

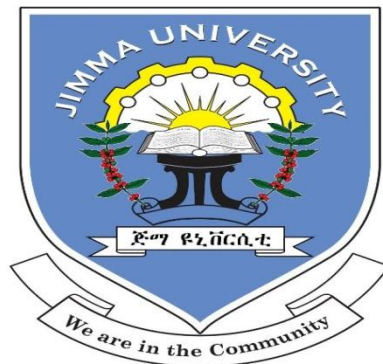
Service Quality; Customer Satisfaction and Loyalty:
Experience from Commercial Bank of Ethiopia, Jimma Town
Branches

A Thesis

Submitted to the School of graduate studies of Jimma University in Partial
Fulfilments of the Requirements for the award of the degree of Master of Business
Administration (MBA)

BY:

NETSANET ABEBE



JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
MBA PROGRAM

MAY, 2016
JIMMA, ETHIOPIA

Service Quality; Customer Satisfaction and Loyalty:
Experience from Commercial Bank of Ethiopia, Jimma Town
Branches

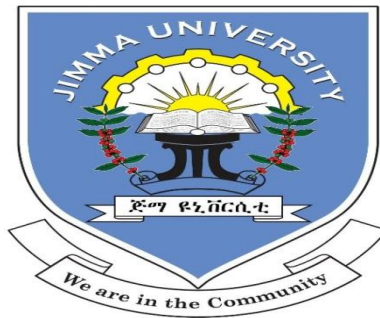
BY:

NETSANET ABEBE

Under the guidance of
Geremew Teklu (PhD)

And

Belay Checkol (MBA)



A Thesis

Submitted to the School of graduate studies of Jimma University in Partial
Fulfilments of the Requirements for the award of the degree of Master of Business
Administration (MBA)

JIMMA UNIVERSITY

MBA PROGRAM

JIMMA ETHIOPIA

MAY, 2016

CERTIFICATE

This is to certify that the thesis entitles “Service Quality; Customer Satisfaction and Loyalty: Experience from Commercial Bank of Ethiopia, Jimma Town Branches”, submitted to Jimma University for the award of the degree of Business Administration (MBA) and carried out by Mr. Netsanet Abebe Yosef, under our guidance and supervision.

Therefore, we hereby declare that no part of this thesis has been submitted to any other university and institutions for the award of any degree or diploma.

Main Advisor’s Name

Date

Signature

Co-Advisor’s Name

Date

Signature

DECLARATION

I hereby declare that this thesis entitled “Service Quality; Customer Satisfaction and Loyalty: Experience from Commercial Bank of Ethiopia, Jimma Town Branches”, has been carried out by me under the guidance and supervision of Dr.Geremew Teklu and Ato Belay Chekol.

The thesis is original and has not been submitted for the award of any degree or diploma to any university and institutions.

Main Researcher’s Name

Date

Signature

Abstract

Service quality is determinant factors that enable banks to get superior advantage over their competitors by increasing customer satisfaction and loyalty. The main objective of the study was to investigate the influence of service quality on customer satisfaction and loyalty in seven branches banks found under CBE, Jimma Town branches. Since, BANKSERV model was especially developed to examine the services quality of banking sector; researchers selected this model to extensively test retail banking industry. The current study measured customer services quality and its relation with customer satisfaction and loyalty in the seven branches banks. Descriptive method used as the research method of the study. The sample consists of 398 respondents selected based on convenience sampling procedure. The dimensions of the study were tangibility, reliability, responsiveness, assurance, and empathy. Study data were collected using structured questionnaire and the questionnaire consisted of 26 items categorized under four dimensions of the BANKSERV model. Correlation and multiple regressions were used to investigate the relationship between dependent and independent variables. The correlation results indicate that there is a positive correlation between the dimensions of service quality and customer satisfaction. The results of the regression test showed that offering quality service have positive impact on overall customer satisfaction. The research findings also indicate offering high quality service increase customer satisfaction, which in turn leads to high level of customer commitment and loyalty.

Keywords: Service quality, loyalty, customer satisfaction, Jima town branches; Commercial Bank of Ethiopia

Acknowledgement

First and for most, my heartily thanks go to Almighty Father, God for his graciously provision of knowledge, wisdom, inspiration and diligence required for the successful completion of this paper and for bringing my dreams into reality. I like to express my heart-felt thanks and sincere appreciation to my Senior Advisor GeremewTeklu (PhD) for this all-round help, guidance, valuable comments and encouragement which enabled me to complete the research work. I am also deeply indebted to Belay Chekol (MBA), my Co-advisor, for his useful and valuable comments and kind treatment starting from the early design of the Project to the final write up of it.

My especially thanks goes to Workineh Bayisa (PhD) and Mr.Fisseha Megersa, for their generous support and valuable advise until the completion of the research. A great thank and special gratitude is addressed to CBE, Jimma District manager, Branches managers, staffs and bank customers because they gave me a great opportunity and cooperation to conduct my research.

Table of Contents

Abstract	IV
Acknowledgement	V
List of Tables	VIII
List of Figure	IX
List of Abbreviations	X
CHAPTER ONE	1
1. INTRODUCTION	1
1.1. Background of the Study	1
1.2. Statement of the Problem	2
1.3. Objectives of the Study	3
1.3.1. General Objective	3
1.3.2. Specific Objectives	3
1.4. Significance of the Study	4
1.5. Scope and Delimitation of the Study	4
CHAPTER TWO	5
2. LITERATURE REVIEW	5
Introduction	5
2.1. Definition of Customer Service	5
2.2. Characteristics of Services	6
2.3. Service Quality	7
2.4. Service Quality Dimensions	9
2.5. Customer Satisfaction	10
2.6. Customer Loyalty	12
2.7. Relationship between Service Quality and Customer Satisfaction	13
2.8. Relationship between Customer Satisfaction and Loyalty	14
2.9. Service Quality on Banking Industry: Commercial Bank of Ethiopia	15
2.9.1. Commercial Bank	15
2.9.2. Commercial Bank of Ethiopia	15
2.9.3. Services Rendered by Commercial Bank of Ethiopia	16
2.10. Service Quality Models	16
2.11. SERVQUAL	17

2.12.	BANKSERV	17
2.13.	Conceptual Framework	18
CHAPTER THREE.....		19
3.	RESEARCH DESIGN AND METHODS	19
3.1.	Research Design	19
3.2.	Research Approach	19
3.3.	Population and Sampling.....	19
3.4.	Data Type and Data Collection Tools.....	21
3.5.	Study Variables.....	21
3.6.	Validity and Reliability of Instruments	22
3.7.	Data Analysis Techniques	22
3.8.	Ethical Considerations.....	23
CHAPTER FOUR		24
4.	DATA ANALYSIS AND PRESENTATION.....	24
4.1.	Overview	24
4.2.	Statistical Analysis.....	26
4.3.	Reliability Test Analysis	26
4.4.	Demographic Analysis of Customers of Jimma Town Branches	27
4.5.	Descriptive Analysis	30
4.6.	Correlation Analysis.....	30
4.7.	Regression analysis.....	32
CHAPTER FIVE		38
5.	SUMMERY, CONCLUSION AND RECOMENDATION	38
5.1.	Summary of Findings.....	38
5.2.	Conclusions.....	40
5.3.	Recommendations.....	41
5.4.	Suggested Area for Future Research	43
REFERENCES		44
APPENDICES		48

List of Tables

Title	Page No.
Table 3.1: List of Banks under CBE, Jimma Town branches-----	20
Table 4.1: Reliability of all categories-----	26
Table 4.2: Demographic analysis of Customers of Jimma Town branches-----	27
Table 4.3: Descriptive Statics of Variables-----	30
Table 4.4: Correlation Analysis of Variables-----	31
Table4.5: Simple regression model summary test the independent variables (service quality dimensions) with dependent variables (customer satisfaction) -----	33
Table4.6: Simple regression model summary test the independent variables (customer satisfaction) with dependent variables (customer loyalty) -----	35

List of Figure

Title	Page No.
Figure 2.1: A Conceptual Service quality dimension, customer satisfaction and loyalty model--	24

List of Abbreviations

BANKSERV	Bank Service
CBE	Commercial Bank of Ethiopia
S.D	Standard Deviation
SERVPERF	Service Performance
SERVQUAL	Service Quality
SPSS	Statistical Package for Social Sciences
T&D	Training and Development

CHAPTER ONE

1. INTRODUCTION

This chapter consists of background of the study, statement of the problem, objective of the study, significance of the study, scope and delimitation of the study.

1.1. Background of the Study

In this time of competitive world, success of any organization depends on its service quality provided. As a result, banks are now faced with very high and intense competition amongst them. In order to win the intense competition and maintain their market share of the bank industry; they must give attention to the existing and potential customers need, want and preferences to maximize their satisfaction and loyalty plus to that they must make continuous customer service quality improvement program. Since the importance of making continuous customer service quality improvement program is to make profit, build good images, lead the market, and retain customers (Ahmossawi, 2001).

In this context, the subject of service quality in relation to customer needs a fresh understanding in the current business scenario. Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction and wins customer loyalty, for this reason it becomes a key to competitive advantage (Ahmossawi, 2001).

Customer satisfaction is also crucial in the banking sector because of the special nature of the service which is characterized by intensive contact with customers who have different needs and require customized solutions and it 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 loyalty (Clemes, 2008).

Similarly, service loyalty is one of the most important structures in service marketing, duettist final effect on customers' repeated purchases, and in fact ,those loyal customers who purchase repeatedly are considered as the base of any business (Mohsan,2011).Although these concepts have been used so many times in the marketing literature, but the relations between these three

concepts still remain ambiguous and this calls for investigation to find the relation of these three concepts (Mohsan, 2011).

Avkiran (1994) developed utilitarian multi-dimensional model BANKSERV to measure Australian retail banking customers' service quality perceptions. It is a model, designed to allow customers to reflect on their expectations and perceptions in single statements. This avoids the potential psychometric problems related with SERVQUAL and the negatively worded questionnaire items found in the model (Avkiran,1999).In order to customize the instrument for banking, He used Parasuramanetal.(1988) SERVQUAL scale as the starting point, a refine the measurement by adding items extracted from a separately conducted qualitative study about bank service quality(Avkiran,1994).

This study was investigate the effect of customer service quality on customer satisfaction and loyalty using BANKSERV model in selected banks of CBE, Jimma Town branches.

