



**THE EFFECT OF SERVICE QUALITY ON CUSTOMER
SATISFACTION**

**(THE CASE OF COMMERCIAL BANK OF ETHIOPIA,
AYERTENA BRANCH)**

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of Masters of Business Administration Presented to St. Mary
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Advisor: Mohammed Seid (Ass. Professor)

DECEMBER, 2021
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DECLARATION

I declare that the thesis work entitled, ‘‘The Effect of Service Quality on Customer Satisfaction’’: The case of Commercial Bank of Ethiopia Ayertena branches of prominent customers, is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently and no part have been copied from any published source (except my advisor’s supervision, the references, standard mathematical or genetic models etc.). This study would be submitted for the award of the degree of MBA in Accounting and Finance of St. Mary’s University Addis Ababa, Ethiopia, is my original work and it hasn’t been presented for the award of any other degree, diploma, fellowship or other similar titles of any other university or institution.

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Statement of Certificate

This is to certify that TenayeSemekoTeklemariam has completed her thesis entitled “The effect of Service Quality on Customer Satisfaction”: *The Case of Commercial Bank of Ethiopia Ayertena branch* is her original work and is submitted for examination with my approval as a thesis.



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This is to certify that the thesis entitled, “The Effect of Service Quality on Customer Satisfaction”: *The Case of Commercial Bank of Ethiopia, Ayertena branch* was carried out by TenayeSemekoTeklemariam under the supervision of Mohammed Seid (Ass. Professor) submitted in partial fulfillment of the requirements for the degree of Master of Business Administration in Accounting and Finance; complied with the rules and regulations of the University and meets the accepted standards with respect to originality.

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List of Acronyms/Abbreviations

ATM	Automatic Teller Machine
CBE	Commercial Bank of Ethiopia
CS	Customer Satisfaction
CSI	Customer Satisfaction Index
SERVQUAL	Service Quality Measurement Tool
SPSS	Statistical program for social students

Abstract

Today, service industry becomes a competitive area Service rendered organization like banking sector has emerged on scene with a variety of forms such as internet banking, mobile banking, and ATM. Mature competition and global finance system has been forced to investigate the significance of customer satisfaction in line with availability of service quality. This study was set to examine the effect of service quality on customer satisfaction the case of Commercial Bank of Ethiopia using SERVEQAL model. The purpose of the study were to measure customer perception and expectation gap on service dimensions and examine the relationship between overall service quality and customers satisfaction in CBE at Ayertena Branch.11A self-administered questionnaire using was employed to gather, primary data from 232 respondents who are customers of CBE, using convenient sampling technique. Data was processed using SPSS's version 23 and analyzed via descriptive statistics (i.e. frequencies and percentages, mean scores) and Pearson's linear correlation and regression analysis. The results of the regression revealed that all independent variables (service quality dimensions) are significantly and positively affected customer satisfaction. Moreover, the finding revealed that all the service quality dimensions are weak significantly correlated and positively associated with the overall customer satisfaction. The researcher recommended that in order to ensure customer satisfaction Commercial bank of Ethiopia should improve its performance on all the dimensions service quality.1

Key Words: Tangibility, Reliability, Responsiveness, Empathy and Assurance, service quality, customer satisfaction

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The current business environment is becoming competitive and challenging than before. With multidimensional challenges and demand of globalization, the organizations are forced to re-engineer their products and systems to improve the service quality and remain competitive (Baumann, 2007).

Service quality has become one of the key driving forces for business sustainability and is vital for firms' accomplishment (Collart, 2000). Customer service quality is a crucial source of distinctive competence and often considered a key success factor in sustaining competitive advantage in service industries (Palmer, 2001). Service quality in banking implies consistently anticipating and satisfying the needs and expectations of customers (Howcrof 1991,Page 451).

Johnston (2007) defined Service quality as the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get. Hazlina (2011) described service quality as a form of attitude that results 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 expectations.

Similarly, customer satisfaction is crucial in the banking sector because of the special nature of the financial services which are characterized by intensive contacts with customers who have different needs and require customized solutions (Kanyurhi, 2013). Customer satisfaction is known to be one of the most important and serious issues towards success in today's competitive business environment, as it affects company market shares and customer retention (Kotler, 2009).

Every organization strives to make its customer remains satisfied with its products and services. Customer satisfaction is surely a very critical element towards retaining profitable business relations with the customers. The combined effect of a high retention rate and the enhanced

Profitability of loyal customers can lead not only to higher profit, but to a better „quality of earnings“, as the Customer base is less volatile (Magesh, 2010). Customer satisfaction and perceived service quality are also very interlinked constructs (Parasuraman, 1985).

Regarding the relationship between customer satisfaction and service quality, Miller & Layton (2000) first suggested that service quality would be an antecedent to customer satisfaction regardless whether these concepts were cumulative or transaction-specific. It implies that service quality concept plays a central role in understanding customer satisfaction and retention (Negi, 2009). Furthermore, to remain competitive, service providers must render quality service to their customers. In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson, 2008). Although it is stated that other factors such as price and product quality can affect customer satisfaction, perceived service quality is a component of customer satisfaction (Zeithaml, 2006).

Always there exists an important question: why should service quality be measured?

Measurement allows for comparison before and after changes, for the location of quality related problems and for the establishment of clear standards for service delivery. Zeithmal et al., (2000) state that, in their experience, the starting point in developing quality and services is analysis and measurement.

Commercial banks beaten by the complicatedness of globalization, competition from nonbanking financial institutions, and uneven market dynamics are constantly seeking new ways to add value to their services because financial services try to win in the marketplace with generally undetached products, service quality becomes a primary competitive weapon (Ravin, 2011). In premise with the above theoretical and empirical background of the various litterers this study were focus in Examining factors affecting service quality on customer satisfaction in case of Commercial Bank of Ethiopia (CBE) specifically focusing on Ayertena branch.

1.2 Background of the Organization

The Commercial Bank of Ethiopia is the largest commercial bank in Ethiopia. As of June 2015, it had about 303.6 billion Birr in assets and held approximately 67% of deposits and about 53% of all bank loans in the country. In relation to its historical establishment, after the Ethiopian victory over Fascist Italy, the new government issued a proclamation in August 1947 that established the State Bank of Ethiopia (SBE). SBE commenced full operations on 15 April 1943 with two branches and 43 staff. It served both as Ethiopia's central bank, with the power to issue banknotes and coins as the agent of the Ministry of Finance, and as the principal commercial bank in the country (NBE, 2014).

Currently, the bank has around 22,908 employees, who staff its headquarters and its over 1000+ branches positioned in the main cities and regional towns.

Realizing price stability and ensuring the soundness of the banking system, formulating and implementing the monetary, credit & banking policies, issuing banknotes and determining their denominations and specifications are the main objectives and functions of the CBE.

Specifically, Commercial Bank of Ethiopia Ayer Tena Branch is located at Addis Ababa, Ethiopia (NBE, 2014).

The vision, mission and goals of the National Bank of Ethiopia has emanated from the overall vision of the government which is “to see a country, wherein democracy and good governance are prevailed upon the mutual consent and involvement of its people, wherein social justice is reigned, and wherein poverty reduced and etc.” The mission of the bank is to be a strong banking partner to middle market and small businesses, their owners and our communities by providing high-quality financial products and services. The CBE’s everyday work and approach to business are guided by five company core values: leadership, integrity, respect, innovation & continuous improvement (NBE, 2014).

1.3 Statement of the problem

Consumers all over the world have become more quality conscious; hence there has been an increased customer demand for higher quality service. Service operations worldwide are affected by this new wave of quality awareness and emphasis (Lawson, 2006). Therefore, service-based

companies like the banks are compelled to provide excellent services to their customers in order to have sustainable competitive advantage, especially in the current trend of trade liberalization and globalization (Eshghi&Ganguli, 2008).

One of the benefits of banks resulting from its services delivery is enhancing efficiency and effectiveness of their operations so that more transactions can be processed quickly and easily, which will have a fundamental impact on the overall performance of the banks. The customers on the other hand, stand to enjoy the benefit of quick service delivery, reduced frequency of going to banks physically and reduced cash handling, which will give rise to higher volume of turnover (Baumann, 2007).

The likelihood of banks meeting customer's satisfaction is highly related to the service providing capability and excellence of the bank. A bank with the perfect service providing capability and experience is highly likely to satisfy the customer and maintain the customer's loyalty. On the contrary a bank which is less efficient in service is highly likely to lose customer satisfaction and hence customer loyalty (Aldlaigan and Buttle, 2002). However, nowadays many of commercial banks delivery of quality service affected by several challenges such as, lack of qualified and well trained human resources, traditional structure and outdated technology, lack of supervisory monitoring and evaluating system, lack of effective compliant handling system and inadequate employee (Hailu, 2007).

Despite the criticality of service quality to businesses, measuring service quality poses difficulties to service providers, because of the unique characteristics of services: intangibility, heterogeneity, inseparability and perishability (Graham, and Evangelos, 2004). In view of this, services require a distinct framework for quality explication and measurement.

In relation to the problem of service quality, there is a survey study performed by National Bank of Ethiopia (NBE) (2014). The survey reveals that, CBE has been witnessing a significant expansion over the past ten years than before though its service quality still underdeveloped. The Survey believes that such expansion should also focus on delivering quality service as a core competitive strategy. In addition to the survey report reveal NBE in (2012), some of CBE customers in Addis Ababa also more complain service delivery system of the branch banks such as, the waiting time of customers is more bulky, interruption of network, ATM problems, lack of

front cashers, and so forth. One of the research questions in this study is to investigate further determinant factors that affect customer satisfaction. As already explained even though different studies took place to investigate the problem related to customer satisfaction, but there was no timely research took place on the area and this is one of the reason that motivate the researcher to investigate on the issue (NBE, 2012).

An important gap still exists in the empirical literature to indicate service quality delivery and customer satisfaction specifically related to CBE. Most of the studies related to service quality and customer satisfaction were done on private commercial banks of Ethiopia, such as a study done by Belay (2012) the impact of service quality on customer satisfaction in private commercial banks, using five dimensions of service quality (tangibility, reliability, responsiveness, assurance and empathy the result implied that, the three service quality dimensions (assurance, empathy, and responsiveness) have positive but insignificant effect on customer satisfaction. Tangibility has a positive and significant impact on customer satisfaction. However, reliability has a negative and insignificant effect on customer satisfaction. However, despite this study deals with the effect of service quality on customer satisfaction, which is the purpose of this study, the context is basically different.

There were also researches made by Semu (2012) focused on factor affecting quality of service delivery in CBE, the results reveal that, among the other, factors responsiveness and reliability highly affected delivery of quality service. Though a considerable literature exists on the relationship between service quality and customer satisfaction as discussed above; however, there is no, at least to the knowledge of the researcher, related studies on public areas such as, CBE; therefore, one of the major objective of this sturdy is to address research gap of the area. Hence, it is very difficult to know the present reality in line with the issue under study. Moreover, it is also possible to assume that little attention has been given to identify and appreciate the constructive features of service quality in line with achieving customers' satisfaction. Therefore, the specified reasons have led and motivated the researcher to conduct a study on the effects of service quality on customers' satisfaction.

1.4 Research Questions

Based on the above problem statement the study was tried to answer the following basic research questions:

- 1) How are service quality and customer satisfaction perceived among participants of the study?
- 2) What are the gaps of customers' perception and expectation based on service quality dimensions in CBE?
- 3) What is the relationship between overall service quality and customers' satisfaction in CBE?

1.5 Objectives of the Study

1.5.1. General objective

The general objective of this study was to investigate the effects of service quality on customers' satisfaction in CBE, Ayertena branch.

