ አገልግሎት ረክቻለሁ					
3. በባንኩ ሰራተኞች ብቃት ረክቻለሁ					
4. ባንኩ ፈጣን አገልግሎ ትረክቻለሁ					