1.2.Statement of the Problem

Banks operating in Ethiopia are facing lots of challenges due to increase in competition among them. As a result various strategies are formulated to retain the customer and increasing the service quality level has been considered key success factor. Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage (Ahmossawi, 2001). At the present time, service quality has received much attention because of its obvious relationship with costs, financial performance, customer satisfaction, and customer loyalty. Since customer satisfaction is also based upon the level of service quality provided by the service provider and service quality acts as a determinant of customer satisfaction (Wilson et al., 2008).

On the relationship between customer satisfaction and service quality in Tehran banks conducted by Mosahab et.al. (2010) concluded that nearly 43 percent of customer's satisfaction change is explained by service quality. On the other hand, service quality has a direct relation with loyalty, and nearly 45 percent of loyalty changes can be explained by service quality changes. Another point is that if the satisfaction variable enters the model, the resulted determination index will be higher in figure than other cases (0.803). This figure means that nearly 80 percent of loyalty

changes can be explained by satisfaction and service quality, although satisfaction plays a more important role in this relation (Mosahab et.al, 2010).

This study focused merely on service quality without considering above mentioned factors like cost, financial performance and others. Because service quality has been proven to be the best determinant of customer satisfaction and indirectly customer loyalty when it comes to service sectors Daniel et al (2012). Unsatisfactory service leads to a drop in customer satisfaction, loyalty and willingness to recommend the service to a friend. This would in turn lead to an increase the number of customers shifts to competitors. As a result, therefore, this study tried to answer the following research questions:

1. What are the service quality dimensions in Commercial Bank of Ethiopia, Jimma Town branches?
2. What is the level of customer satisfaction in Commercial Bank of Ethiopia, Jimma Town branches?
3. What is the extent of relationship between service quality dimensions and customer satisfaction in Commercial Bank of Ethiopia, Jimma Town branches?
4. What is the relationship between customer satisfaction and customer loyalty in Commercial Bank of Ethiopia, Jimma town branches?

1.3. Objectives of the Study

1.3.1. General Objective

The general objective of the study was to assess the influence of service quality on Customer satisfaction and loyalty at Commercial Bank of Ethiopia, Jimma Town branches.

1.3.2. Specific Objectives

This study specifically tried to achieve the following specific objectives:-

1. To identify the service quality dimensions provided by Commercial Bank of Ethiopia, Jimma Town branches;
2. To assess the level of customer satisfaction at Commercial Bank of Ethiopia, Jimma Town branches;

3. To examine extent of relationship between service quality dimensions and customer satisfaction in Commercial Bank of Ethiopia, Jimma Town branches;
4. To spot the relationship between customer satisfaction and customer loyalty of Commercial Bank of Ethiopia, Jimma Town branches

1.4. Significance of the Study

The ultimate success or failure of a company depends on its ability to make profitable sell, what it produces and continuously offering quality services relatively for a longer period. This study is therefore intended to help the company management to direct their attention to this highly essential function of business.

The finding of this study may help banks to understand the role of good customer service on customer satisfaction and loyalty. It provides literature for the bank industry under customer service quality. It helps to other researchers who want to conduct further study on the subject in the future. It provides solution for bank industry service quality problems and it may give them an idea of where they are presently in terms of their service quality and what they should do in the future.

1.5. Scope and Delimitation of the Study

The study was limited to the assessment of service quality on customer's satisfaction and loyalty which was conduct in seven branches' banks of commercial bank of Ethiopia, Jimma Town branches.

This study was conducted to examine the effect of service quality on customer satisfaction and loyalty in seven branches of commercial bank of Ethiopia , Jimma Town branches; the sample was drawn from the seven branches, thus this study may be limited in its generalize ability of the findings to others private banks found. The number of variable used in this study is only five which may not consider more factors, like corporate image, location, price, technology employed, security issues and other variables which can influence customer satisfaction and loyalty

CHAPTER TWO

2. LITERATURE REVIEW

Introduction

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

2.1. Definition of Customer Service

In recent years, more and more organizations focus their attention on retaining existing customers rather than attracting new ones since losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a life time of patronage. In addition, the cost of attracting a new customer is five times greater than the cost of keeping a current customer happy Kotler (2010).

Many writers define 'customer service' in different ways: for instance, Catherine McGuinn (2009) defined customer service as a philosophy that directs all practices of an organization to serve the needs of customers in a manner that is mutually beneficial to all stakeholders and involves the facilitation of customer satisfaction, loyalty and goodwill (McGuinn, 2009).

Kotler (2010) defined service as any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything and its production may or may not be tied to a physical product (Kotler, 2010).

Any intangible actions that are performed by person or machines or both to create good perception within users are called service. Although services are performed by service providers and consumers together, its quality results in perception and value assessment by the customer (Rao et. al., 2007).

2.2. Characteristics of Services

According to Bitner et al. (1993) service has four characteristics: intangibility, inseparability, heterogeneity and perishability.

Intangibility of Services

Regan (1963) introduced the idea of services being activities, benefits or satisfactions which are offered for sale or provided in connection with the sale of goods. The degree of intangibility has been suggested as a means of differentiating tangible products with services. Most of the time, services are explained as being intangible since their outcome is considered to be an action rather than a physical product highlight the fact that the degree of tangibility has implications for the ease with which consumers can evaluate services and products(Zeithmal et al. 1985).

Inseparability of Services

Inseparability is taken to show the simultaneous delivery and consumption of services and it is believed to enable consumers to affect or shape the performance and quality of the service (Zeithmal et al. 1985).

Heterogeneity of Services

Heterogeneity reveals the degree of high variability in service delivery. This is a particular problem for services with high labour involvement, as the service performance is delivered by different people and the performance of people can vary from day to day and also from person to person. Besides, it offers the opportunity to provide high degree of flexibility and customization of the service and this can be used as a benefit and point of differentiation (Wolak et al., 1998).

Perishability of Services

The notion of perishability reflects services cannot be stored and carried forward to a future time period and suggest that services are time dependent and time important which make them very perishable. The issue of perish ability is primarily the concern of the service producer and that

the consumer only becomes aware of the issue when there is insufficient supply and they have to wait for the service Bitner et al.,1993).

2.3. Service Quality

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

Service quality is considered an important tool for a firm's struggle to differentiate itself from its competitors. The relevance of service quality to companies is emphasized especially the fact that it offers a competitive advantage to companies that strive to improve it and hence bring customer satisfaction (Ladhari, 2009).

The challenge in defining service quality is that it is a subjective concept, like beauty. Everyone has a different definition based on their personal experiences. It has also received a great deal of attention from academicians, practitioners and services marketing literature, service quality is defined as the overall assessment of a service by the customer. Researcher points out that, by defining service quality, companies will be able to deliver services with higher quality level presumably resulting in increased customer satisfaction. Understanding service quality must involve acknowledging the characteristics of service which are intangibility, heterogeneity and inseparability. In that way, service quality would be easily measured (Negi et al., 2009).

Crosby (1984) defined quality as conformance to requirements. This definition implies that organizations must establish requirements and specifications. Once these requirements and specifications are established, the quality goal of the various functions of an organization is to comply strictly with them. Quality also defined from different point of views, from customer point of view quality means fitness for use and meeting customer satisfaction and from process point of view it means conformance with the process design, standards and specifications. Quality may also be defined as the degree of excellence at an acceptable price from product point

of view and from the cost point of view it means best combination between costs and features (Crosby, 1984).

A solid foundation in defining and measuring service quality was emanated in the mid-eighties by Gronroos (1984) and Parasuraman et al. (1985). They were amongst the earliest scholars laid down the foundation for the definitions as well as development of service quality. Service quality defined as the degree and direction of discrepancy between consumer's perceptions and expectations in terms of different but relatively important dimensions of the service quality, which can affect their future purchasing behaviour. This definition clearly shows that service quality is what customers' assess through their expectations and perceptions of a service experience. Customers' perceptions of service quality result from a comparison of their before-service expectations with their actual service experience. Service quality is based on a comparison between what the customer feels should be offered and what is provided (Parasuraman et al. 1985).

If the customer's expectations are meeting or exceeded, then the company is perceived to be offering higher service quality. But if on the other hand, if the expectations of the customers are not meet, the company is on its way not only to face displeased and hostile customers, which in turn leads to defection to competitors. Customer's expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectation and quality is low when performance does not meet their expectation. Expectation is viewed in service quality literature as desires or wants of consumer that is, what they feel a service provider should offer rather than would offer (Parasuraman et al., 1988).

Perceived service is the outcome of the consumer's view of the service dimensions, which are both technical and functional in nature (Gronroos, 1984). Parasuraman et al, (1988) define perceived quality as a form of attitude, related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance. Therefore, having a better understanding of consumers attitudes will help to know how they perceive service quality in banks and respond accordingly (Parasuraman et al, 1988).

The service process as well as the service outcome will contribute quality evaluations. As stated by (Gronroos, 1982) there are two types of service quality these are technical quality and

functional quality. Technical quality is what the customer is actually receiving from the service (outcome) while functional quality is the manner in which the service is delivered (process). It is likely to be much more effective to tell a service contact employee what specific attributes service quality includes, such as responsiveness. Management can say, if we can improve our responsiveness, quality will increase” (Asubonteng et al; 1996).

2.4. Service Quality Dimensions

Service’s exclusive characteristics of intangibility, heterogeneity, and inseparability lead them to possess high levels of experience and credence properties, as a result, they became difficult to evaluate as we did in tangible goods. Hence, recognition of the determinants of service quality is necessary in order to specify measure, control and improve customer perceived service quality (Johnston, 1995).

The BANKSERV instrument, developed by Avkiran (1994), was adapted from SERVQUAL to specifically suit the Australian banking industry. It is an instrument, designed to allow customers to reflect on their expectations and perceptions in single statements. It avoids the potential psychometric problems associated with SERVQUAL and the negatively worded questionnaire items found in its (Avkiran, 1999). Moreover, the SERVQUAL model has been proven to be the best model to measure service quality in service sectors especially with the customer perspective. This idea generates an assumption that the five dimensions of SERVQUAL model could have a direct relationship with customer satisfaction and loyalty.

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

Based on the information from focus group interviews, Parasuraman et al. (1985) identified basic dimensions that reflect service attributes used by consumers in evaluating the quality of service

provided by service businesses. Parasuraman et al., (1988) measured the quality of services provided by retail banks, a long-distance telephone company, a securities broker, an appliance repair and maintenance firm, and credit card companies. Based on this study, ten key determinants of service quality identified (Parasuraman et al., 1988).