1.5.2. Specific Objectives

The specific objectives were:

- 1) To examine customers' satisfaction in terms of tangibility, reliability, responsiveness, empathy and assurance
- 2) To examine customer perception and expectation gap on service dimensions of CBE
- 3) To measure relationship between overall service quality and customers satisfaction in CBE
- 4) To determine the effects of service quality on customer satisfaction in CBE at Ayertena branch

1.6 Significance of the study

This research will have a great deal of significance for the managers of the studied branches of CBE. The study will help them know whether the company is delivering its promise to the customers and also it will provide them insight about the gap between customer's perception and expectation of service and ways to improve them. Finding of this study will help the company marketing department to see and align their marketing strategy if there is a need for adjustment regarding the Banks service quality performance and it will further add value for the department to see the dimensions of service quality. Furthermore, this study would serve as an input and

basis for other researches, academicians, consultants and some associations who conduct further researches on related fields.

1.7 Limitations of the Study

In the process of undertaking this research, there were problems which create some difficulty to accomplish the study. Some of the problems were: absence of concerned customers, shortage of time for respondents to provide the necessary data and COVID -19 pandemic disease particularly a few respondents were not willing to fill the questionnaires.

1.8 Scope of the study

There are many governmental and private owned banks in Addis Ababa. But, it is difficult to address those banks at once because of financial and time constraints. Bearing this in mind, the study was delimited to Commercial Bank of Ethiopia, particularly in one of the branches which are found in Ayertena. The branch was chosen using convenience sampling technique with the assumptions that the branch was located where the researcher worked due to the health situation of the researcher. Attention was given to all customers at Ayertena branch. Customer satisfaction, factors that affect service quality and to what extent the service delivered satisfy customers were emphasized in the research. The satisfaction level of customers was being assessed based on SERVQUAL measurement of service quality. The service quality dimensions were reliability, tangibility, empathy, responsiveness, and assurance. All participants of the study were selected based on purposive sampling method. Methodologically, the study was also delimited to self – administered questionnaires which were analyzed only using quantitative methods of data analysis.

1.9 Organization of the Study

The research was structured in such a way that it would have five chapters. Chapter one would give a brief description of the research and high lights discussions on the effects of service quality on customers' satisfaction. The chapter also presents background of the study, statement of the problem, objectives of the study, research questions, significance of the study, limitations of the study, scope of study and organization of the Study. Chapter two discusses related literature like concepts of quality and description of service based on the literature from various

writers. Service quality dimensions/models (SERVQUAL), customer satisfaction and the importance of service quality to businesses would be discussed in this chapter. And also, the chapter presents the conceptual framework of the study. Chapter three covers the research methodologies like research design, data type and source, data collection procedure, method of sampling and sample size and method of data presentation. Chapter four offers the research findings and discusses of the results of the study. Chapter five explains summary of the study and the main findings, conclusions with regards to the new knowledge derived from the research and recommendations for improving service quality.

1.10 Definition of key terms

- 1) Customer: Someone who buys goods or services from a business
- 2) Customer satisfaction: A customer's overall assessment of the performance or experience that the company has offered him/her.
- 3) Service: A terminology is taken most often as one category of economic activity which categorizes service industries into financial, transport, retail and personal services.
- 4) Service quality: the difference between customers' expectations of service performance prior to the service encounter and their perceptions of the service received.
- 5) Customer expectation: Consumer-defined probabilities of the occurrence of positive and negative events, if the consumer engages in some behavior.
- 6) Customer perception: Customer's opinions about services and products viewed and assessed
- 7) Tangibility: refers to firms' representativeness, physical facilities, materials and equipment as well as communication materials
- 8) Reliability: related to handling customer service issues, performing the service right and offering service on time, etc.
- 9) Responsiveness: refers to the willingness to help customers and provide prompt service
- 10) Empathy: caring and individual attention that the firm provides to its clients
- 11) Assurance: employee's knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Literature

The theoretical review section of the study provides theoretical literatures related to determinants of customer satisfaction on the bank industries.

2.1.1. Definition of Customer satisfaction

Customer satisfaction is defined as a customer's overall assessment of the performance or experience that the company has offered to them, (Wyroble, 2011). This overall satisfaction across the product and service provided by e-banking has a strong positive effect on customer loyalty (Baumann 2007). Kanyurhi, (2013) argues that customers reach satisfaction decisions by comparing the performance a product or service with their prior expectations.

Customer satisfaction is important to get long-term business success (Zeithami et al., 2000). To protect market share/profit, organizations need to overcome competitors through offering high quality products or services to ensure customer satisfaction (Tsoukatos& Rand, 2006).

Furthermore, Magesh (2010) indicates that customer satisfaction requires full meeting customer expectations of products and services. When performance matches or exceeds customer expectations for service, they are satisfied; If not, they are not satisfied (Munusamy, 2006).

Moreover, several studies generally define customer satisfaction and dissatisfaction as the customer's judgments concerning a business's success or failure in meeting expectations (Chidambaram&Ramachandran, 2012 &Kheng et al., 2010).

When expectations are met, satisfaction results and unmet expectations lead to dissatisfaction (Oliver, 2000). Lau and Cheung (2013) indicate that the attitude of customer satisfaction resulting from what customers believe should happen (anticipation) compared with the situation when what they believe is not the case (perceived performance). In addition; satisfaction strengthens quality perception and leads repeat purchases. More specifically, in the banking industry, a main element of customer satisfaction is the nature of the relationship among customers and suppliers of products and services. Therefore, both product and service quality

usually are observed as an important condition and valuable factor for retaining customer satisfaction (Muslim & Isa, 2005).

Customer Satisfaction has been a central concept in marketing literature and is an important goal of all business activities. Today, companies face their toughest competition, because they move from a product and sales philosophy to a marketing philosophy, which gives a company a better chance of outperforming competition (Kotler, 2000). Parker and Matthew (2001) expressed that there are two basic definitional approaches of the concept of customer satisfaction. The first approach defines satisfaction as a process and the second approach defines satisfaction as an outcome of a consumption experience. These two approaches are complementary, as often one depends on the other.

Although different approaches of defining customer satisfaction may be found in the literature, the most popular of them are based on the fulfillment of customer expectations. As, Gerson (1993), Hill (1996), Oliver (1997) and Grigoroudis&Siskos (2010) mentioned, satisfaction is a standard of how the offered total product or service fulfills customer expectations.

Oliver (1997) and Grigoroudis&Siskos (2010) support Parker and Matthew (2001) approaches with their comprehensive definition of customer satisfaction in term of pleasurable fulfillment is given by, "...satisfaction is consumer's fulfillment response. It is judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption related fulfillment, including levels of under or over fulfillment..."

Oliver (1981) argued that satisfaction, "as a summary of psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience." Kotler (2000) mentioned satisfaction as: "a person's feeling of pleasure or disappointment resulting from comparing a product perceived performance (or outcome) in relation to his or her expectations." According to Hansemark and Albinsson (2004) "satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire."

Parasuraman et al. (1988) distinguish service quality and satisfaction: „perceived service quality is a global judgment, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction“. Customer satisfaction as an attitude is like a judgment following a purchase act or based on series of consumer-product interactions (Yi, 1989). Companies need to develop strategies of how to handle dissatisfied customers. Businesses cannot afford under any condition to lose customers, because the cost of replacing the lost customer with a new customer is bigger. Therefore, companies must find ways of winning back the unsatisfied customers by designing special programs for service recovery. Companies should handle customer complaints with care and not seeing them as a time consuming.

2.1.2. Dimensions of Customer Satisfaction

2.1.2.1. Customer Expectations

Expectations are consumer-defined probabilities of the occurrence of positive and negative events if the consumer engages in some behavior (Oliver, 1981). Kotler (2000) have stated in his study, expectations play an important role in the satisfaction formation. The extent to which a product or service fulfills a customer's need and desire may play an important role in forming feelings of satisfaction because of the impact of confirmation or disconfirmation that have on satisfaction.

According to Parasuraman et al. (1988), customers form their expectations from their past experience, friends' advice, marketers and competitors' information and promises. Therefore, perceived service quality is viewed as the difference between consumers' perceptions and expectations for the service provided.

Cronin & Taylor (1992) forwarded the view that organizations in order to keep expectations from rising, they have to perform services properly from the first time. Thus, customer expectations for the service are likely to rise when the service is not performed as promised. Expectations serve as reference points in customer's assessment of performance. Thus, retailers can increase customer satisfaction by decreasing customer expectations.

2.1.2.2. Customer Perception

Perception is an opinion about something viewed and assessed and it varies from customers to customers, as every customer has different beliefs towards certain services and products that play an important role in determining customer satisfaction. Customer satisfaction is determined by the customers' perceptions and expectations of the quality of the products and services. In many cases, customer perception is subjective, but it provides some useful insights for organizations to develop their marketing strategies. Providing high level of quality service has become the selling point to attract customer's attention and is the most important driver that leads to satisfaction (Reichheld, 1996).

2.1.3. Consequences of customer satisfaction

Several research works have shown that customer satisfaction is positively associated with desirable business outcomes namely; customer loyalty, customer retention, and customer profitability. Gerpott et al. (2001) reported that these consequences are important goals to have superior economic success.

2.1.3.1. Customer Loyalty

Oliver (1981) defines loyalty as "a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior." Customer loyalty is a crucial factor in companies' growth and their performance. Loyalty is linked with the repeat business. Thus, a customer is loyal when he is frequently repurchasing a product or service from a particular provider. Coyne (1989) stated that customer satisfaction has measurable impact on customer loyalty in that when satisfaction reaches a certain level; on the high side, loyalty increases dramatically; at the same time, when satisfaction falls to a certain point, loyalty reduces equally dramatically.

According to Fornell (1992), the perceived value from the product and the service affects customer judgment about his/her satisfaction or loyalty with the product or the service. The significance of customer loyalty is that it is closely related to the company's continued survival and to strong future growth. Oliver (1999) stated that high levels of satisfaction lead to high

levels of attitudinal loyalty. Attitudinal loyalty involves different feelings, which create a customer's overall attachment to a product, service, or company. Also Fornell (1992) found out that there is a positive relationship between customer satisfaction and customer loyalty.

2.1.3.2. Customer retention

Customer retention is central to the development of business relationship and these relationships depend on satisfaction (Eriksson & Vaghult, 2000). Customer satisfaction is a central determinant of customer retention (Gerpott et al., 2001). Several research works have shown that there is positive relationship between customer satisfaction and customer retention; customer satisfaction has a direct effect on customer retention (Rust and Subramaman, 1992).

2.1.3.3. Customer profitability

As a consequence of customers that are very satisfied with a company are very likely to remain with that company that leads to future revenue for the company. Zairi (2000) in his empirical research found that Customer satisfaction has a positive effect on an organization's profitability. The more customers are satisfied with products or services offered, the more are chances for any successful business as customer satisfaction leads to repeat purchase, brand loyalty, and positive word of mouth marketing. Kotler (2000) mentions that, in one hand, satisfied customers are more likely to repeat buying products or services. On the other hand, dissatisfied customers respond differently.

Dissatisfied customers may try to reduce the dissonance by abandoning or returning the product. Research studies conduct by Fornell (1992) showed that higher customer satisfaction translates into higher than normal market share growth, the ability to charge a higher price, lower transition cost, and a strong link to improved profitability. Nelson et al., (1992) also demonstrated that customer satisfaction is related to higher profitability and proved this findings statistically.

2.1.4. What determines customer satisfaction?

The following are some of the determinants of customer satisfaction by Zeithmal (1985). These are:

a) Product and service Features: customer satisfaction with a product or service is influenced significantly by the customer's evaluation of the product or service features. In conducting

satisfaction studies, most firms will determine through some means (often focus groups) what the important features as well as overall service satisfaction.

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

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

d) Perceptions of Equity or Fairness: customers ask themselves: Have I been treated fairly compared with other customers? Did other customers get better treatment, better prices, or better quality services? Did I pay a fair price for the service? Notion of fairness are central to customers' perceptions of satisfaction and products/services.

e) Other consumers, family members and coworkers: In addition to products and service features one's own individual feelings and beliefs, consumer satisfaction is often influenced by other people.