These ten components were collapsed into five (RATER) dimensions:-

Reliability: is ability to perform the promised service dependably and accurately.

Responsiveness: willingness or readiness of employee or professionals to provide service.

Assurance: knowledge and competence of service providers and the ability to convey trust and confidence.

Empathy: Caring, individualized attention the firm provides to its customers.

Tangibles: Physical facilities, equipment's and appearance of personnel.

Though, the SERVQUAL model has been the major generic model used to measure and manage service quality across different service settings and various cultural backgrounds, it has been subjected to a number of theoretical and operational criticisms (Buttle, 1996).

2.5. Customer Satisfaction

Customer satisfaction is a post-purchase evaluation of a service offering. A traditional definition of customer satisfaction followed the disconfirmation paradigm of consumer satisfaction/dissatisfaction (CS/D), suggesting that CS/D is the result of interaction between the consumer's pre-purchase expectations and post purchase evaluation.

Customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service. Service companies have since recently focused on customers in order to improve competitiveness. Customer satisfaction is one of the important outcomes of marketing activity (Rigopoulou, et al. 2008).

In the competitive banking industry, customer satisfaction is considered as the fundamental of success. Satisfying customers is one of the main objectives of every business. Businesses

recognize that keeping current customers is more profitable than having to win new ones to replace those lost since it cost the company a lot of money. Management and marketing theorists emphasize the importance of customer satisfaction for a business's success (Kennedy and Schneider, 2000).

Good customer satisfaction has an effect on the profitability of nearly every business. For example, when customers receive good service, each will typically tell nine to ten people. However, customers who receive poor service will typically relate their dissatisfaction to between fifteen and twenty others. Therefore, customer satisfaction is an asset that should be monitored and managed just like any physical asset (Naik et al. 2010).

The satisfaction judgment is related to all the experiences made with a certain business concerning its given products, the sales process, and the after- sale service. Whether the customer is satisfied after purchase also depends on the offer's performance in relation to the customer's expectation. Customers form their expectation from past buying experience, friends' and associates' advice, and marketers' and competitors' information and promises (Kotler; 2010).

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

Customer satisfaction is consumer's fulfilment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfilment, including levels of under- or over fulfilment (Oliver, 1997)

Customer Satisfaction Measures

Henley center headlight vision (Anon., 2007) states the research carried out in the UK with public sector organizations suggests that there are five themes that are likely to be relevant to all organizations in measuring customer satisfaction.

Delivery of the service (how problems were handled, reliability, outcome.)

Timeliness (waiting times, number of times contacted)

Information (accuracy, enough information, kept informed)

Professionalism (competent staff, fair treatment)

Staff attitude (friendly, polite, sympathetic)

2.6. Customer Loyalty

Customer loyalties is a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, thereby causing repetitive purchasing of the same brand, despite situational influences and marketing efforts. It can also be defined as the degree to which a customer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider ,and considers using this provider when a need for this service arises. Loyalty is therefore an attitude or behaviour that customers explicitly repeat or exhibit (Seyed, 2007).

Loyalty has both behavioural and attitudinal dimensions. The behavioural dimension consists of repeated purchase of product while attitudinal loyalty refers to attitudinal commitment or favourable attitude toward a product resulting in repeat purchasing behaviour. It is an influenced purchase response resulting from an evaluative attitude favouring the purchase. Loyalty is thus, viewed as the customer's demonstration of faithful obedience to an organization despite the occasional error or indifferent services (Daniel, 2012).

In addition, Loyalty in service businesses refers to the customer's commitment to do business with a particular organization, purchasing their products repeatedly and recommending others to the organization's products. Christopher L. and, Johan W.(2006) as certain that customer loyalty is actually the result of an organization creating a benefit for customers that they will

maintain or increase their purchases from the organization. They indicate that true loyalty is created when the customer becomes an advocate for the organization without incentives (Christopher L. and, JochenW. 2006).

2.7. Relationship between Service Quality and Customer Satisfaction

Kotler and Armstrong (2012) preach that satisfaction is the post-purchase evaluation of products or services taking into consideration the expectations. Researchers are divided over the antecedents of service quality and satisfaction. Whilst some believe service quality leads to satisfaction, others think otherwise. The studies of many researchers suggest service quality leads to customer satisfaction. To achieve a high level of customer satisfaction, they suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction (Mesay, 2012).

As service quality improves, the probability of customer satisfaction increases. Quality was only one of many dimensions on which satisfaction was based; satisfaction was also one potential influence on future quality perceptions (Clemes, 2008).

Parasuraman et al (1988) defined service quality and customer satisfaction as follows: Service quality is a global judgment, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction. Satisfaction is a post consumption experience which compares perceived quality with expected quality, whereas, service quality refers to a global evaluation of a firm's service delivery system" (Parasuraman et al., 1985).

Siddiqi (2011) described that all the service quality attributes are positively related to customer satisfaction and customer satisfaction is positively related to customer loyalty in the retail banking settings. Furthermore, Daniel O. Auka (2012) also stated that high quality of service will result in high customer satisfaction and increase loyalty (Siddiqi, 2011, Daniel O., 2012).

2.8. Relationship between Customer Satisfaction and Loyalty

Both the service management and the marketing literatures suggest that there is a strong theoretical foundation for an empirical exploration of the linkages between customer satisfaction and customer loyalty. These literatures state that there is a strong and positive relationship between customer satisfaction and loyalty. A satisfied customer is six times more likely to repurchase a product and share his experience with five or six other people whereas, one unsatisfied customer can drive out more business from the organization than ten highly satisfied customers do. With higher customer satisfaction the level of loyalty also increases (Mohsanet.al.2011).

Lin (2009) stated that customer satisfaction has measurable impact on customer loyalty in that when satisfaction reaches a certain level; on the high side, loyalty increases considerably; at the same time, when satisfaction falls to a certain point, loyalty reduces too. He proposed that a link between satisfaction and loyalty can be classified into four different groups:-

Loyalist/apostle (high satisfaction, high loyalty)

Defector/terrorist (low satisfaction, low loyalty)

Mercenary (high satisfaction, low loyalty), and

Hostage (low satisfaction, high loyalty).

There is a positive relationship between customer satisfaction and customer loyalty but this connection is not always a linear relation. It depends on factors such as market regulation, switching costs, and brand equity, existence of loyalty programs, proprietary technology, and product differentiation at the industry level (Sudharshan, 1995).

2.9. Service Quality on Banking Industry: Commercial Bank of Ethiopia

2.9.1. Commercial Bank

Commercial bank is an institution which accepts deposits money, makes business loans, and offers related services. It also allow for a variety of deposit accounts, such as checking, saving, and time deposit. This institution is run to make a profit and owned by a group of individuals, yet some may be members of the Federal Reserve System. While Commercial banks offer service to individuals, they are primarily concerned with receiving deposits (CBE portal).

2.9.2. Commercial Bank of Ethiopia

Commercial Bank of Ethiopia was incorporated as a share company on December 16, 1963 per proclamation number 207-1955 to take over the commercial banking activities of the former state Bank of Ethiopia. Under this name, it began operation on January 1, 1964, with a capital of Ethiopian Birr 20,000,000 and served for about 16 years. The bank was wholly owned by the state and operated as an autonomous institution under the commercial code of Ethiopia under the socialist regime in Ethiopia (1974-1991).

The Commercial Bank of Ethiopia Share Company and Addis Bank had identical objectives power and duties. Hence, the socialist regime saw it necessary to merge them in order to eliminate the duplication of efforts and bring them under a centralized banking structure; consequently, the present day commercial Bank of Ethiopia was established under proclamation No.184 of August2, 1980 (Belay, 1987).

2.9.3. Services Rendered by Commercial Bank of Ethiopia

Commercial Bank of Ethiopia provides three major services which comprises of Domestic banking service, International banking service and recently E-payment services. Domestic banking services consist of Deposit, Credit and Local transfer service, International banking services consists of Trade service, Forex service and International money transfer using different money transfer agencies and E-payment service also includes Internet Banking Service, ATM, POS, Card Banking and Mobile Banking Service (www.cbe.com).

2.10. Service Quality Models

If we want to manage something, it should be measured first. Without measurement, managers cannot be sure of whether service quality gaps exist or not and of course, measurement is needed to determine whether goals for improvement are being met after changes have been implemented (Christopher et al., 2006).

Measuring service quality has been one of the most persistent topics in management literature. This is because the need to develop valid instruments for the systematic evaluation of firms 'performance from the customer point of view; and the association between perceived service quality and other key organizational outcomes, which has led to the development of models for measuring service quality(Cronin et al.,2010).

Parasuraman et al., 1985 developed a conceptual model of service quality where they identified five gaps that could impact the consumer's evaluation of service quality in four different industries (retail banking, credit card, securities brokerage and product repair and maintenance (Parasuraman et al., 1985).

These gaps were:-

Gap between Customer Expectation and Management Perception;

Gap between Management Perception and Service Quality Specification;

Gap between Service Quality Specification and Service Delivery;

Gap between Service Delivery and External Communication and

Gap between Perceived Service and Expected Service.

2.11. SERVQUAL

Cronin and Taylor (1992) were amongst the researchers who levelled maximum attack on the SERVQUAL scale. They questioned the conceptual basis of the SERVQUAL scale and found it confusing with service satisfaction. They, therefore, opined that expectation (E) component of SERVQUAL be discarded and instead performance (P) component alone be used. They proposed what is referred to as the 'SERVPERF' scale. Besides theoretical arguments, Cronin and Taylor (1992) provided empirical evidence across four industries (namely banks, pest control, dry cleaning, and fast food) to corroborate the superiority of their 'performance-only' instrument over disconfirmation-based SERVQUAL scale (Cronin and Taylor, 1992).

Being a variant of the SERVQUAL scale and containing perceived performance component alone, 'performance only' scale is comprised of only 22 items. A higher perceived performance implies higher service quality.

Methodologically, the SERVPERF scale represents marked improvement over the SERVQUAL scale. Not only is the scale more efficient in reducing the number of items to be measured by 50 per cent, it has also been empirically found superior to the SERVQUAL scale for being able to explain greater variance in the overall service quality measured through the use of single-item scale (Sanjay and Garima,2004).

2.12. BANKSERV

The SERVQUAL model has come in for criticism from many authors, for example, Avkiran (1999), criticizes the SERVQUAL as gigantic data user, cost and time inefficient, cause it compare perceived performance with expectations in separate items (22-expectations items and 22-perceptions items) Whereas, the BANKSERV instrument captures the similar comparison of perceived performance with expectations in a battery of single statements (Avkiran, 1999).

Asubonteng et al. (1996) did eighteen critical reviews on empirical studies of service quality and conclude that SERVQUAL instrument is industry specific. When SERVQUAL applied for retail

banking, problems were identified with regard to its dimensionality and the value of expectation scores (Asubonteng et al. 1996).

2.13. Conceptual Framework

The following conceptual framework drawn by researcher to indicates the crucial process, which is useful to show the direction of the study. The study shows the relationship between the five service quality dimensions (reliability, responsiveness, assurance, empathy and tangible) and customer satisfaction and loyalty.

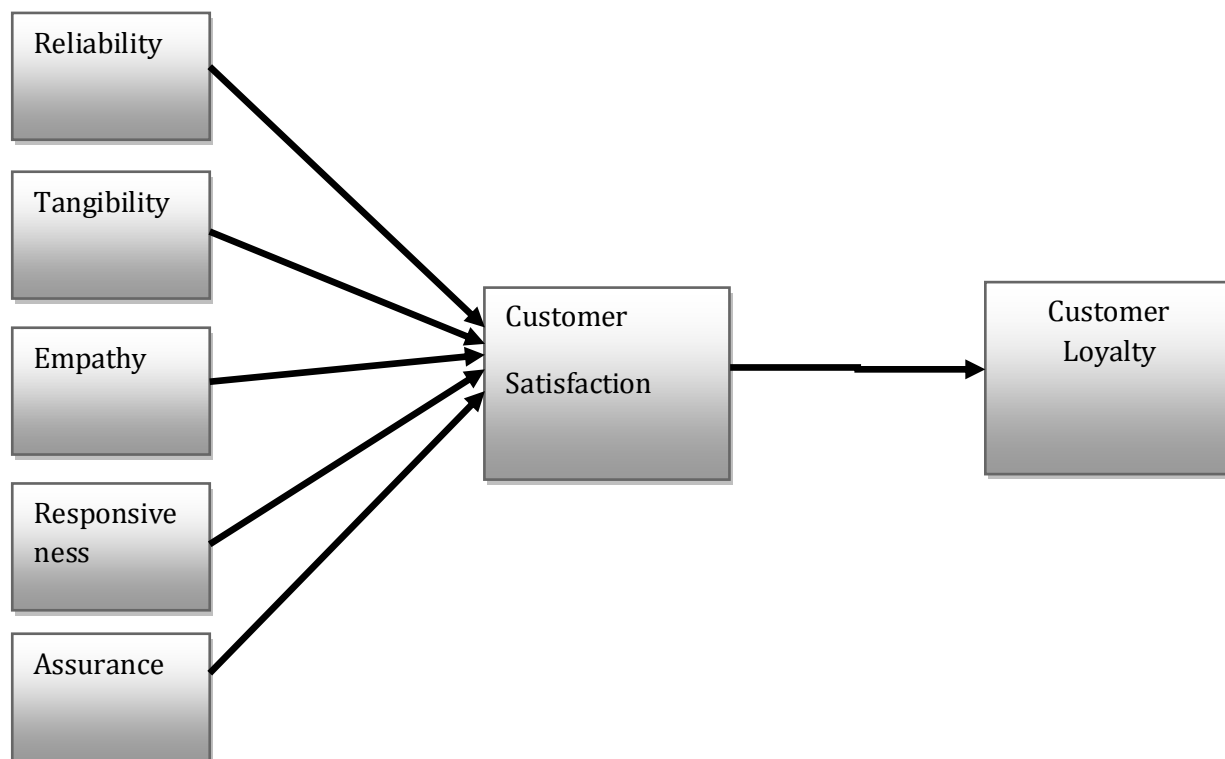


Fig: 2.1.A conceptual Service quality dimension, customer satisfaction and loyalty model

CHAPTER THREE

3. RESEARCH DESIGN AND METHODS

This chapter presents details of the research design and methods. It includes the research design, Research approach, population and sampling, data types and data collection tools, study variables, validity and reliability of instruments, and data analysis technique. At the end of the chapter ethical consideration will be present.

3.1. Research Design

Descriptive and explanatory research design was used as a main research design of this study and use to describe the service quality and its effect on customer satisfaction and loyalty.

3.2. Research Approach

The research approach used in this research is quantitative. Quantitative research is use with either descriptive study or explanatory study. The reason for choosing quantitative research approach is to meet the purpose of examining how an independent variable affects a dependent variable. In this case, an independent variable is services quality and a dependent variable is customers' satisfaction and loyalty.

3.3. Population and Sampling

The seven bank of CBE, Jimma Town branches (Jimma Main, Hirmata, Abajifar, Jiren, Bishishe, Shenen Ghibe and Ginjo Guduru branches) total client number is 118,283; the researcher was used the following sample size determination formula to determine the sample size of the seven banks clients. The formula was developed by Taro Yamane (1973). It is calculated as follows:

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

Where; **n** is the sample size

N is the population size, (118,283)

e is the level of precision or sampling error=(0.05)

$$n = \frac{118,283}{1 + 118,283(0.05)^2} = 398$$

Since the number of people in each sample banks not the same, there was a need to proportionate this for each bank and calculate using the following formula:

$$n = \frac{nN1}{N}$$

Where; n= total number of samples

N= total number of population

N1= total number of population in each bank

Table 3.1: Lists of seven branches and sample appropriation

Branches Name	Total No. of Population	%age of Population	Total No. of Population in each Branches
Jimma Main	60,431	0.53	210
Hirmata	29,548	0.25	100
Aba Jifar	7,680	0.06	24
Jiren	10,562	0.09	36
Bishishe	1,985	0.02	8
ShenenGhibe	1,923	0.02	8
Ginjo Guduru	3,923	0.03	12
Total	118,283	100%	398

Source: Develop for this research

After sample size in each bank was determined, the researcher used convenience sampling methods to select the sample from the available population. The rationale behind employing

convenience sampling method was because there is no point in time during which all clients are available due to different reasons and it is not possible to contact everyone who may be sample.

3.4. Data Type and Data Collection Tools

In order to achieve the objective of the study, both primary and secondary data were collect. The approach for primary data collection was survey research because this approach best suited for gathering descriptive information about people's knowledge, attitudes, preferences, or buying behaviour can often be found out by asking them directly. The source of secondary data was from existing research papers, annual report, journals and publication, books and websites

Structured questionnaire were used to collect data. Structured questionnaires containing closed end and can easily understood by respondents. The questionnaires have four parts: The first part of the questionnaire is about the personal information of respondents. The second section was design to measure the customers' perception about the bank service delivery system. The third parts of the questioner were about the overall judgment of service quality and satisfaction and the last part was about customers' loyalty.

3.5. Study Variables

Independent Variables: Tangibility, reliability, responsiveness, assurance, and empathy - Services quality dimensions.

Dependent variable: Customer Satisfaction and Customer Loyalty

The questionnaires were divided into four sections: Section A: Personal Information, Section B: Customers Perceptions and in Section C: Customers was asking the overall judgment of service quality and satisfaction based on a five- scale interval and section D: Customer loyalty.

Section A of the questionnaire was used for statistical purpose only. The first section consisted of questions to find out the demographic features of the respondents such as gender, age, marital status, jobs, academic qualification, and types of account. Section B was used to evaluate service

quality in bank. The SERVQUAL instrument is select to measure service quality. SERVQUAL developed by Parasuraman et al. (1998) focuses on the service attributes. Section C was used to measure the overall satisfaction level of customer. The last part of the questionnaire was measures customer loyalty level. These consist of three customer loyalty items which was develop by researcher and except the first part of questionnaire all are measures by using a five-point Likert response scale.

3.6. Validity and Reliability of Instruments

The researcher attempt to insure that the finding was valid and reliable; the instrument content was asses using expert judgment and Likert-type's scales in research, which is necessary to calculate the Cronbach's alpha coefficient for reliability and consistency (Renganathanet .al, 2012).

3.7. Data Analysis Techniques

Statistical Package for Social Science (SPSS) software version was employed by the researcher to analyse and present the data. The statistical tools which were used for this study are namely descriptive analysis, correlation and multiple regression analysis.

Descriptive analysis

The descriptive statistical results was present by tables, frequency distributions and percentages to give a condense picture of the data. This was achieve through summary of statistics, which includes the means and standard deviations values which are computed for each variable in this study.

Pearson Correlation analysis

In this study Pearson's correlation coefficient was used to determine the relationships between service quality dimensions (Tangibility, reliability, responsiveness, assurance and empathy), customer satisfaction and loyalty.

Multiple Regression Analysis

Multiple regression analysis was used to investigate the effect of service quality dimensions (Tangibility, reliability, responsiveness, assurance and empathy) on customer satisfaction and loyalty.

Regression functions

The equation of multiple regressions on this study is generally built around two sets of variable, namely dependent and independent variables. The basic objective of using regression equation was making the researcher more effective at describing, understanding, predicting, and controlling the stated variables.

3.8. Ethical Considerations

The consideration of ethics in research and business is of growing importance. Therefore, it is critical to understand the basics of ethical research. This is especially important if your research involves interaction with businesses or members of the general community who serve as participants (i.e., respondents) in your research. As a researcher, you were needed to ensure that no psychological, financial and social harm occurs to those who involves in the study.

CHAPTER FOUR

4. DATA ANALYSIS AND PRESENTATION

4.1. Overview

The aim of this study was to assess the influence of service quality on customer satisfaction and loyalty at Commercial Bank of Ethiopia, Jimma Town branches. To arrive at these aims extensive theoretical and empirical literature reviews were incorporated in the study. Supplementary, likertly scaled questionnaires for primary data collection related to variables involved is prepared. That is questionnaires related to respondents' characteristics, service quality dimensions, the level of service quality, the level of customer satisfaction and spot the relationship between customer satisfaction and customer loyalty. Some questionnaires were adapted /modified from related researches, and others are adopted. The likert scale is labelled up to 5 ordinal scales showing favourableness or unfavourableness i.e. for strongly disagree 1, for disagree 2, for neutral 3, for agree 4, and for strongly agree 5. This ordinal scale was administered for all variables except for demographic factors.