2.1.5 Service Quality

Service quality can be defined as the difference between customer's expectations of service performance prior to the service encounter and their perceptions of the service received. Quality service has a positive effect on the bottom-line performance of a firm and thereby on the competitive advantages that could be gained from an improvement in the quality of the service offered so that the perceived service exceeds the service level desired by customers (Ladhari, 2008).

Nowadays, with increased competition, service quality has become a popular area of academic investigation and has been recognized as a key factor in keeping the competitive advantage and sustaining satisfying relationships with customers (Zeithmal et al., 2000). Service quality is considered an important tool for a firm's struggle to differentiate itself from its competitors (Ladhari, 2008). Service quality has received a great deal of attention from both academicians and practitioners (Negi, 2009). Duff et al. *British Journal of Marketing Studies* Vol.2, No.2, pp.1-11, June 2014 Published by European Centre for Research Training and Development UK

(2008) pointed out that, by defining service quality, companies will be able to deliver services with higher quality level.

Akroush (2008) also pointed out that service quality is the result of the comparison made by customers about what they feel service firms should offer, and perceptions of the performance of firms providing the services. Gronroos (2007) also defined service quality as the outcome of the comparison that consumers make between their expectations and perceptions. Customer's expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectation and quality is low when performance does not meet their expectation (Athanasopoulos et al., 2001). Perceived service is the outcome of the consumer's view of the service dimensions, which are both technical and functional in nature.

It is very vital to note here that, service quality is not only assessed as the end results but also on how it is delivered during service process and its ultimate effect on consumer's perceptions (Duncan & Elliot, 2004). Service quality has a strong correlation with customer satisfaction, financial performance, manufacturing costs, customer retention, customer loyalty, and the success of marketing strategy (Cronin et al., 2000; Wong et al., 2008). Organizations operating within the service sector consider service quality to be a strategic component of their marketing plan (Spathis et al., 2004). Through service quality, organizations can reach a higher level of service quality, a higher level of customer satisfaction, and can maintain a constant competitive advantage (Meuter et al., 2000).

Service quality also is defined as the degree of discrepancy between customer normative expectations for service and their perceptions of service performance. Service quality can be defined as meeting the needs and expectations of the customer (Kotler & Armstrong, 2010). The definition of service quality can be extended to the overall evaluation of a specific service with ten service quality dimensions: tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and understanding/knowing the customer (Lassar & Winsor, 2000). These ten dimensions were yielded from a questionnaire with 97 items (Ladhari, 2008). Zeithaml (2000) refined the ten dimensions into five to measure customer's perceived value of service quality, which is known as SERVQUAL.

2.1.5.1. Service Quality Model(SERVQUAL)

Most of the researchers have recognized and used the service quality measuring model in a variety of industries such as the service quality model improved by Akroush (2008). The service quality model of Baumann (2007) and Johnston (2007) suggested a five dimensional structure of perceived service quality tangibles, reliability, responsiveness, empathy and security as the instruments for measuring the service quality.

2.1.5.1.1. Tangibles as a SERVQUAL dimension

The tangibles involve the firms' representatives, physical facilities, materials, and equipment as well as communication materials. Furthermore, Physical environmental conditions appeared as a clear evidence of the care and attention paid for the details offered by the service provider (Ladhari, 2008). Davis et al. (2003) summarize tangibles like the physical confirmation of the service. More specifically, Magesh, (2010) define the tangibility appearance of physical facilities, equipment, personnel, and written materials. Finally, in the present research, tangibles are the facilities and the banking services offered by the providers of the Arab bank headquarters as perceived by the specific Arab banking customers. Such tangibles are measured using 4 items of the tangible dimension of the *22-item SERVQUAL*

2.1.5.1.2. Reliability as a SERVQUAL dimension

Reliability depends on handling customer service issues, performs the services right the first time; offers services on time, and maintain a record of error-free. Moreover, they define reliability as the most significant factor in conventional service (Malhotra & Mukherjee, 2004). Reliability also consists of the right order fulfillment; accurate records; accurate quote; right in the bill; Results are more accurate than commissions; keep the promise of service. He also mentions that reliability is the most significant factor in banking services (Magesh, 2010). More specifically, in a study by Parasuraman et al. (1985), SERVQUAL was applied to gather data in four different companies, including banks, credit card companies, the company's maintenance services, and long-distance phone company. He found high reliability in all four of these companies, with the possible exception of some of the values associated with significant dimensions (Mokhlis, 2012).

Finally, reliability is defined as the “ability to perform the promised service dependably and accurately.” (Zeithmal et al., 2000). In this research, reliability is the ability of banking service providers at a specific Arab bank to execute the promised service as perceived by the specific Arab bank headquarters’ banking customers. This is measured using 5 items of the reliability dimension of the 22-item SERVQUAL.

2.1.5.1.3. Responsiveness as a SERVQUAL dimension

Responsiveness is defined as “the willingness to help customers and provide prompt service” (Kanyurhi, 2013). Furthermore, Johnston (2005) defines responsiveness such as speed and timeliness of service delivery. This consists of processing speed and service capabilities to respond promptly to customer service requests, and wait a short and queuing time. More specifically, responsiveness is defined as the willingness or readiness of employees to provide services. It contains the timeliness of service (Baumann 2007). It also contains understanding the needs and requirements of the customer, easy operation time, individual attention provided by the staff, attention to the problem and customers' safety in their dealings (Kumar et al., 2009). Finally, in this research, responsiveness is the readiness of banking service providers at a specific Arab bank headquarters to provide punctual services as perceived by a specific Arab bank headquarters’ banking customers. This is measured using 4 items of the responsiveness dimension of the 22-item SERVQUAL

2.1.5.1.4. Empathy as a SERVQUAL dimension

Akroush(2008) defined empathy as a caring and individual attention that the firm provides to its clients. It contains giving individual attention to employees who understand the needs of their customers and customer facilities during business hours. Furthermore, Kanyurhi (2013) demonstrates empathy in their research of private sector banks, provide individual attention and easy operation time; give personal attention, and understand the specific needs of customers. Ladhari(20081) suggest that empathy contains approachability, sensitivity, and efforts to understand customer needs. Also, Johnston (2007) defined empathy as the ability to make customers feel welcome, especially by staff contacts. Additionally, the SERVQUAL model indicates that satisfaction is related to the size and direction of disconfirmation of a person’s

experience when he/she faces his/her initial expectations (Levesque & Dougall, 1996). This study uses 4 items of the empathy dimension of the 22- item SERVQUAL.

2.1.5.1.5. Assurance as a SERVQUAL dimension

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

2.1.6. Service Gaps

A gap is the difference, imbalance or disparity which is determined to exist between customers' perception of firm performance and their prior expectation. Parasuraman, et al.(1988) built the service quality gap model in their study and identified five general dimensions of service in order to determine the difference between customer expectations and perceptions and his works have been used by many service quality researchers and they have become prominent in the measurement of service quality.

- 1) Promotional gap: the inability of the business organization to fulfill expectations created in the minds of customers mainly by marketing communications.
- 2) Understanding gap: the gap occurred due to the inaccurate understanding of customer needs and priorities by the managers of the organization.
- 3) Procedural gap: the gap occurred due to the translation of customer expectations into appropriate operating procedures and systems with the business organization.
- 4) Behavioral gap: the difference between customer expectations and organization's performance, focusing on how procedures adequately cover service delivery requirements.
- 5) Perception gap: the difference between customer performance perceptions and reality.

In previous service research, meeting and exceeding expectations of clients and customers is a perspective that has gained most attraction. The important research gap here is attaining customers' expectation towards a particular service. Management of service quality largely focuses on managing the gaps between expectations and perceptions of customers. The goal of the firm is to minimize the gap between performance and expectation. Schneider & White (2004) also applied gap principles similar to that proposed by Parasuraman et al (1985).

2.1.7. Customer Expectation and Perception

Customers form service expectations from many sources, such as past experiences, word of mouth, and advertising. In general, customers compare the perceived service with the expected service. If the perceived service falls below the expected service, customers are disappointed. Successful companies add benefits to their offering that not only satisfy customers but surprise and delight them. Delighting customers is a matter of exceeding expectations (Philip Kotler, 2008).

Customers hold different types of expectations about service, the highest type of these are desired service and adequate service "Desired service is the level of service the customer hopes to receive". It is a combination of what customers believe "can be" and "should be" The expectations signal the level of customer hopes and wishes and belief that they may be fulfilled, thus failure to meet these expectations may result to customers cutting down on purchase (Maxwell et al, 2013).

Perceptions are always considered in relation to expectations. Perceptions are formed through customer's assessment of the quality of service provided by a company and whether they are satisfied with the overall service. Researchers argue that because of perceptions may shift over time it is necessary for companies to continually assess customer perceptions. (IBID)

2.1.8. The Relationship between Service Quality and Customer Satisfaction

According to Saglik (2014) the relationship between perception of quality and customer satisfaction is of great importance especially for the service sector. It could be suggested that this is because customers are not only interested in the tangible aspects of the products offered to them in the service sector but also the intangible aspects of these products in the provision process. Therefore, it could be suggested that in order for the service delivery businesses to

increase the level of customer satisfaction and consequently assure their competitiveness in the market, they should place more importance on, and pay greater attention to improving the service quality.

According to Angelova and Zekiri (2011) stated that in many countries, factors like: service quality, and perceived value, are the key constructs affecting the customer's satisfaction. During past few decades the interest of academics and researchers has been increased to measure the relationship between service quality and customer satisfaction. Both customer satisfaction and service quality are considered as extensive and vast subjects of research and many studies related to customer satisfaction are conducted in the area of service settings (Oliver and Swan, 1989; Cadotte, Woodruff and Jenkins, 1987; Swan and Trawick, 1980). In marketing theory, the consumer satisfaction category has the main position. It is based on the premise that the profit is made through the process of satisfaction of consumers "demands (Dubrovski, 2001). A further debate has considered whether service quality is a cause customer of satisfaction (Cronin and Taylor, 1992), (Parasuraman et al., 1985). It then helps to identify a link between both constructs.

The increased level of customer satisfaction decreases the chances that customers will be pointing the flaws in the quality (Anderson et al., 1997). In service settings it would offer a better perspective of the relative importance of service quality determinants by developing more comprehensive models of the drivers of customer satisfaction (Anderson et al., 1997). A great similarity between the customer satisfaction and service quality is observed, however researchers are careful to say that these two are different concepts (Spreng and Singh, 1993; Oliva, Oliver, & MacMillan, 1992).

In academics both constructs are recognized as distinct and independent (Oliver, 1980). Whereas a wide literature studies shows that both concepts are distinct conceptually but also are closely related to each other (Parasuraman et al., 1994; Shemwell et al., 1998) and any increase in one (quality) leads to increase in another (satisfaction) (Sureshchandar et al., 2002). However there are number of variations found in literature between service quality and customer satisfaction.

Cronin and Taylor (1994) and Boulton and Drew (1991) stated that Satisfaction is customer decision after an experience while quality is not.

According to Cronin and Taylor (1992), it is important to have this distinction between the two concept for managers and academics, as there is a greater need to understand either the firm's objective is to perform in a way that satisfies the customers or they should strive to provide maximum level of service quality perceived by its customers.

There are researchers like Hurley and Estelami (1998) who states that that service quality and satisfaction are distinct constructs, and there is a causal relationship between the two, and the impression about the quality of service influence emotions related to satisfaction which, in turn, affect future purchase behavior. Also customer satisfaction is viewed as the overall assessment of the service provider (Anderson et al., 1997).

The literature related to service quality and satisfaction has emphasized that customers compare the performance of product and services on some standards (Spreng&Mackoy, 1996). Also the quality of service as perceived by the customers is considered as an important factor that affects the level of satisfaction. Due to its relative importance in the service context it became a wide debatable topic and focus of research for academics. Literature revealed that the difference between perceived service quality and satisfaction is due to the use of different standards of comparison (Zeithaml et al., 1993 & Parasuraman et al., 1988). Different authors stated that the standard of comparison to form satisfaction depends on customer's feelings regarding what will come out (predictive expectations) where perceived service quality defines what customers believe that a firm should deliver, also it is a result of comparing the performance (Spreng&Mackoy, 1996).

Overall what different authors state about these two constructs and consider it as distinct concepts there is a great need to analyses the relationship between the two to understand either these are two different concepts or are similar. For this purpose, customer satisfaction with service quality models (McDougall & Levesque, 2000; Spreng&Mackoy, 1996) are discussed in

the following pages (p21-23) and based on these models a SQCS models is developed (p23-25) to explain the relationship between the both constructs.

2.1.9. Customer Satisfaction in Service Render Sector

According to Ladhari (2008), customer satisfaction is a key to long-term business success. To protect or gain market shares, organizations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers. In proportion to Magesh (2010), satisfaction means a feeling of pleasure because one has something or has achieved something. It is an action of fulfilling a need, desire, demand or expectation.

Customers compare their expectations about a specific product or services and its actual benefits. As stated by Kotler& Armstrong, (2010), satisfaction as a person's feelings of pleasure or disappointment resulting from the comparison of product's perceived performance in reference to expectations. Customer's feelings and beliefs also affect their satisfaction level. Zeithaml (2000) satisfaction or dissatisfaction is a measure or evaluation of a product or service's ability to meet a customer's need or expectations. Razak et al. (2007) also reported that overall satisfaction is the outcome of customer's evaluation of a set of experiences that are linked with the specific service provider. It is observed that organization's concentration on customer expectations resulted into greater satisfaction.

If the customers of an organization are satisfied by their services the result is that, they will be loyal to them and consequently be retained by the organization, which is positive for the organization because it could also mean higher profits, higher market share, and increasing customer base (Karatepe et al., 2005). Customer satisfaction has become important due to increased competition as it is considered very important factor in the determination of bank's competitiveness (Berry et al., 2002p;32).

Continuous measurement of satisfaction level is necessary in a systematic manner (Chakravarty et al., 1996). Because satisfied customer is the real asset for an organization that ensures long-term profitability even in the era of great competition. Cronin et al., (2000) mentioned in their study that satisfied customer repeat his/her experience to buy the products and also create new

customers by communication of positive message about it to others. On the other hand, dissatisfied customer may switch to alternative products/services and communicate negative message to others. Customer satisfaction is a set of feeling or outcome attached with customer's experience towards any product/ service (Solomon, 1998 p;44). Hence, organizations must ensure the customer satisfaction regarding their goods/services.

2.1.10. Classification of Service Qualities

Classified products into three categories using the works of economists;

- a) Search qualities: attributes that consumers can determine before purchasing the product. Search qualities include color, style, price, fit, feel, hardness and smell. Example of products is clothing, automobile, furniture and jeweler.
- b) Experience qualities: attributes that can be determined only after purchase or during consumption. Examples include taste and wear ability and examples include vacation packages and restaurant services.
- c) Credence qualities: attributes that consumer may find very difficult to evaluate (mainly due to insufficient technical knowledge) even after purchase and consumption. Examples include wheel alignment (auto repair), medical operation (Zeithaml, 2000p;12).

2.1.11. Customer Satisfaction in public organization Practice

Firstly, customer satisfaction is about consumer satisfaction (i.e. user satisfaction), rather than about buyer satisfaction (which may include non-users). Second, satisfaction is a feeling. It is a short-term attitude that can readily change given a constellation of circumstances. It resides in the user's mind and is different from observable behaviors such as product choice, complaining, and repurchase. Third, satisfaction commonly has thresholds at both a lower level (insufficiency or under fulfillment) and an upper level (excess or over-fulfillment). This means that a consumer's Satisfaction may drop if she/he "gets too much of a good thing."

Many people focus upon the lower threshold and neglect the potential for an upper threshold. With this definition in mind, we move to the traditional macro-model of customer satisfaction. This model underlies much of the research in customer satisfaction over the past decade. Note the following:

- Perceived performance often differs from objective or technical performance, especially when a product/service is complex, intangible, and when the consumer is unfamiliar with the product/service.
- Comparison standards can come from numerous sources that can vary widely by individual, by situation, and by product/service type.
- Perceived disconfirmation is the evaluation of perceived performance according to one or more comparison standards. Disconfirmation can have a positive effect (generally implying a satisfying result), a negative effect (generally implying a dissatisfying result), or a zero effect.
- Satisfaction feeling is a state of mind, an attitude. The phrase “mixed feelings” applies here, as a consumer may have different levels of satisfaction for different parts of a product/service experience.
- Outcomes of satisfaction feelings may involve intent to repurchase, word-of-mouth (the consumer’s communication with her/his network of her/his approval/disapproval for a product/service), and complaints.

2.1. 12. Customer Expectations

In the beginning of a service experience delivery process, customers are looking forward to service encounters with eager anticipation. In other words, what customers expect to acquire from service providers can define diverse customer expectations. Moreover, customer expectations are regarded as desires or wants of customers, i.e. what they feel a service provider should offer more than what would offer (Levesque & Dougall, 1996 p; 32).

Understanding customer expectations of a service played an important role for delivering satisfactory services. Previous researches had presented that how customers assess the performance of a service provider was based on the single level of expectation standard, which meant customer felt a service provider should offer. However, past researchers kept evolving and extending the conceptual model of expectations, putting a lot of effort to pinpoint the critical element within customer expectations. These researchers offered multilevel of customer expectations (Baker, 2000p; 31).

2.2. Empirical Literatures

Service quality is found to be a strong predictor of customer satisfaction. Researches in different industries have investigated the relationship between service quality (its dimensions) and customer satisfaction – telecommunications. In traditional banking service quality dimensions of relational performance, core performance and features performance were found to be significant predictors of customer satisfaction (Magesh, 2010). Various studies have been conducted in similar area, where in banking service quality dimensions have been tested as predictors of customer satisfaction (Krepapa et al., 2003; McDougall and Levesque, 2000; Ndubisi and Wah, 2005p;33). There are many research works done related with this study. However the researcher tried to see four of them which are more related to the topic. The titles with their objectives and major findings are discussed below to have an insight about these studies.

The first work is MBA thesis done by Daniel (May, 2015) with title of “Assessment of quality of service delivery and customer satisfaction: a case study of EEPCO, Southern Addis Ababa Region customer service centers”. The main purpose of the study is to assess quality of service delivery and customer satisfaction of EEPCO with the following specific objectives: to assess the overall quality of service rendered by EEPCO, to understand real situation on how EEPCO handle its customers and to assess whether the current service provided by the corporation satisfies customers or not.

Based on these objectives he found that the service provided by the corporation has improved during the last three years. Concerning the bill collection activity of the corporation, the customers were asked to rate the frequency of payment period, payment mechanism available, time required to pay their bills and treatment by the bill collection employees. The result is relatively better. Customers’ response on their overall satisfaction on the service quality of the corporation is strongly satisfied. The corporation’s service recovery procedure of Service failure and customers’ response on complaint handling processes of the corporation is poor.

Research has shown that the quality of services and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers. Taylor (2001) concluded that the quality of after sales services can lead to very positive results through customer loyalty, positive WOM, repetitive sales and cross-selling. Leonard L. (1995) said that because of the amount of money that is typically invested in an insurance policy, customers seek long-term relationships with their insurance companies and respective agents in order to reduce risks and uncertainties. Raj Arora, Charles Stoner, (1996) on their research found that perceived service quality has a significant effect on the attitude towards obtaining insurance. Westbrook and Peterson (1998) also found that professional customers evaluate the quality of services in the same way as retail customers.

Overall, the causal relationships between service quality and customer satisfaction have been examined by a number of studies, in service settings around the world. A review of literature revealed that the earlier studies on measurement of customer perceived service quality were very few for insurance and banking industry, more so in the Ethiopian context. Let's see some of the works as follows.

Research has shown that the quality of services and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers. Ravi k. (2011).Based on this study of comparison on the insurance service quality aspects of Chinese and Indian customers using service quality model, a high significance of correlation is found in both countries. These major correlations are the personal support they receive from employees, rather than the technical innovations they apply matter very critically. These supports include first rate service, personal recognition and friendly interactions and a sense of confidence and trust.

Although the study focuses on insurance product of business, the review emphasizes the results can be used in other industries of other countries as well. The results of this study support the claims of Ravik. (2011) that perceptions of service quality vary by nationality due to differences in economic, social and cultural environments. Researchers are thus encouraged to replicate this study in different countries. Therefore, these measurements should be incorporated by modifying necessary changes in service quality aspects in accordance with the socioeconomic environment

of that nation. Hence the need to adapt necessary changes of service quality studies in the Ethiopian context. Empirical evidence on service quality reflects that since SERVQUAL was developed in western country, it has been suggested that researchers should be sensitive to cultural differences in examining the dimensionality of service quality in other countries Ravin.K.(2011). In examining of cross cultural differences between North American and Latin American consumers (Collart,2000) found that the relative importance of service quality dimensions was different between the two groups. Collart, 2000 claims that customers from different cultures perceive service quality differently. Gil et al, (2004) partly support this claim; they found that UK and USA customers have different reactions to poor service.

Further empirical review of literature reveals that a specific application of the SERVEQUAL model is tailored to the business norm and model of a given country. A typical study by Graham K.(2004) is the comparative analysis of the insurance service qualities of Greece and Kenya. More specifically GIQUAL is used as an instrument in order to measure the service quality of the Greek insurance industry. This shows that the items must be customized to gauge to the business environment. For example four additional items were added to evaluate the effect of price, product quality ,ambiguity of insurance contracts in insurance claims settlement were taken as perceptions of the items in Greek insurance industry which is more prominent features of the industry.

Another assessment of the outcome of the test in the industry shows that tangibility has no significant impact. This is because their business is heavily dependent on the Agency system, where customers contact the companies through sales agents or brokers. In comparison, the Kenyan insurance industry has some roots of influence of culture in the early years of the British colony. A remarkable analysis of the research design in the study reveals that the SERVEQUAL metric in investigating service quality in the respective industries were distinctively different in terms of design and operationalization (Evangelos& Graham, 2004; p - 16).

It is attribute specific where it relates to a specific product or service (Cronin & Taylor, 1992). For instance, with Nib Insurance S.C, satisfaction can be related to a specific attribute such as:

Comprehensive Insurance, Third Party Insurance, Bond insurance, Marine insurance, or satisfaction with the claim processes among others. On the other hand, customer satisfaction can be related to the overall performance of a product/service or the overall performance of an organization's products/services (Cronin & Taylor, 1992). The present study relates customer satisfaction to the overall performance of services delivered by Nib Insurance S.C in order to generalize the findings for managerial implications.

The second work is master's thesis done by Aman (2008) with title of "Effects of service delivery process and service quality on customer satisfaction: a case study of EEPCO, North Western region, Bahir Dar town customer service centers". The main purpose of the study is to examine the effect of service delivery process and service quality on satisfaction of customers of EEPCO with the following specific objectives: to examine the effect of service delivery process and service quality on customer satisfaction and to understand real situation n how EEPCO handle its customers.

Based on these objectives he found that the service provided by the corporation has improved during the last three years. However, the majority of the respondents dissatisfied with the service delivery procedure available in the corporation. Moreover, service failure and recovery procedure is rated as poor both by employees as well as by the customers.

The third work is done by Eskinder (2007) entitled as, "the effect of public sector service quality on customer satisfaction: the case study of Ethiopian Telecommunication Corporation (ETC)." His main objective is to examine and give a clear picture of the improved customer service. The researcher found similar results what Aman found. The service provided by the corporation has improved a little in the past one year. However, there is dissatisfaction due to physical infrastructures problems, inability to handle customer complaints in service situation and poor quality of internet service.