Accordingly, respondents' related characteristics include 6 characteristics such as Gender, Age, Marital status, Educational level, Occupation, and types of account in the bank.

Questionnaires related to tangibility of service quality include 4 items being identified in the foregoing. Likewise, related to Reliability of service quality , 5 items of questionnaires; for Responsiveness of service quality 4 items, 4 items related to Assurance of service quality, 5 items Empathy of service quality, 1 general customer satisfaction question and 3 items customer loyalty questionnaires were administered and distributed to respondents.

This study made commercial bank of Ethiopian Jimma town branches as a subject matter to assess the influence of service quality on customer satisfaction and loyalty. To achieve objectives stated in this study, survey research design in which structured questionnaires were administered was used to pass through quantitative approach as the investigation process would be done in a manner that concentrates on reliable and objective measurement of data.

With regards to sampling frame, it was indicated in the research methodology section that there was a total client number 118,283, from which by using convenience sampling 398 (275 male and 123 female) permanent customers in Jimma town. To arrive at accurate and reliable statistical generalization, the selected 398 employees were targeted to respond for questionnaires designed.

The designed questionnaires were distributed to 398 customers. Out of these, 398 respondents returned the filled questionnaires constituting 100%. Out of 398 respondents 69.1% constitutes male and 30.9% was female.

The researcher hereby confirms that the research ethics guidelines for the questionnaires distribution with reference to privacy, informed consent, special consideration and confidentiality were practiced.

Thereafter, all collected input data were feed into SPSS version 20 software to analyzed and produce output data.

With reference to Variables, the following major ones are considered:

- Demographic factors: Gender, Age, Marital status, Occupation, education level, and types of account
- Tangibility of service quality: independent variable for customer satisfaction & loyalty
- Reliability of service quality: are independent variable for customer satisfaction & loyalty
- Responsiveness of service quality: is an independent variable for customer satisfaction & loyalty
- Assurance of service quality: are independent variable for customer satisfaction & loyalty
- Empathy of service quality: independent variable for customer satisfaction & loyalty and
- Customer satisfaction & loyalty: dependent variable on Tangibility of service quality, Reliability of service quality, Responsiveness of service quality, Assurance of service quality and Empathy of service quality.

4.2. Statistical Analysis

As highlighted above, all collected input data were feed into SPSS version 20 software to analyse and generate output data. Each variable were then analysed. Analyses were categorized in to four parts.

Part one deals with reliability test analysis for those major targeted variables; Part two deals with descriptive analysis; Part three deals with correlation analysis; and part four deals with the analysis of impact relationships aligned with interpretations.

4.3. Reliability Test Analysis

Reliability deals with internal consistency. Internal consistency measures consistency within the instrument and questions how well a set of items measures a particular behaviour or characteristic within the test. For a test to be internally consistent, estimates of reliability were based on the average inter-correlations among all the single items within a test. The most popular method of test for internal consistency in the behavioural sciences is coefficient alpha. Coefficient alpha was popularized by Cronbach's (1951). Criteria for assessment: ≥ 0.70 = adequate reliability for group comparisons, and ≥ 0.90 = adequate reliability for individual monitoring.

Table 4.1. Reliability of all categories

Roll no	Variables	Number of items	Cronbach's alpha
1	Tangibility	5	0.808
2	Reliability	6	0.788
3	Responsiveness	5	0.783
4	Assurance	5	0.809
5	Empathy	6	0.804
6	Customer loyalty	4	0.784
7	Service quality dimension	5	0.951

Source: Author generated from analysed data 2016

4.4. Demographic Analysis of Customers of Jimma Town Branches

Table 4.2: Demographic analysis of Customers of Jimma Town branches

SN		N	Respondents %	
1	Age	18-29 years	69	17.3%
		30-45 years	161	40.5%
		46-59 years	102	25.6%
		60 and above years	66	16.6%
		Total	398	100%
2	Sex	Male	275	69.1%
		Female	123	30.9%
		Total	398	100%
3	Marital status	Single	105	26.4%
		Married	226	56.8%
		Divorced	34	8.5%
		Widowed	33	8.29%
	Total	398	100	
4	Qualification	Primary	14	3.5%
		High School	41	10.3%
		Certificate	64	16.1%
		Diploma	98	24.6%
		Degree and above	181	45.5%
	Type of account	234	58.8%	
	Saving	156	39.19%	
	Current account	8	2.01%	
	Fixed deposit account			

Occupation	58	14.6%
Student	139	34.9%
Self employed	90	22.6%
Government	111	27.9%
Other		

Source: Own Survey; 2016

The above table described that out of 398 respondents, 69 customers who account 17.3% of the respondents are at age of between 18-29 years whereas 161 customers which accounts 40.5% of the respondents are at the age of between 30-45 years whereas 102 customers which constitutes of 25.6% are in the age between 46-59 years while the rest 66 respondents which constitutes of 16.6% are above the age of 60. The above data shows that more than half of the customers are young, adult and energetic.

From 398 total respondent customers 105 respondents are single consisting 26.4% of the total population. 226 customer respondents are married consisting 56.8%. 49 respondents are divorced consisting 12.3% and the rest 18 of the respondents are widowed consisting of 4.5% of the total respondents. This shows that most of the customers of the respondents are married and single.

From 398 total respondent customers 275 respondents are male consisting 69.1% of the total population and the rest 123 of the respondents are females consisting of 30.9% of the total respondents. This shows that most of the customers of the respondents are males.

234 of the respondent customers have a saving account in the bank which counts 58.8% of the total respondents. 156 customers have a current account in the bank consisting around 39.19% of

the total respondents. 8 of the customer respondents have a fixed deposit account in the bank which accounts of 2.01% of the total respondents. This shows majority of the respondents have a saving account in the bank.

58 of the respondent customers are student which counts 14.6% of the total respondents. 139 customers are self-employed consisting around 34.9% of the total respondents. 90 of the customer respondent's government employee which accounts of 22.6% of the total respondents and the rest 111 are others which constitutes 27.9% are others this shows majority of the respondents are self-employed and government.

According to the above table, 14 of the respondent customers have a qualification of primary education which counts 3.5% of the total respondents. 41 employees have a qualification of High school consisting around 10.3% of the total respondents. 64 of the customer respondents have a qualification of certificate which accounts of 16.1% of the total respondents. 64 of the customers have a qualification of diploma consisting around 24.6% of the total respondents and 181 customers have a qualification of MA/MSc consisting around 45.5% of the total respondents.

4.5. Descriptive Analysis

Descriptive analysis of each question by respondents we answered using descriptive mean and standard deviation as shown in the following tables.

Table 4.3. Descriptive Statics of Variables

Descriptive Statistics			
	Mean	Std. Deviation	N
Tangibility	18.0000	2.07662	398
Reliability	21.8291	2.85607	398
Responsiveness	18.0101	1.80117	398
Assurance	17.6307	2.24265	398
Empathy	22.0754	2.76709	398
Customer Satisfaction	4.59	.537	398
Loyalty	13.1633	1.60790	398
Valid N (List wise)	398		

Source: Own Survey; 2016

This output shows for each of the seven variables, the number (N) of participant with no missing data on that variables. The valid N, (List wise) is the numbers (8) who have no missing data on any variables. The table also shows the Mean and Std.Deviation score that any participants had on that variable. The tables also provide the Mean or average score for each variable. The Std.Deviation score on empathy variables are high which constitute ($\bar{x} = 22.07, s = 2.76$) followed by reliability constitute ($\bar{x} = 21.82, s = 2.85$). The mean score on responsiveness and tangibility almost similar which was ($\bar{x} = 18.01, s = 1.8$) and ($\bar{x} = 18.00, s = 2.07$) respectively. The lowest mean score which constitute ($\bar{x} = 17.63, s = 2.24$) was for assurance variables. The mean score of customer satisfaction constituted ($\bar{x} = 4.59, s = 0.54$) which indicate almost the entire customers are satisfied. The mean values of loyalty are high which constitute ($\bar{x} = 13.16, s = 1.60$).

4.6. Correlation Analysis

Correlation basically refers to statistically exploring whether the values of one variable increase or decrease systematically with the values of another. As discussed in the first chapter and in

literature review the main objective of the study is to show the existing correlation between effects of independent variables and dependent variable customer loyalty and satisfaction, this test is done by using Bivariate Correlation Analysis (two-tailed) and the Pearson correlation coefficient was carried out to determine the extent to which values of the dependent and independent variables were correlated to each other.

Table 4.4. Correlation Analysis of Variables

		Tangibility	Reliability	Responsiveness	Assurance	Empathy	Customer Satisfaction	Loyalty
Tangibility	Pearson Correlation	1	.798**	.715**	.595**	.691**	.307**	.589**
Reliability	Pearson Correlation	.798**					.385**	
Responsiveness	Pearson Correlation	.715**					.691**	
Assurance	Pearson Correlation	.595**					.512**	
Empathy	Pearson Correlation	.691**					.511**	
Customer Satisfaction	Pearson Correlation	.307**					1	.542**
Loyalty	Pearson Correlation	.589**					.542**	

** . Correlation is significant at the 0.01 level (2-tailed). N= 398

Source: Own Survey; 2016

As shown in the above table there is significant and positive relationship between tangibility of service quality and the customer satisfaction having the Pearson correlation coefficient of 0.307; significant and positive relationship between the reliability of service quality and customer satisfaction having the Pearson correlation coefficient of 0.385, significant and positive relationship between the responsiveness of service quality and customer satisfaction having the Pearson correlation coefficient of 0.691; significant and positive relationship between the assurance of service quality and customer satisfaction having the Pearson correlation coefficient of 0.512 and significant and positive relationship between the empathy of service quality and customer satisfaction having the Pearson correlation coefficient of 0.511. Therefore the significant and positive correlation between items in the table's shows that when the bank have reliability of service quality, tangibility of service quality, responsiveness and have assurance and empathy of service quality the customer satisfaction level will became higher. There is also significant and positive relationship between the customer satisfaction and loyalty having the Pearson correlation coefficient of 0.542 this shows an increase in customer satisfaction will result an increase customer loyalty in the bank.

4.7. Regression analysis

The aim of regression analysis is to estimate the effect or impact of a given independent variable on variation in the dependent variable. In this study the effect of independent variables on dependent variable done by linear regression. As discussed above the positive and significant correlation coefficient between independent variable and dependent variable shows that as the independent variable increased the dependent variable will became higher and vice versa.