The fourth work is done by Ahmed (2014) entitled as “The assessment of customer satisfaction levels on the broadband internet service”: A case study on enterprise customers of Ethio-Telecom in Addis Ababa. His main objective is to assess and analyze the customer satisfaction levels on the broad band internet service of enterprise subscribers located in Addis Ababa.

The researcher found that measurement of satisfaction on service delivery was mean good satisfaction by the customers. Similarly this study tries to assess the stated objectives based on theoretical knowledge and give more emphasis on quality service delivery and customer satisfaction.

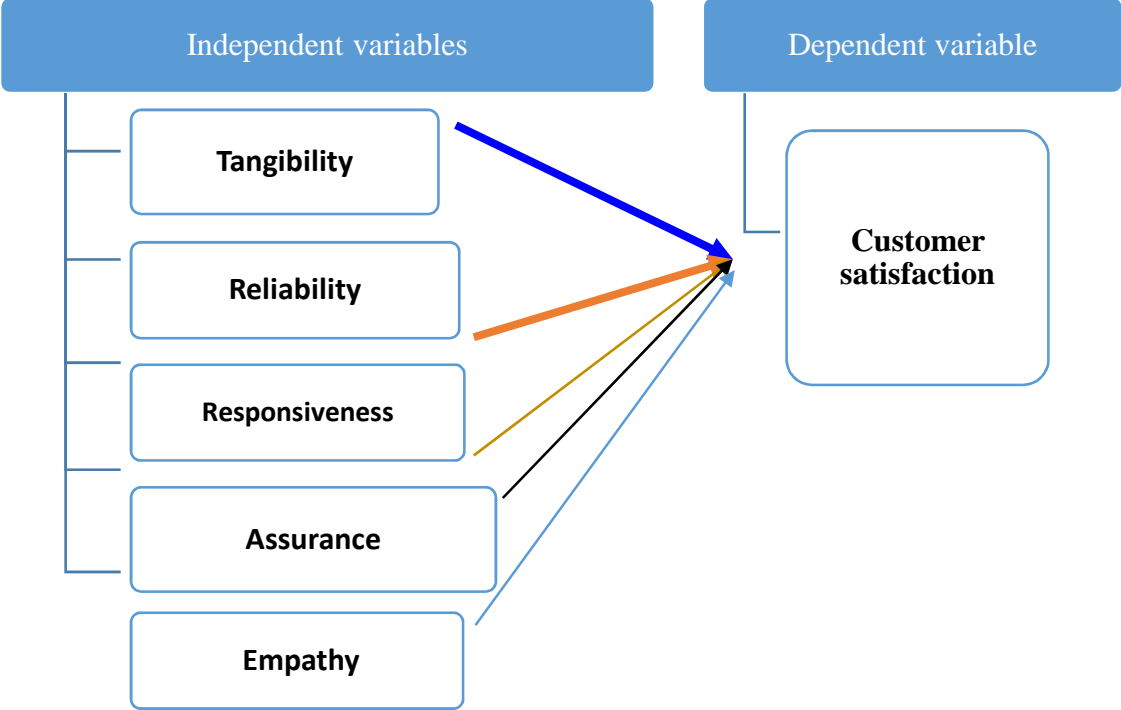
The fifth work is done by Rahel (2014) entitled as “Contribution of unified billing system in facilitating public service delivery: the case of selected lehulu centers in Addis Ababa.” Her main objectives were to analyze the role of UBS in bringing convenience and to analyze and assess whether the UBS meets the values of public service delivery. Based on these objectives, the researcher found that level of satisfaction on service delivery was good .Similarly this study tried to assess the stated objectives based on theoretical knowledge and gave more emphasis on quality service delivery and customer satisfaction.

2.3. Conceptual Framework

Based on the theoretical and empirical evidences discussed above, the researcher came up with the following conceptual framework. The relation between service quality and customer satisfaction has been addressed in several studies, including Cronin and Taylor (1992)and Oliver (1993). Bearing this in mind, the conceptual framework explains the underlying process, which was applied to guide this study. As discussed above, the SERVQUAL model is suitable for measuring service quality and customer satisfaction in banking sectors. The researcher used SERVQUAL model to assess CBE services quality and customer satisfaction.Since SERVQUAL uses the same five service quality dimensions (reliability, tangibility, responsiveness, assurance, and empathy), it had significant and positive impact on customer satisfaction. Therefore, to attain the objectives of the research, the study is based on SERVQUAL.

Figure -1below presents the study’s conceptual framework, which essentially stipulates that overall customer satisfaction (dependent variable) would be a function of reliability, tangibility, responsiveness, assurance, and empathy (independent variables).

Figure 1: Conceptual Framework



Source: Cronin and Taylor, 1992

CHAPTER THREE

RESEARCH METHOD

3.1. Introduction

This chapter gives a brief description on how the research was conducted. It includes research approach, source of data, population of the study, sampling techniques and procedures, sample size determination, method of data collection, method of data analysis and ethical research consideration.

3.2. Research approach and Design

3.2.1. Research Approach

In this study quantitative research approach was applied. According to Svensson (2003) the quantitative research approach is best to investigate the perceptions and problem of the study and to discover the hidden values, feelings attitudes and motivations. It uses deductive approach; the focus is on testing the theories related to the topic by analyzing and collecting the data (Bryman& Bell, 2007).

3.2.2. Research Design

A research design provides a framework for the collection and analysis of data. A choice of research design reflects decisions about the priority being given to the following; expressing causal connections between variables, generalizing to larger groups of individuals than those actually forming part of the investigation, understanding behavior and meaning of that behavior in its specific social context and having a temporal appreciation of social phenomena and their interconnections (Bryman& Bell, 2007). Both descriptive and explanatory study designs were applied. The reason behind using descriptive research design is because it helps to describe the opinion of respondents towards the study variables. And explanatory research design, to explaining, understands and controls the relationship between the dependent and independent variables. An explanatory research design is a correlation design that enables the researcher to

examine the extent to which two or more variables are associated. Moreover, this type of research design provides the researcher to collect data at one point in time (Creswell, 2012).

3.3. Sources of Data

The choice of particular method of collecting data depend on the purpose of collecting data, the information being collected, the resource available for the research and the skill of the researcher (Kothari,2004). There are two sources of data collection. These are primary and secondary source of data. Primary data involves the collection of data that does not already exist. In order to get the service quality level of CBE from the customers' point of view, this research has been conducted using primary data. The study was collecting the primary data. These are questionnaire. The survey has been basically conducted using questionnaires. The data that has been collected from secondary source served as a support for the data that was collected and analyzed using primary sources of data. Secondary sources of data have been proved by many researchers to be used as an evidence of resulted pulled from the use of primary data.

3.3.1. Primary Data

Primary data sources are those data that were gathered for a specific research project. Primary data are more accurate and reliable compared to secondary data (Saundera, Lawis, &Thornhill, 2003). Primary data source is what the researcher originally collected from the sample or target population of the study. Primary data involves the collection of data that does not already exist. In order to get the service quality level of CBE from the customers' point of view, this research has been conducted using primary data.

3.3.2. Secondary Data

The secondary source of data were obtain from publish article in business journal, Magazines, books, thesis, company report, public website and other related studies.

3.4. Data Collection Instrument

This study has been designed to assess the level of service quality and customer satisfaction from CBE customers' perspective. Data was collected from the customers through questionnaires of CBE branch. "Quite often questionnaire is considered as the heart of a survey operation. Hence it should be very carefully constructed. If it is not properly set up, then the survey is bound to fail" (Kothari, 2004). The questionnaire had three parts. The first part intended to understand the personal information of respondents using nominal scale. The second part contained the perceptions and expectation of respondents and the third overall customer satisfaction regarding the measurement dimensions. All this dimensions were rated using a five point Likert-type scale (i.e. 1= strongly disagree, 2= disagree, 3=neutral, 4= agree, and 5= strongly agree)

3.5. Target population and Sampling Technique of the study

3.5.1. Target population

Target population is the population which the researcher wants to generalize the results of the Study (Mugenda&Mugenda, 2003). The target population for the research was customers of the company. As seen from observation, company customers were varies in number in different times. It is difficult to quantify in number since the number of customers is infinite and are not consistent in different branches of CBE. There are currently more than 1284 branches throughout the country (NBE, 2018). Questionnaires were distributed for customers of CBE. Managers and employees were excluded from the study. The total population of the study around Addis Ababa is 293,326 customers according to NBE report of 2016. However, the study was conducted in Ayertena branch. In this branch, there are 820 premium customers. Hence; the target population constituted 820 premium customers.

3.5.2. Sampling techniques and Sample size determination

The study employed convenience sampling technique. This is because to find adequate information by selecting customers accessible for the study. Convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher. Therefore, the sample size of the population has been selected based on the total population size of the study area.

According to NBE report of 2018, CBE in Addis Ababa has around 293,326 customers in its different branches and from this the bank identified active account as a premium customer of 96,270. However, clearly Ayertena branch premium customers were around 820 (NBE, 2020).

Considering the size and the time, it was hard to collect data on the whole population. Sample of size of the study was determined by using the formula adopted from kreijcie and morgans (1970) for that of number of population is greater than 400, Yemane, 1967 for that of known population. As it is indicated here, number of premium customers in Ayertena branch CBE was around 820. Thus; using the following formula, the sample size was calculated and determined.

$$n = \frac{N}{1 + Ne^2}$$

Where: n= the sample size, N = population, e= margin of error

The researcher assumes the margin of error for this research to be 5%. This will ensure that the confidence level of the research is within the scientifically accepted 95%. Therefore; in application of the formula;

$$n = \frac{820}{1 + (820 * 0.05)^2}$$

$$n = \frac{820}{3.0}$$

$$n = 269$$

3.6. Data Analysis Tools

The researcher used SPSS-20 (Statistical Package for the Social Sciences) software to process the quantitative data. Specific analysis techniques named percentage, comparing mean, regression and correlation were employed based on the requirement of the specific research objectives formulated for the study.

The main aim of this research is to determine customers' satisfaction by service quality dimensions for services provided by the company and to find out whether these dimensions have an impact on their satisfaction from the service. Therefore, regression and correlation are the best analysis tools. The data gathered from respondents was summarized using descriptive statistic methods like tables, frequency counts, and percentages. To test the gap between perceived and expected service quality a mean score and standard deviations were used to offer a condensed

data. In addition, Pearson correlation analysis was used to explore the relationship between service quality dimensions and customer satisfaction. And also, a multiple linear regression analysis was used to find out the impact of independent variables on the dependent one. The equation of multiple regressions on this study is generally built around two sets of variable, namely dependent variables (customer satisfaction) and independent variables (Tangibility, reliability, responsiveness, assurance, and empathy). The basic objective of using regression equation on this study is to make the researcher more effective at describing, understanding, predicting, and controlling the stated variables.

3.7. Reliability and Validity

3.7.1. Reliability

Cronbach's alpha is a tool for assessing reliability scale which normally ranges between 0 and 1. Internal consistency reliability is a measure of consistency between different items of the same construct. If a multiple-item construct measure is administered to respondents, the extent to which respondents rate those items in a similar manner is a reflection of internal consistency. Hence, a multiple item measurement scale internal consistency method was used using the service quality model (SERVQUAL) of Baumann (2007) and Johnston (2007). According to George and Mallery (2003), "a Cronbach's alpha coefficient greater than 0.9 implies excellent, greater than 0.8 is good, greater than 0.7 is acceptable, greater than 0.6 is questionable, greater than 0.5 is poor, and less than 0.5 is unacceptable". Accordingly, the reliability test of each dimension is greater than 70%; so the Cronbach alpha test is acceptable.

Table 01: Reliability Test of the Study

Variables	Cronbach's Alpha value	Number of Items
Tangibility	.704	4
Reliability	.787	4
Responsiveness	.737	4
Assurance	.752	5
Empathy	.704	5
Service quality	.713	6

Sources; own survey, 2021

3.7.2. Validity

Validity is determining whether the findings are accurate from the standpoint of the researcher, the participant, or the readers of an account (John, W.C. 2009). This study's validity was assured through conducting interview with few of sample population to determine accuracy of finding drawn from questionnaire. Also opinion from the research advisor and experts ensure the content validity, whether the items measure the area of interest or the concept it intends to measure which were advanced its validity.

3.8. Model Specification of the study

Regress customer satisfaction on the service quality dimensions was applied as model of the study to test the regression and correlation analysis.

$$Y_i = 1 + 2X_2 + 3X_3 + 4X_4 + 5X_5 + 6X_6$$

Where, "Y" is the dependent variable - customer satisfaction, "X2", "X3", "X4", "X5", and "X6" are the explanatory variables (or the regresses).

" 1" is the intercept term- it gives the mean or average effect on "Y" of all the variables excluded from the equation, although its mechanical interpretation is the average value of "Y" when the stated independent variables are set equal to zero.

" 2", " 3", " 4", " 5", and " 6" refers to the coefficient of their respective independent variable which measures the change in the mean value of "Y", per unit change in their respective independent variables.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1. Introduction

This chapter presents analysis, interpretation and findings of information collected through self-administered questionnaires with 232 randomly selected customers of CBE in Ayetena branch. The analysis was based on the information obtained from 232 customers. In order to get a representative data 232 questionnaires were prepared and distributed to customers of the bank. Out of these 232 questionnaires distributed to customers, 232(100%) there is no questionnaires were omitted for their errors. Thus, the analysis was based on the valid 232 questionnaires response from customers.

Statistics indicating service quality dimensions for building customer satisfaction after the collection of the questionnaires from the respondents, the researcher explored, “what are the gaps of customers’ perception and expectation based on service dimensions in CBE?” (i.e. Tangibility, Reliability, Responsiveness, Assurance, and Empathy)

4.2. Response Rate

The target respondents were prominent customers of Ayertena Branches of Commercial bank of Ethiopia Addis Ababa District, and 269 questionnaires were distributed and 232 (86.2%) of the questionnaires were completed and returned the rest 37 (13.8%) questionnaires were refusals and not reached which were not properly responded, which is acceptable. According to Frank (2002) there’s no magic figure on response rates. Higher is better: 60% would be marginal 70% is reasonable, 80% would be good, and 90% would be excellent. The reason that lower response rates are problematic is, of course, that people who don’t respond may well be different from those who do. Low response rates therefore can create sampling bias; the lower the rate, the greater the risk of such bias.

Table 02: Total Number of questionnaires distributed, returned and unreturned

Questionnaires	Number	Percentage
Returned	232	86.2%
Unreturned	37	13.8%
Total distributed	269	100%

Source; own survey, 2021

4.3 Demographic Background of Respondents

The respondents' demographic profile was assessed in terms of gender, age group, educational background and work experience on customers of CBE. The table below shows demographic profile of the respondent's sex composition of the respondents with their respective frequencies and percentages. Total of 232 respondents participated in the study. Out of this respondents 124 (53.4%) of the respondents were male and remaining 108 (46.6%) of the respondents were females, this implies that large proportion of prominent customers in CBE are male.

The age of majority customers were in between 40-49 years that accounts 44.8%. The age of the minority customers in the CBE are 50 and above years that is 9.9%. This indicated that most of the prominent customers are adult age group. the respondents' qualification levels were divided into three groups, I.e. 24% were certified, 11.2% diploma, and the remaining 64.8% were degree and above holders. This implies that the company's majority customers are educated.

Table 03: Background information of the respondents

Biographic	Frequency	Percent (%)
Gender		
Male	124	53.4
Female	108	46.6
Total	232	100.0%
Age		
20-29years	49	21.2
30-39years	56	24.1
40-49years	104	44.8
50 and Above	23	9.9
Total	232	100.0%
Education		
Below diploma	56	24.1
Certified Diploma	26	11.2
First Degree and Above	150	64.7
Total	232	100.0%

Source: own survey using v23 SPSS, 2021.

4.4 Customer Expectation and Perception of Service Quality Dimensions

Table 04: Description of Mean score

No.	Mean Score Description	Description
1	<3.39	Low
2	3.40-3.79	Moderate
3	➤ 3.8	High

Source: Zaidatol and Bagheri(2009)

4.4.1 Expected and perceived service qualities of Assurance

Table 05: Quality dimensions Assurance

Quality Dimension Assurance	Mean	Std. Dev.
Employees are professionally competency and know how to answer your questions.	2.96	1.15
Employee's knowledge in understanding your needs to provide complains free service.	3.03	1.14
Employees are polite in handling customers.	3.04	1.09
The personal characteristics of the staff are excellent.	3.19	1.11
Safety on your transactions / delivery of service with the branch.	3.59	1.05
Grand mean	3.16	

Source: own survey using v23 SPSS, 2021.

We can see from table 05 the mean value for all assurance dimension questions except question fifth lied on the low mean value category which is 2.96, 3.03, 3.03 and 3.19 that below 3.39 that show highest gap. Only assurance question number fifth the mean value 3.59 has in moderate case that say safety in branch office in the case of service delivery to their customers.

It concludes that the mean of assurance is 3.16 under 3.39 which show that there is relatively higher gap between what it should be and what it actually is. Assurance is developed by the level of knowledge and courtesy displayed by the employees in rendering the services and their ability to instill trust and confidence in customer (Blery et al., 2009).

4.4.2 Expected and perceived service qualities of Tangibles

Table 06: Quality Dimensions Tangibility

Quality Dimension Tangibility	Mean	Std. Dev.
Branch office used enough equipment provides service.	3.38	0.89
physical facilities are clean, comfort and attractive	3.22	0.98
Appropriate appearance of employees are good	3.46	0.98
The branch office location convenient for your own business.	3.20	0.98
Grand mean	3.31	

Source: own survey using v23 SPSS, 2021.

As table 06 indicates, the mean value for tangibility dimension questions shows relatively good value compared with the previous service quality dimensions. Only the first tangibility questions which is “branch office used enough equipment provides service shows a low mean value that 3.38 with the standard deviation of 0.5. The other tangibility dimension questions are all in between 3.39 and 3.79 that mean they are in moderate level of mean value which shows that most respondents are agree on the questions. The highest mean value for tangibility questions leads on the question three that is the appropriate appearance of employees which is 3.7 with standard deviation Of 0.53 that shows most respondents agree on question three. It concludes that the mean of tangibility is 3.31 under 3.39 which show that there is relatively higher gap between what it should be and what it actually is in the bank system of Ayertena branch for prominent customers.so, still gap is exist with regards to tangibility aspect.

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

4.4.3 Expected and perceived service qualities of Empathy

Table 07: Quality Dimensions Empathy

Quality Dimension Empathy	Mean	Std. Dev.
Employee are aware of attracting customers to retain for long run	3.13	1.13
Employees are treating customers in caring and respectful way.	3.05	1.11
Branch office Provide useful and accurate information to small all customers.	3.16	1.11
Employees are giving enough personal attention to their customers.	3.23	1.12
The bank procedures are simple, clear and understandable for all stake holders	3.6	1.25
Grand mean	3.23	

Source: own survey using v23 SPSS, 2021.

Regarding the empathy dimensions of service quality, table 07 shows that all the mean values are under 3.39 which shows that there is relatively higher gap between what it should be and what it actually is available in relation to understanding the needs of customers before asking them. And the only empathy dimension question which lies in moderate case in the fifth empathy question that says the bank procedures are simple, clear and understandable for all stake holders it has mean value of 3.6 with a standard deviation of 0.63. It concludes that the mean value of empathy dimension is 3.23 under 3.39 which show that there is relatively higher gap between what it should be and what it actually available in the bank system as a whole. This study was supported by (Blery et al., 2009).

4.4.4 Expected and perceived service qualities of Reliability

Table 08: Quality Dimensions Reliability

Quality Dimensions Reliability	Mean	Std. Dev.
Employees are willingness to solve your problem promptly.	3.31	1.05
The staff delivering service free from error.	3.01	1.11
Maintain profile in organized and integrated manner.	3.15	1.03
Ease in locating and contacting appropriate officers at branch office.	3.50	1.11
Grand mean	3.24	0.67

Source: own survey using v23 SPSS, 2021.

Regarding the reliability dimensions of service quality, table 08 shows that all the mean values are under 3.39 which show that there is a big gap regarding reliability dimension. And the only reliability dimension question which lies in moderate case in the fourth reliability question that says Ease in locating and contacting appropriate officers at branch office has mean value of 3.24 with a standard deviation of 0.67. Different researchers were supported this dimension as a study area of service quality. These studies were supported by (Blery et al., 2009) reliability means the ability of a service provider to provide the committed services truthfully and consistently.

4.4.5 Expected and perceived service qualities of Responsiveness

Table 09: Quality Dimensions Responsiveness

Quality Dimensions Responsiveness	Mean	Std. Dev.
Employees are willing to accept feedback and comments on irregularities.	3.20	1.30
Employees are always willing to help customers.	3.4	1.21
Employees are giving timely service to you.	3.28	1.24
Timely response when customers have different complains	3.1	1.23
Grand mean	3.25	0.78.

Source: own survey using v23 SPSS, 2021.

Regarding the responsiveness dimensions of service quality, table 09 shows all the mean values are under 3.39 which shows that there is a big gap regarding responsiveness dimension. And mean value of 3.25 with a standard deviation of 0.78.

4.5 Level of Customer Satisfaction

Table 10: Frequency distribution of overall level of customer satisfaction

Items	Frequency	Percent
Strongly dissatisfied	14	6.2
Dissatisfied	27	11.6
Neutral	79	34
Satisfied	75	32.3
Strongly satisfied	37	15.9
Total	232	100

Source: own survey using v23 SPSS, 2021.

As we can see on table 10; 6.2% of the respondents are strongly dissatisfied with the service they have taken from the branch, 11.6% of the respondents are dissatisfied, 34% are neutral it implies neither dissatisfied nor satisfied with the service quality given and this is the highest average than the result, 32.3% of the respondents are satisfied and the remaining 15.9% of the respondents are very satisfied. Satisfaction is a feeling that surfaces from an evaluation process, i.e. when the consumer of a good or service compares what is received against what is expected from the utilization of that good or service (Kotler et al., 2009).

Table 11: Overall customer satisfaction statistics

		Overall customer satisfaction
N	Valid	232
	Missing	0
Mean		3.27
Sta. deviation		1.18

Source: own survey using v23 SPSS, 2021.

As table 11 shows, the mean value for customer satisfaction is 3.27 with a standard deviation of 1.18 respectively. The mean value for customer satisfaction is low, that show that there is a big gap between what it should be and what is actually available. Satisfaction is a feeling that surfaces from an evaluation process, i.e. when the consumer of a good or service compares what is received against what is expected from the utilization of that good or service (Kotler et al., 2009).

4.6 Correlation Analysis

Correlation means the relationship between variables and it measures the degree to which two sets of data are related. When the correlation is 1 or -1, a perfectly linear positive and negative relationship exists. When the correlation is 0, there is no relationship between the two sets of data (Vignaswaran; 2005). This study were triangulated by (Bitta , 2014); According to (Bitta , 2014); The Pearson correlation coefficient is a measure of the strength of a linear association between two variables and is denoted by 'r'. The Pearson correlation coefficient, r, can take a range of values from +1 to 1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association, that is, as the value of one variable increases so does the value of the other variable. A value less than 0 indicates a negative association, that is, as the value of one variable increases the value of the other variable decreases. Table 12 lists the range of coefficient values with the level of strength of the relationship among the variables.