In this linear regression the researcher described the R square and adjusted R square to measure the proportion of the variation in the dependent variable accounted for by the explanatory variables.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Beta	Alpha
1	.807 ^a	.651	.647	.31929	.853	.000

Source: author generated from analysed data in SPSS 2008

a. Predictors: (constant), ca_ responsiveness, tangibles of service quality, empathy of service quality, reliability, assurance

The model summary table shows that the multiple correlation coefficient (R), using all the dimension variables simultaneously is 0.80 and the adjusted R-square is 64.7, meaning that 64.7% variance in customer satisfaction can be predicted from the combination of the responsiveness, tangibility, empathy, reliability and assurance.

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	74.634	5	14.927	146.422	.000 ^b
	Residual	39.962	392	.102		
	Total	114.595	397			

The significance is .000, so we can reject the null hypothesis that “The model has no predictive value. Therefore this study indicates that service quality dimension variable is significantly contributing to predicting customer satisfaction.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.853	.170		5.023	.000
	TANGIBLES of service quality	.117	.015	.451	7.919	.000
	EMPATHY of service quality	.023	.029	.121	.817	.414
	ASSURANCE	.017	.040	.068	.435	.664
	RELIABILITY	.002	.021	.008	.073	.942
	CA_ RESPONSIVINESS	.367	.020	1.211	18.422	.000

Source: Author generated from analysed data in SPSS 2008

a. Dependent Variable: CUSTOMER SATISFUCTION

From the linear regression equation

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3 + \beta X_4 + \beta X_5 + u$$

Where

Y= Customer satisfaction (Dependent variable)

α = Constant

X₁= Tangibility (Independent variable)

X₂= Empathy (Independent variable)

X₃= Assurance (Independent variable)

X₄= Reliability (Independent variable)

X₅= Responsiveness (Independent variable)

$$\text{Customer Satisfaction} = 0.853 + 0.451 \text{ Tangibility (X}_1\text{)} + 0.121 \text{ Empathy (X}_2\text{)} + 0.068 \text{ Assurance (X}_3\text{)} + 0.008 \text{ Reliability (X}_4\text{)} + 1.211 \text{ Responsiveness (X}_5\text{)}$$

Therefore:

$$Y = 0.853 + 0.451X_1 + 0.121X_2 + 0.068X_3 + 0.008X_4 + 1.211X_5$$

In general multiple linear regression models show significant effect of coefficients to the response variable Tangibility, Empathy, Assurance, Reliability and Responsiveness respectively and customer satisfaction.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Beta	Alpha
1	.580 ^a	.337	.335	1.342	.580	.000 ^b

Source: Author generated from analysed data in SPSS 2008

a. Predictors: (Constant), CUSTOMER SATISFUCTION

The Adjusted R-square tells that the “goodness of fit” of the model. As a percentage, the Adjusted R-square for this model is .335 which means that the effects the independent variable can explain about 33.5% of the effect in loyalty. Therefore the independent variables have about 33.5% of effect in customer loyalty.

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	362.262	1	362.262	201.043	.000 ^b
	Residual	713.557	396	1.802		
	Total	1075.819	397			

Source: Author generated from analysed data in SPSS 2008

a. Dependent variable: customer loyalty

b. . Predictors: (constant), customer satisfaction

The ANOVA table is used to test the significance of above model. It is used to test the null hypotheses of the overall coefficients of the model are equal to zero (not significant) against the alternative hypotheses of the regression coefficients of the overall model are significantly different from zero (the overall model is significant).

The ANOVA table shown above result indicates that the overall model is significant when all variables are entered.

The significance is .000, so we can reject the null hypothesis that “The model has no predictive value.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	5.149	.579		8.894	.000
CUSTOMER SATISFUCTION	1.778	.125	.580	14.179	.000

Source: Author generated from analysed data in SPSS 2008

a. Dependent Variable: CUSTOMER LOYALITY

From the linear regression equation

$$Y = \alpha + \beta X_1 + u$$

Where

Y= Customer Loyalty (Dependent variable)

α = Constant

X_1 = Customer Satisfaction (Independent variable)

$$\text{Customer Loyalty} = 5.149 + 1.778 \text{ Customer satisfaction } (X_1)$$

Therefore:

$$Y = 5.149 + 1.778X_1$$

In general multiple linear regression models show significant effect of coefficients to the response variable customer satisfaction and customer Loyalty.

Customer satisfaction having a β value = 1.778 indicate that, the existence of directly (positive) relationship between the customer satisfaction and customer loyalty. The value increase in customer satisfaction = 1.778 means, the explanatory variable at worked customer satisfaction is increased by one unit the response variable (customer loyalty) is also increased by 1.778. These tell us that, for every standard deviation unit change in Customer satisfaction the Customer loyalty will rise by 1.778 respectively.

CHAPTER FIVE

5. SUMMERY, CONCLUSION AND RECOMENDATION

This chapter deals with the summary of findings, conclusions drawn from the findings and the recommendations forwarded for improvement in services delivery process of the branches banks. The recommendations cover creating awareness of the importance improving on those dimensions in which the banks got inferior score and also to keep working on the superior scored dimensions. The chapter is presented under the headings: summary of findings, conclusions, and recommendations.

5.1. Summary of Findings

The study was intended to investigate the influence of quality service on customers' satisfaction and loyalty in seven branches banks found under Commercial Bank of Ethiopia, Jimma Town branches based on the questionnaire consisting of 398 conveniently selected customers of these banks.

The results of background information of respondents indicated that majority of the total respondents (69.1%) are male, (40.5%) aged in the range of 30-45 years, (34.9%) are self-employed, (45.5%) of the respondents are bachelor, (56.8%) are married, and (58.8%) of the respondent are saving account users.

The results of the descriptive statistical analysis also indicated that, customers were all most satisfied with the tangibility, reliability, responsiveness, assurance and empathy dimensions of service quality.

The correlation result show that there is a positive and significant relationship between tangibility and customer satisfaction, reliability and customer satisfaction, responsiveness and customer satisfaction, assurance and customer satisfaction and empathy and customer satisfaction. The finding also indicates that the highest relationship was found between

responsiveness of service quality , and have assurance of service quality to the level of customer satisfaction and customer loyalty to the bank will became higher.

The multiple regression results showed that all service quality dimensions (Tangibility, reliability, responsiveness, assurance, and empathy) have positive and significant effect on customer satisfaction. The adjusted R square value of 0.647, demonstrates that 64.7% of variation in customer satisfaction can be accounted by the service quality dimensions. Furthermore, customer satisfaction has positive and significant effect on loyalty. The adjusted R² of 0.335 indicates 33.5% of customer satisfaction is associated with their loyalty.

5.2. Conclusions

The main aim of the study was to assess the service quality of CBE, Jimma Town branches and its impact on customer satisfaction and loyalty. The study tried to test the relationship that exists between service quality dimensions and customer satisfaction; customer satisfaction and loyalty. The mean score values for service quality dimensions was between 17.63 and 22.07. The multiple regression results showed that all service quality dimensions have positive and significant effect on customer satisfaction. The R square value of 0.647, demonstrates that 64.7% of variation in customer satisfaction can be accounted by the service quality dimensions.

Besides, customer satisfaction has positive and significant effect on and loyalty. The adjusted R² of 0.335 indicates 33.5% of customer satisfaction is associated with their loyalty.

Hence, the study comes up with the following conclusion:

The ability to deliver quality service has a positive effect on customer satisfaction. Therefore, customers of Jimma Town branches wish to have quality services from the banks. To some extent, the banks are tried to providing quality service; the banks employees are polite, willing to serve the customer, knowledgeable, reliable and efficient all of which are elements of quality services.

Assurance of the banks services were relatively good, the staffs were good in providing information, rectifying mistakes and creating secure environment.

Knowledge and competence of service providers and the ability to help and advice customers that benefit them has positive effect on customer satisfaction. Most of the employees in the banks are willing in helping and have genuine interest in solving customers concern In addition most of the employees were telling when services performed and have sufficient knowledge of service information.

In general, the following specific empirical findings emerged from the investigation: The five service quality dimensions including tangibility, reliability, responsiveness, assurance, and empathy have positive and significant effect on customer satisfaction. The findings of this study also indicated that empathy is the most important factor to have a positive and significant effect on customer satisfaction. In addition to this, the five service quality dimensions significantly explain the variations in customer satisfaction. Furthermore, customer satisfaction also explains the variations in loyalty of the customers.

5.3. Recommendations

Based on the findings and conclusions of the study, the researcher forwards the following recommendations to the management of the banks and the staffs.

Even if empathy scores high mean and Std.Deviation value the bank management should kept and upgrades its performance by giving great attention on building the capacity of the employees by various T & D program to equip up the employees with reliable, efficient and ethical behaviour.

The score of assurance dimension shows good but relatively inferior mean and Std.Deviation value from other variables so that, the bank management should improving the skill and knowledge of employees on providing information, to serve customer politely and try to feel safe on the service.

The score of reliability dimension shows better mean and Std.Deviation value so that, the bank managers try to insure the sustainability of this performance by motivate and train the staff members and fully implement performance management system (PMS) to improve their performances pertaining to transact highest quality service, to keep their promise and also express genuine concern to customers when they serve customers.

The score of tangibility and responsiveness dimensions have good and almost the same mean and Std.Deviation value. So that bank should upgrade its performance in providing physical facilities ,in creating convenient environment, on the uses modern and appropriate equipment and technology and the bank staffs should be trained and motivated by managers to be willing, prompt and informed when they serve customers.

The finding of the study also indicates that the majority customers of the branches banks were satisfied with the overall service quality. However, this should not mean it lasts forever. So there is a need for management bodies to evaluate their status constantly and work for continuous improvements.

Furthermore, customer loyalty scores high mean and frequency value but the managers should not be over buoyant by these scores so that, they will work hard to achieve a level of satisfaction that will make customers to use in the future, recommend other people to use and add other services of the bank.

To sum up, keeping the customers satisfied contributes in attracting as well as in making customers loyal to the organization; the employees of the banks and managers should exhibit professional manners. Moreover, to serve the customers well, providing timely training and development for employees plays a great role. Thus, the banks should give training to staff to enable them in serving the customers well and provide them with relevant and timely information that enables the banks also to have proper communication among staff members and ensuring error-free and delayed transaction.