Table 12: Strength of the Correlation Reference

Range of coefficient	Relation between variables
0.70-0.90	Very strong association
0.50-0.69	Strong association
0.30-0.49	Moderate association
0.10-0.29	Weak association
0.01-0.09	None

Source: Alawdael (2010)

4.6.1 Correlation analysis between Service quality and Customer satisfaction

As shown in the objectives conceptual frame work of this study, to test the relationship between service quality dimensions on customer satisfaction, the following correlation analysis is performed. Table 13 shows that all service quality dimensions have significant positive relationship with customer satisfaction. The result shows that, there is moderate positive correlation between tangibility and customer satisfaction ($r=0.41$, $p<0.01$), there is weak positive correlation between empathy and customer satisfaction($r=0.11$, $p<0.01$), assurance and customer satisfaction($r=0.65$, $p<0.01$), reliability and customer satisfaction($r=0.20$, $p<0.01$),and finally there is moderate positive correlation between responsiveness and customer satisfaction($r=0.31$, $p<0.01$).

Table 13: Correlation matrix of five service quality dimension with customer satisfaction

Service quality items		Customer satisfaction
Assurance	Person correlation	.17
	Sig.(2 tailed)	.000
Tangibility	Person correlation	.41
	Sig.(2 tailed)	.000
Empathy	Person correlation	.11
	Sig.(2 tailed)	.000
Reliability	Person correlation	.209
	Sig.(2 tailed)	.000
Responsiveness	Person correlation	.31
	Sig.(2 tailed)	.000

Source: own survey using v23 SPSS, 2021.

4.7 Regression Analysis

4.7.1 Basic Assumptions of Regression Analysis

There are five assumptions associated with a linear regression model: Linearity: The relationship between X and the mean of Y is linear. Homoscedasticity: The variance of residual is the same for any value of X. Independence: Observations are independent of each other.

4.7.2 Multicollinearity

Multiple regressions assume that there is no collinearity between the independent variables. The variance inflation factor (VIF), which quantifies the severity of multicollinearity in regression analysis, is used in this study to test for multicollinearity issues. The tolerance statistics, which is the reciprocal of VIF (1/VIF), also used to test multicollinearity. Multicollinearity occurs when there are high intercorrelations among some set of independent variables. As a rule of thumb when tolerance value is less than 0.1 and the VIF is greater than 10 signals the presence of multicollinearity issue, which may lead to misleading and/or inaccurate results (Field, 2013; Mooi & Sarstedt, 2014). The result of multicollinearity is summarized in the table below.

Table 14: Collinearity Statistics

Independent variables	Tolerance	VIF
Assurance	0.308	3.251
Tangibility	0.307	3.260
Empathy	0.122	8.218
Reliability	0.127	7.854
Responsiveness	0.782	1.279

Source: Own survey, May 2022

The analysis of the multicollinearity test depicted that the tolerance level is well above 0.1 for all variables and VIF is less than 10. This implies that there is no multicollinearity issue in the predictor variables in the data set.

4.7.3 Linearity

Multiple regressions assume that there is a linear relationship between the dependent and independent variables. The linearity test result indicated that there is a linear relationship between the independent variables and the dependent variables. The null hypothesis that claims deviation from linearity is rejected at a 1% significance level for tangibility, assurance, empathy, and responsiveness. While for reliability the significance level is 10.9%, which indicates that it tends to be is relatively non-linear. Please see Table 15 below.

Table 15: Linearity Test

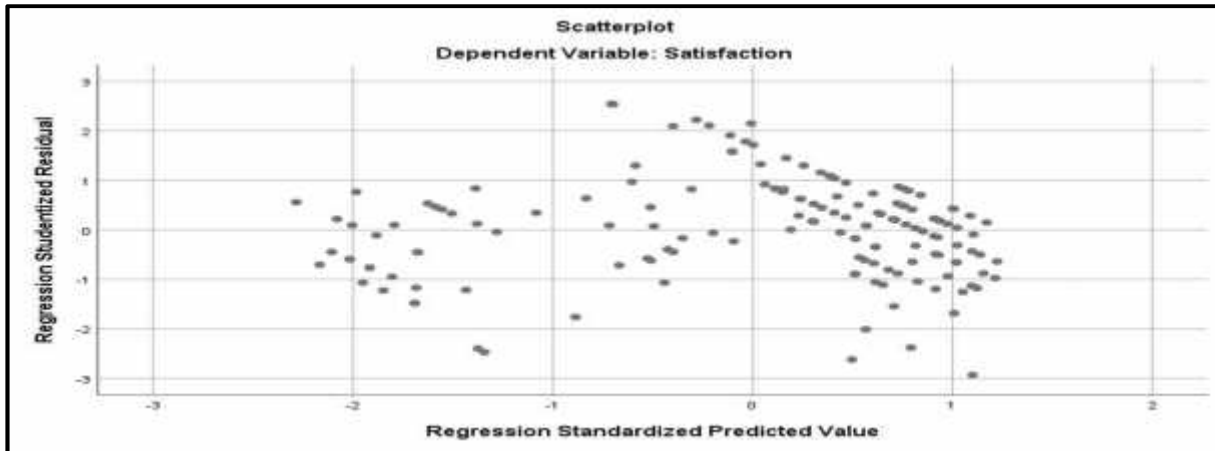
ANOVA Table							
			Sum of Squares	df	Mean Square	F	Sig.
Satisfaction * Assurance	Between Groups	(Combined)	113.045	13	8.696	17.129	0.000
		Linearity	101.863	1	101.863	200.647	0.000
		Deviation from Linearity	11.181	12	0.932	1.835	0.048
	Within Groups		72.090	219	0.508		
Satisfaction * Tangibility	Between Groups	(Combined)	134.636	16	8.415	23.162	0.000
		Linearity	112.439	1	112.439	309.494	0.000
		Deviation from Linearity	22.197	15	1.480	4.073	0.000
	Within Groups		50.499	216	0.363		
Satisfaction * Empathy	Between Groups	(Combined)	147.827	20	7.391	26.747	0.000
		Linearity	121.633	1	121.633	440.144	0.000
		Deviation from Linearity	26.194	19	1.379	4.989	0.000
	Within Groups		37.307	212	0.276		
Satisfaction * Reliability	Between Groups	(Combined)	149.478	16	9.342	36.419	0.000
		Linearity	123.562	1	123.562	481.684	0.000
		Deviation from Linearity	25.915	15	1.728	6.735	0.000
	Within Groups		35.657	216	0.257		
Satisfaction * Responsiveness	Between Groups	(Combined)	40.855	17	2.403	2.299	0.004
		Linearity	15.826	1	15.826	15.137	0.000
		Deviation from Linearity	25.029	16	1.564	1.496	0.109
	Within Groups		144.280	215	1.046		
	Total		185.134	232			

Source: Own survey, May 2022

7.4.4 Homoscedasticity

Homoscedasticity is an assumption that the variance of the error term is constant. If this does not hold it affects the standard error of the regression coefficient hence automatically affect the significance level (p-value). A scatterplot of the dependent variable against the standardized residual can be used to test if heteroscedasticity exists. If the points are typically funnel-shaped or exhibit variance as the independent variable increases or decreases, there is a heteroscedasticity issue. The scatter plot below does not exhibit a funnel-shaped variance as they move along the dependent variable access, hence the assumption of homoscedasticity holds for this study.

Figure 2 : Scatterplot for homoscedasticity test

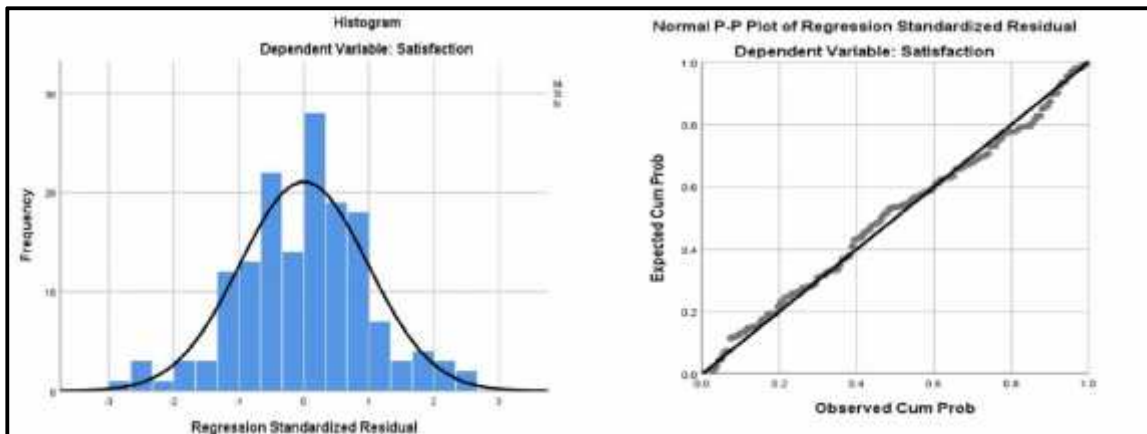


Source: Own survey, May 2022 (SPSS output).

7.4.5 Normality

One of the assumptions of linear regression is that the residuals are normally distributed. This can be checked using the histogram of the standardized residual. The histogram of the standardized residuals below suggests that the residuals have only a minor departure from normality. Similarly, the normal P-P plot can also be used to assess the normality of the standardized residuals. This plot contains plots of the relationship between the observed residuals against those expected under the condition of normality. The closer the observed residuals fall about the regression line, the more evidence of normality. The plot below provides good support for evidence of normally distributed residuals.

Figure 3: Normal P-plot and histogram for normality test



Source: Own survey, May 2022 (SPSS output).

Coefficient of determination

Regression analysis was carried out in order to test the impact of independent variables on dependent variable. Table 16 shows coefficient model, the significant and the model to be accepted. This means that the relationship between dependent and independent variables are reliable.

Then, below regression model indicated that (F statistics sig value =0.000), this figure show that there is significant relationship between model variable and factor or explanatory variables. The value correlation coefficient $R=0.765$ it is revealed that there is a strong positive relationship between model variable and its explanatory variables and the R^2 figure 0.585 means 58.5% of the model variable is depend on the factor variables. 41.5% unexplained variables.

Table 16: Regression value of coefficient

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.765 ^a	.585	.579	.31074	92.274	.000 ^b

Source: own survey using v23 SPSS, 2021.

- a) Dependent variable: Customer satisfaction
- b) Predictors: (Constant), assurance, tangibility, empathy, reliability and responsiveness

As indicated in table - 16, together 58.5% of the variance in the overall customer satisfaction is where predicated by assurance, tangibility, empathy, reliability and responsiveness and also there is positive relationship between the overall satisfaction and independent variables. This study were supported by (Bitta, 2014); MA thesis in Kenya. The regression results indicate all the service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) combined significantly influence the satisfaction of customers. The adjusted R square of 0.579 indicates 57.9% of the variance in customer satisfaction can be predicted by the service quality offered by the banks.

Table 17: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.112	.214		.527	.599
	Assurance	.085	.038	.082	2.222	.027
	Tangibility	.156	.042	.138	3.715	.000
	Empathy	.132	.033	.141	3.956	.000
	Reliability	.097	.032	.111	3.015	.003
	Responsiveness	.517	.031	.646	16.893	.000

Source: own survey using v23 SPSS, 2021.

4.8 Discussion of Result

As shown on table 15, the service quality dimensions separately have different significant level. This indicates that they have different impact on customer satisfaction. ($p < 0.05$, $B = 0.085$) impact between assurance and customer satisfaction that means a unit increase in assurance will increase customer satisfaction by 8.5%. ($p < 0.05$, $B = 0.156$) impact between tangibility and customer satisfaction that means a unit increase in tangibility will increase customer satisfaction by 15.6%. ($p < 0.05$, $B = 0.132$) impact between empathy and customer satisfaction that means a unit increase in empathy will increase customer satisfaction by 13.2%. ($p < 0.05$, $B = 0.097$) impact between reliability and customer satisfaction that means a unit increase in reliability will increase customer satisfaction by 9.7%. ($p < 0.05$, $B = 0.519$) impact between responsiveness and customer satisfaction that means a unit increase in responsiveness will increase customer satisfaction by 51.9%.