In general, banks have improve performance on all the dimensions of service quality in order to increase customer satisfaction and bringing the customers to higher level of loyalty since customers expect more than what is been offered by other banks. This will enable them maintain high level of competitiveness in retail banking industry.

5.4. *Suggested Area for Future Research*

This study was conducted to examine the effect of service quality on customer satisfaction and loyalty in seven branches banks of CBE, Jimma Town branches. The sample was drawn from the seven branches banks, thus this study may be limited in its generalize ability of the findings to others private banks found. So, future research should have to draw sample of respondents on more number of branches and also private banks for the sake generalizing the results of the study.

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

REFERENCES

- Adam E. and Simon S. (2009). Understanding consumer preference in the flower industry. Retrieved February 10, 2013 from <http://www.flowercouncil.org>. [ACCESS DATE DECEMBER, 2015]
- Ahmossawi M. (2001). Bank selection criteria employed by college students in Bahrain: an empirical analysis. *International Journal of Bank Marketing* 19(3): 115-125. Retrieved April 10, 2013, from <http://www.bjournal.co.uk/BJASS.aspx>.
- Alan B. and Emma B. (2007). *Business Research Methods*, 2nd edition. Oxford University Press. Available from www.gobookee.net/business-research-methods-bryman-bell/
- American Psychological Association (2002). *A P A style guide electronics referencing*.
- American Psychological Association, 750 First Street, NE, Washington, DC. Available from <http://www.apa.org/books/>
- Anderson, Eugene W. and Vikas M. (2000), “Strengthening the Satisfaction-Profit Chain, “*Journal of Service Research*, 3 (2), 107-120. Retrieved April 1, 2013, from <http://www.academicjournals.org/AJBM>
- Asubonteng P, McCleary KJ, Swan JE (1996). SERVQUAL revisited: a critical review of service quality. *Journal of Service Marketing* 6(6):62-81. Retrieved March 10, 2013, from <http://www.bjournal.co.uk/BJASS.aspx>
- C.N. Krishna Naik, Swapna Bhargavi Gantasala and Gantasala V. Prabhakar (2010). Service Quality (Servqual) and its Effect on Customer Satisfaction in Retailing, *European Journal of Social Sciences – Volume 16, Number 2*. Retrieved March 02, 2013, from <http://www.ccsenet.org/ijbm>.
- Caruana A. (2002). Service loyalty: the effects of service quality and the mediating role of customer satisfaction. *European Journal of Marketing*, Vol. 36 No. 7/8, pp. 811-28.
- Charles H. (2010). Banking reform in Ethiopia. Retrieved April 2, 2013, from http://www.edoc.bibliothek.uni-halle.de/servlets/HALCoRe.../IDS_Wp37.pdf
- Cronin JJ, Taylor SA (1994). SERVPERF versus SERVQUAL: Reconciling performance based and perceptions-minus-expectations measurement of service quality. *Journal of* 58(1):125-131.

- Definition of Commercial Bank (n.d). Investopedia online dictionary. Retrieved April 01, 2013 from <http://www Investopedia.com /terms/c/c/dictionary/>
- Francis B. (1996). Relationship Marketing: Theory and Practice. Paul Chapman Publishing, London pp.1–16. Retrived from [http://www.dx.doi.org/ 10.1016/S0019-8501\(00\)00112-7](http://www.dx.doi.org/ 10.1016/S0019-8501(00)00112-7).
- Gronroos C. (1984). A service quality model and its market implications. European Journal of Marketing 18(4): 36-44. Retrieved on March 10, 2012 from nccur.lib.nccu.edu.tw/bit stream/140.119/35446/10.
- International Journal of Business and Management Vol. 6, No. 3. Retrieved April 14, 2013, from <http://www.ccsenet.org/ijbm>.
- Joan L.Giese (2012).Definition of consumer satisfaction. Academy of Marketing Science Review, Volume 2000.Retrieved on June 01, 2012 from <http://www.amsreview.org/articles/giese01-2000.pdf>. [ACCESESS DATE FEBRUARY 2016]
- Joseph F. Hair, Robert P. Bush & David J. Ortinau (2003). Marketing Research, 2nd Edition, New Delhi, India. Tata McGraw-Hill Publishing Company.
- JunaidZafar, NikKamariahNik Mat, Theeb M.A. AL Motairi, MeddourHoucine, EgabAlOtaibi, Muhammad S. Al Alawni and Jamal M. Alekam (2012). Staff Conduct, Communication, Access to Service and Customer Satisfaction: The Mediating Effect of Credibility. American Journal of Economics June 2012, Special Issue: 37-40. Retrieved on April 02, 2013, from <http://www.Journal.sapub.org /economics>.
- Kambiz H. Hanzaee and Seyed A. Seyed S. (2011). A perceived service quality measurement scale in Iran’s retail banking market. African Journal of Business Management Vol.5 (5),pp. 1804-1810.Retrieved April 27, 2013, from <http://www.academicjournals.org/AJBM>.
- Kazi O. Siddiqi (2011). Interrelations between Service Qualities Attributes, Customer Satisfaction and Customer Loyalty in the Retail Banking Sector in Bangladesh.
- Kiyota, k. Barbara P. and Robert M Stern (2007).The Case of Financial Sector Liberalization in Ethiopia. Gerald R. Ford School of Public Policy The University of Michigan Ann Arbor, Michigan 48109-309, Discussion Paper No. 565. Retrieved April 02, 2013, from <http://www.Fordschool.umich.edu/rsie/working papers/wp.html>.

- Kotler P. and Armstrong G. (2012). Principles of Marketing. 14th Edition, New Jersey, USA. Pearson Education Inc. Available from <http://www.freepdfdb.com>.
- Ladhari, R. (2009). A review of twenty years of SERVQUAL research, International Journal of Quality and Service Sciences, Vol. 1, Number 2. P.172-198. Retrieved from https://www.eprints.mdx.ac.uk/6929/2/Boulter_-_QMODPAPER.pdf.
- Lin, Chia Chi, (2009). A critical appraisal of customer satisfaction and e-commerce. Managerial Auditing Journal, Vol. 18 No. 3, pp. 202-212. Retrieved from libra.msra.cn Publications.
- Maive S. (2003). Service Quality- Main Conceptualizations and Critique. Tartu University Press, McColl-Kennedy, J. and Schneider, U. (2000). Measuring customer satisfaction: why, what and how. Total Quality Management, 11 (7), 1-14. Retrieved April 25, 2013, from <http://www.vps.ns.ac.rs/SB/2011/7.12.pdf>. [ACCESS DATE FEBRUARY 2016]
- McIlroy A, Barnett S (2000). Building Customer Relationships: Do Discount Cards Work Managing Service Quality, 10(6), 347-355. Retrieved from <http://www.emeraldinsight.com/journals.htm?articleid=842707>.. [ACCESS DATE APRIL 2016]
- Nancy L. Leech, Karen C. Barrett and George A. Morgan (2005). SPSS for Intermediate Statistics: Use and Interpretation 2nd Edition, 10 Industrial Avenue Mahwah, New Jersey, USA.
- Negaret Gazetta (1994). Ethiopian Government, Licensing and Supervision of Banking Business Proclamation No. 84/94. Available from <http://www.fsc.gov.et/resources/>. [ACCESS DATE MARCH 2016]
- Negi, R. (2009). Determining customer satisfaction through perceived service quality: A study of Ethiopian mobile users, International Journal of Mobile Marketing; Vol.4, Number 1; P.31-38. Retrieved from umu.diva-portal.org.
- Parasuraman A, Zeithaml VA, Berry L (1988). "SERVQUAL: a multiple-item scale for measuring customer perceptions of service quality", Journal of Retailing. 64: 12-40. Retrieved from: <http://www.academia.edu/>. [ACCESS DATE JANUARY 2016]
- Santosh Gupta (2007). Research Methodology and Statistical Techniques. Rajouri Garden, New Delhi. Deep&Deep publication Pvt. Ltd Publications.

- SERVQUAL Model, International Journal of Business Management 5: 117-124. Retrieved from <http://www.nyit.edu/>[ACCESS DATE JANUARY 2016]
- Taro Yamane (1973). Statistics, An Introductory Analysis, 3rd edition, New York: Harper and Row. Available from www.worldcat.org/oclc/39121222/. [ACCESS DATE APRIL 2016]
- Tibebe D. (2006). National Bank of Ethiopia Issued Directive on Provisions of International Remittance Service. Retrieved April 30, 2013, from <http://www.primopdf.com>. [ACCESS DATE FEBRUARY 2016]
- Tizazu K. (2012). The Effect of Customer Service Quality on Customer Satisfaction in Selected Private Banks (Addis Ababa). MBA Thesis, Department of Business Administration. Retrieved from <http://www.etd.aau.edu.et/dspace/bitstream/123456789/4494/>[ACCESS DATE MARCH 2016]
- www.cbcombank.com.et[ACCESS DATE MAY 2016]

APPENDICES
DESCRIPTIVE ANALYSIS OF RESPONSES OF CUSTOMER

TANGIBILITY OF SERVICE

Table 4.1. Descriptive analysis of tangibility of service quality

	SD(1)		D(2)		N(3)		S(4)		VS (5)	
	F	%	F	%	F	%	F	%	F	%
CBE Jimma Town branches provide adequate physical facilities	20	0.5%	-		40	10.1%	119	29.9%	219	55%
CBE Jimma town branches location is convenient	10	2.5%	-		10	2.5%	119	29.9%	259	65.1%
CBE Jimma Town branches uses modern and appropriate technology like E payment	20	5%	-		20	5%	119	29.9%	239	60.1%
The employees of the CBE Jimma Town branches are well dressed and neat in appearance	20	5%	-		20	5%	119	29.9%	239	60.1%

Source: Own Survey; 2016

As can be viewed from the above table 84.9% of the total customer's respondents agree that Bank has visually appealing physical facilities; While 10.1% of the total customer respondents stayed neutral and 5% of the total customer respondent of the bank are disagree.

95% of the total customer respondents agreed that Bank location is convenient to them, While 2.5 % of the total customer respondents stayed neutral and 2.5% of the total customer respondent of the bank are disagree.

90% of the total customer respondents agreed that Bank uses modern and appropriate equipment and technology While 5% of the total customer respondents stayed neutral and of the total customer respondent of the bank are disagree.