4.8.1 Hypothesis testing

The hypotheses being tested in this research study were as follows:

- H1 Service quality has impact on customer satisfaction.
- H2 Tangibles have impact on customer satisfaction.
- H3 Reliability has impact on customer satisfaction.
- H4 Responsiveness has impact on customer loyalty.
- H5 Assurance has impact on customer satisfaction.

H6 Empathy has impact on customer satisfaction.

Correlations are the measure of linear relationship between two variables .A correlation coefficient has a value ranging from -1 to 1.values that are closer to the absolute value of 1 indicates that there is a strong relationship between the variables being correlated whereas values closer to 0 indicates that there is little and no linear relationship (Fifre et al,2009) and the result of regression analysis was the finding the independent variable such as tangibility ,empathy , reliability and responsiveness was positive result and significant impact of dependent variable that is customer satisfaction and assurance is least significance of dependent variable that is customer satisfaction.

The coefficient of multiple determination is 0.583 (R square=0.583 is mentioned on the table (Model summary) therefore, about 58.5 % of variation in the customer satisfaction is explained by service quality dimensions assurance, tangibility, empathy, reliability and responsiveness.

As shown on the table the service quality dimensions separately have different significant level. This indicates that they have different impact on customer satisfaction.

Table 16: Test of Hypothesis

Hypothesis	Independent Variables	Dependent Variables	Results
H1	Reliability	Customer satisfaction	Supported
H2	Assurance	Customer satisfaction	supported
H3	Responsiveness	Customer satisfaction	Supported
H4	Empathy	Customer satisfaction	Supported
H5	Tangibility	Customer satisfaction	Supported

Source: own survey using v23 SPSS, 2021.

Table 16 shows that variables that were tested by correlation statistical tests, which are five dimensions have strong relationship with customer satisfaction and also there is positive relationship between overall service quality and customers satisfaction. Therefore, the five hypotheses that assumed earlier to accomplishing study were supported by all dimensions.

$$Y_i = \text{Constant variable} + 1X_1 + 2X_2 + 3 X_3 + 4X_4 + 5X_5 + e$$

$$\text{Customer satisfaction} = 0.112 + .085 X_1 + .156 X_2 + .132 X_3 + .097 X_4 + .517 X_5 + 0.214$$

CHAPTER FIVE

SUMMARY, CONCLUSIN AND RECOMMENDATION

5.1. Summary of Findings

The major objective of the study was to assess the effects of service quality dimension on customer's satisfaction in CBE. To achieving the major objective of the study were collected data using questioner from customers.

Customers expectation regard to tangibility question were high, similarly they were perceive what they expect. However, customer expectation regard to reliability, responsiveness, empathy and assurance were not perceived by respondents as they expect, which indicate high expectation of customers perceived by low performance of the service quality of the Bank.

Generally, the results of the descriptive statistical analysis indicated that, customers were significantly dissatisfied by reliability followed by, responsiveness, and empathy and assurance dimensions of service quality.

In overall, the results of the regression revealed that except tangibility all independent variables (service quality dimension) are significant with customer satisfaction. Furthermore, multiple regressions identify the relative contribution of each variable and determine the best predictor variables among a set of variables. The results in demonstrate that all variables contributed significantly to the customer satisfaction.

5.2. Conclusion of the study

Customer satisfaction is a critical business requirement. Customer value is an asset to the organization. While, quality service is essential in today competitive market. The objective of this study was to find out customer satisfaction on service quality with respect to service quality dimensions. From the findings, the research objectives were achieved by identifying the determinants of service quality as reliability, responsiveness, assurance, empathy and tangibles. By analyzing the impact of service quality on Customer satisfaction of CBE Addis Ababa branches it is concluded as follow:

1. According to analytic results, this study examined the perception of service quality of bank services provided to customers in CBE affected by various determinants of service quality using the SERVQUAL model. The findings of the research indicate that customer satisfaction towards the bank services in CBE is significantly influenced by reliability, responsiveness, assurance and empathy. It is found out that reliability assurance, empathy and responsiveness are the most significant determinates of customer satisfaction. Tangibility indicated insignificant effect on customers significant of CBE. From this finding, it is clear that the customer expectation exceeds well in employee reliability, assurance, responsiveness and in empathy.
2. There was a problem in CBE to meet the expected customer service regarding employee responsiveness. It indicate that, customer of the branch bank are not receive the expected help from employee of the bank, as indicated in the finding part there are a lot of customers who need help from employee at different situations such as, some of the customers need technical help such as, how to write, to save money, to send money and so forth, while some of the customers may need help on ATM, and so forth, however, the result of the study indicate some of the banks are not helping customers at times when the customers need them the most and the customer requests and other queries remains unanswered or unattended at most times. Therefore, employee responsiveness to help customers need significantly affect customer's satisfaction of CBE.
3. Generally, the study identified, on many performance indicators (Responsiveness, reliability, assurance and tangibility) majority of the respondents responded that they were very dissatisfied and / expresses their disagreement with service provided by their organization. This evaluation of respondents indicates that on some performance indicators in CBE did not meet their expectation. However, some of the respondent evaluates in contrary with the majority respondents positively on the provided service. In this regards the company some area achieve good results such as, on the dimension of tangibility
4. Moreover, from the findings of this study, researcher found out that not all of the service quality dimensions have positive effects on customer satisfaction. Out of

The five service quality dimensions four dimensions (Responsiveness, reliability, assurance, and empathy) have positive and significant effects on customer satisfaction. On the other hand, tangibility has a negative and insignificant influence on customer satisfaction. The findings of this study also indicated that reliability is the most important factor to have positive and significant effect on customer satisfaction, followed by empathy, responsiveness and assurance.

5.3. Recommendations of the study

Staff performance can be strengthened by treating them as an asset to increase intimacy with customers. Customer satisfaction can be achieved by offering personalized, flexible and adjustable services to suit the needs of customers. Bilateral communication is another essential element to satisfy customer and retains loyalty. Although customer service has been evaluated for years, banks must continue to keep up with changing customer behaviors and the nature of the banking industry itself. Based on these the study recommend specifically on the following as follow:

- 🌈 Since bank is a customer oriented organization, hiring potential human resource is a must. And for this reason, the bank should hire self-motivated, enthusiastic employees who will like to deal with customer and will try to solve customer complaints and other issues in an effective manner. Only then the bank can render superior customer services and enjoy the benefit in the long run. As a result the five basic variables by itself is not enough rather other communication skill and ability to handle customer is mandatory.
- 🌈 The bank can set itself as a market leader in customer service by going beyond the conventional way of dealing with customers, such as, having customized working hour for every client, delivering and accepting payment as per the convenience of the customer in times of difficulty of the customer, which hardly other competitors provide. This will help the bank to retain the existing customer very well.

- ✚ In order to retain the existing customers and to improve service quality, the bank should continuously maintain error-free transactions, since bank accounts and figures are very sensitive for each and every customer.
- ✚ The management needs to improve quality services so as to satisfy customer's needs. The bank needs to pay much attention on the customer complaints in order satisfy the customer's expectation. Individual attention should be given to customers in order to better understand their needs and better satisfy them.
- ✚ The management of the bank should provide a questionnaire like format which can help to collect customer complaints and in which area most customers" complaint about that can help the bank to correct easily the service area.
- ✚ Since bank industry is a service oriented organization, hence providing continuous training to the employees on issues like Reliability, Assurance, Responsiveness, Empathy and Tangibility while dealing with customers.

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Appendix
St. Mary's University
Department of Business Administration –Accounting and Finance
Questionnaire

Dear respondents

I would like to thank you in advance for taking time to fill out this questionnaire as your input will be important in developing my research on **factor affecting of service quality on customer satisfaction in the case of Commercial Bank of Ethiopia Prominent Customer of Ayer Tena Branch**. The purpose of this survey is to conduct to fulfill the partial requirement for master of are degree in Accounting and Finance. This questionnaire will be used for academic purpose only. Your frank response and valuable support in responding to the questions raised is very important to the successes of the study. The questions do not take you more than 5 minutes to complete so you are kindly request to fill all questions comp

Thank you in advance for your corporation and timely response.

- Note:**
1. no need of writing your name
 2. Please return completed return in time

Section A
Personal background information

Please circle your alternatives

1. Gender **MALE** **FEMALE**

2. Age **20-29years** **30-39years** **40-49 years** **50 and above**

3. Educational Status **Below grade 10th /12 complete**
Certified Diploma **First R** **and Above**

Section B
Service quality dimensions questions

SERVQUAL ITEMS (to measure service quality and its impact on customer satisfaction).

Instructions:-The following sets of statements represent different aspects of service quality and customer satisfaction in CBE. Please indicate the extent of your agreement or disagreement with each statement by circling in the box corresponding to each question under both expectation and perception to a number from 1 to 5 that represents your level of agreement or Disagreement (Where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree). The expectation part implies how you anticipate or realize CBE services should be and the perception is deals with, what you experience after you use the service of the company. Please make sure that you respond only on one question.

DIMENSION		EXPECTATION					PERCEPTION				
1.Tangibles											
1.1	CBE Offices have up-to-date equipment's	1	2	3	4	5	1	2	3	4	5
1.2	CBE employees are well dressed and neat in appearance	1	2	3	4	5	1	2	3	4	5
1.3	Physical facilities (like Office Buildings, Brochures, furniture, etc.) are visually appealing and convenient	1	2	3	4	5	1	2	3	4	5
1.4	The physical environment of the office is clean	1	2	3	4	5	1	2	3	4	5
2.Reliability											
2.1	When a customer faced a problem, CBE employees show a sincere interest in solving it	1	2	3	4	5	1	2	3	4	5
2.2	The CBE settles customer complaints easily and without unnecessary delays	1	2	3	4	5	1	2	3	4	5
2.3	The CBE keeps its records accurately	1	2	3	4	5	1	2	3	4	5
2.4	The CBE performs its service right the first time	1	2	3	4	5	1	2	3	4	5

3.Responsiveness												
3.1	CBEemployeesgiveyouquickservice	1	2	3	4	5		1	2	3	4	5
3.2	TheCBEemployeeestell customers exactlywhen serviceswillbepreformed	1	2	3	4	5		1	2	3	4	5
3.3	TheCBEemployees arealways willingto helpyou	1	2	3	4	5		1	2	3	4	5
3.4	TheCBEemployeesarenevertotoobusyto respondto yourrequests	1	2	3	4	5		1	2	3	4	5
4.Assurance												
4.1	TheCBEemployeesare trustworthy	1	2	3	4	5		1	2	3	4	5
4.2	Thebehavior of theemployees instills confidencein you	1	2	3	4	5		1	2	3	4	5
4.3	TheCBEemployees are consistentlypolite	1	2	3	4	5		1	2	3	4	5
4.4	The CBE employees have sufficient knowledgeofserviceinformation	1	2	3	4	5		1	2	3	4	5
5.Empathy												
5.1	CBEhasyourbestinterestatheart	1	2	3	4	5		1	2	3	4	5
5.2	TheCBEemployeesunderstandcustomers' specificneed	1	2	3	4	5		1	2	3	4	5
5.3	CBEoperating/workinghoursareconvenient toits customers.	1	2	3	4	5		1	2	3	4	5
5.4	CBEhas employees who give customers personalservice	1	2	3	4	5		1	2	3	4	

PartIII:OVERALLCUSTOMERSATISFACTIONANDSERVICEQUALITYQUESTIONS

1.1	Overall,thereis good servicequalityprovided byCBE	1	2	3	4	5
1.2	Overall,Iam satisfiedbythe serviceprovided byCBE	1	2	3	4	5

Thankyou!!