90% of the total customer's respondents agreed that the employees of bank are well dressed and neat in appearance While 5% of the total customer's respondents stayed neutral and 5% of the total customer respondent of the bank are disagree..

From the analysed data if Bank has visually appealing physical facilities, Bank location is convenient Bank uses modern and appropriate equipment and technology and if the employees of bank are well dressed and neat in appearance the customer satisfaction and loyalty will increase.

RELIABILITY OF SERVICE

Table 4.2. Descriptive analysis of reliability of service quality

	VD(1)		D(2)		N(3)		S(4)		VS (5)	
	F	%	F	%	F	%	F	%	F	%
The CBE Jimma Town branches provide service without disturb	21	5.3%	44	11.1%	179	45%	154	38%		
The CBE Jimma Town branches is financially stable	1	0.2%	25	6.3%	175	44.0%	197	49.5%		
CBE Jimma Town branches staff shows genuine interest in solving customers concern	21	5.3%	48	12.1%	127	31.9%	202	50.8%		
The CBE Jimma Town branches transact products and services of highest quality	20	5%	19	4.8%	119	29.9%	240	60.3%		
When CBE Jimma Town branches staff will promise to do something by a certain time and do so	20	5%	41	10.3%	119	29.9%	218	54.8%		

Source: Source: Own Survey; 2016

From the above table 83% of the total customers respondents satisfied by the bank provide service without disturb; While 11.1% of the total customer respondents stayed neutral and 5.3 are dissatisfied.

94.5% of the total customer respondents satisfied that the bank is financially stable, While 6.3% of the total customer respondents stayed neutral and 0.2% dissatisfied.

82.7% of the total customer respondents satisfied by staff show sincere interest in solving customers' concern; While 12.1% of the total customer respondents stayed neutral and 5.3% dissatisfied.

94.9% of the total customer's respondents satisfied by the bank transact products and services of highest quality While 5.1% of the total customer's respondents stayed neutral.

84.7% of the total customer's respondents satisfied by the bank branches staff will promise to do something by a certain time and do so While 10.3% of the total customer's respondents stayed neutral and 5% dissatisfied.

From the analysed data if customers of the bank satisfied by the bank provide service without disturb, financially stable staff show sincere interest in solving customers' concern and if the transact products and services of highest quality the customer satisfaction and loyalty will increase

RESPONSIVENESS OF SERVICE

Table 4.3. Descriptive analysis of responsiveness of service quality

	VD(1)		D(2)		N(3)		S(4)		VS (5)	
	F	%	F	%	F	%	F	%	F	%
CBE Jimma Town branches employees are happy and willing to serve customers	2	0.5%	-		61	15.3%	121	30.4%	214	53.8%
CBE Jimma Town branches staff tell customers exactly when services will be performed	40	10%	-		24	6%	119	29.9%	215	54.1%
Prudent CBE Jimma branches staff will always be willing to help customers	10	2.5%	-		17	4.3%	137	34.4%	234	58.8%
Prudent CBE Jimma Town branches management are accessible, listen to and provide prompt and honest responses to customers inquiries	20	5%	-		4	1%	181	45.5%	193	48.5%

Source: Source: Own Survey; 2016

From the above table 84.2% of the total customers respondents satisfied by the bank employees are happy and willing to serve customers While 15.8% of the total customer respondents stayed neutral and 0.5 are dissatisfied.

84% of the total customer respondents satisfied that staffs tells customers exactly when services will be performed, While 6 % of the total customer respondents stayed neutral and 10% dissatisfied.

93.2% of the total customer respondents satisfied by s staff will always be willing to help customers While 4.3% of the total customer respondents stayed neutral and 2.5% dissatisfied.

94% of the total customer's respondents satisfied by the prudent CBE Jimma Town branches management are accessible, listen to and provide prompt and honest responses to customer's inquiries, While 1 % of the total customer's respondents stayed neutral and 5%of the total customer respondent of the bank are dissatisfied.

From the analyzed data if customers of the bank satisfied by the bank employees are happy and willing to serve customers, staff tells customers exactly when services will be performed, staff will always be willing to help customers and if the prudent CBE Jimma Town branches management are accessible, listen to and provide prompt and honest responses to customers inquiries the customer loyalty and satisfaction will increase

ASSURANCE OF SERVICE

Table 4.4. Descriptive analysis of assurance of service quality

	VD(1)		D(2)		N(3)		S(4)		VS (5)	
	F	%	F	%	F	%	F	%	F	%
CBE Jimma Town branches employees have the required skills in providing services	40	10%			24	6%	119	29.9%	215	54.1%
CBE Jimma Town branches employees have sufficient knowledge of service information	20	5%			65	16.3%	139	35%	174	43.7%
CBE Jimma Town branches employees are consistently courteous with customers			-		41	10.3%	178	44.7%	156	39.2%
CBE Jimma Town branches employees make customers feel safe in their transaction	40	10%			20	5%	175	44%	163	41%

Source: Own Survey; 2016

From the above table 84% of the total customers respondents satisfied by the employees have the required skills in providing services While 6% of the total customer respondents stayed neutral and 10% are dissatisfied.

78.7% of the total customer respondents satisfied that employees have sufficient knowledge of service information, While 16.3 % of the total customer respondents stayed neutral and 5% respondents are dissatisfied.

83.9% of the total customer respondents satisfied by employees are consistently courteous with customers, While 10.3% of the total customer respondents stayed neutral and the rest 5.8% customer respondents dissatisfied.

85% of the total customer's respondents satisfied by employees make customers feel safe in their transaction, While 5% of the total customer's respondents stayed neutral and 10% of the total customer respondents are disagreed.

From the analyzed data if customers of the bank satisfied by the employees have the required skills in providing services, have sufficient knowledge of service information, employees are consistently courteous with customers and if employees make customers feel safe in their transaction the customer loyalty to the bank and their satisfaction on service will increase.

EMPATHY OF SERVICE

Table 4.5. Descriptive analysis of empathy of service quality

	VD(1)	D(2)		N(3)		S(4)		VS (5)	
	F %	F %	F %	F %	F %	F %	F %	F %	F %
The CBE Jimma Town branches has customers best interest at heart	15 3.75%			5 1.25%		139 34.9%		239 60.1%	
CBE Jimma Town branches uses reliable knowledgeable and efficient branches to provide quality service	10 2.5%			10 2.5%		139 34.9%		239 60.1%	
CBE Jimma Town branches employees give customers individual attention	20 5%			39 9.8%		179 45%		160 40.2%	
CBE Jimma Town branches employees demonstrate integrity and trust worthiness in dealing with customers	10 2.5%			10 2.5%		175 44%		203 51%	
CBE Jimma Town branches employees are committed to ethics and	20 5%			43 10.8%		128 32.2%		207 52%	

promote ethical behaviour in the work place				
---	--	--	--	--

Source: Own Survey; 2016

From the above table 95% of the total customer’s respondents have best interest at heart, While 1.25% of the total customer respondents stayed neutral and 3.75% are stayed dissatisfied.

95% of the total customer respondents satisfied that the bank uses reliable knowledgeable and efficient branches to provide quality service, While 2.5 % of the total customer respondents stayed neutral and 2.5% are stayed dissatisfied.

85.2% of the total customer respondents satisfied by employees give customers individual attention, While 9.8% of the total customer respondents stayed neutral and the rest 5% customer respondents dissatisfied.

95% of the total customer’s respondents satisfied by employees demonstrate integrity and trust worthiness in dealing with customers, While 2.5 % of the total customer’s respondents stayed neutral and 2.5% are stayed dissatisfied..

84.2% of the total customer’s respondents satisfied by employees are committed to ethics and promote ethical behaviour in the work place, While 10.8% of the total customer’s respondents stayed neutral and the rest 5 % of respondent customers disagreed.

From the analyzed data if customers of the bank satisfied by the bank uses reliable knowledgeable and efficient branches to provide quality service, employees give customers individual attention, demonstrate integrity and trust worthiness in dealing with customers, employees are committed to ethics and promote ethical behaviour in the work place and have best interest at heart to the bank their loyalty to the bank and their satisfaction on service will increase

CUSTOMER LOYALTY

Table 4.6. Customer loyalty and service quality

	VD(1)		D(2)		N(3)		S(4)		VS (5)	
	F	%	F	%	F	%	F	%	F	%
I will keep on using the service of the bank in the future	2	0.5%	-	-	1	0.3%	182	45.7%	213	53.51%
I will recommend other people to use service of the bank	3	0.8%	-	-	47	11.8%	164	41.2%	184	46.2%
I determined to use other services of the bank in addition to the one I already use	20	5%	-	-	44	11.1%	126	31.7%	208	52.3%

Source: Own Survey; 2016

From the above table 99.21% of the total customer's respondents will keep on using the service of the bank in the future, while 0.3 % of the total customer respondents stayed neutral and 0.5% is stayed dissatisfied.

87.4% of the total customer respondents recommend other people to use service of the bank, while 11.8 % of the total customer respondents stayed neutral and 0.8% of the total customer respondents dissatisfied

84% of the total customer respondents determined to use other services of the bank in addition to the one they already use, while 11.1% of the total customer respondents stayed neutral and the rest 5% customer respondents dissatisfied.

Therefore from the analyzed data respondents will keep on using the service of the bank in the future, recommend other people to use service of the bank and are determined to use other services of the bank in addition to the one they already use keep their loyalty to the bank and their satisfaction on service will increase.

Correlation

		Tangibility	Reliability	Responsiveness	Assurance	Empathy	Customer Satisfaction	Loyalty
Tangibility	Pearson Correlation	1	.798**	.715**	.595**	.691**	.307**	.589**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	Sum of Squares and Cross-products	1712.000	1878.000	1062.000	1101.000	1576.000	136.000	781.000
	Covariance	4.312	4.730	2.675	2.773	3.970	.343	1.967
	N	398	398	398	398	398	398	398
Reliability	Pearson Correlation	.798**	1	.773**	.768**	.900**	.385**	.630**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	Sum of Squares and Cross-products	1878.000	3238.382	1577.683	1953.884	2823.126	234.809	1148.106
	Covariance	4.730	8.157	3.974	4.922	7.111	.591	2.892
	N	398	398	398	398	398	398	398
Responsiveness	Pearson Correlation	.715**	.773**	1	.754**	.816**	.691**	.763**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	Sum of Squares and Cross-products	1062.000	1577.683	1287.960	1209.477	1614.698	265.658	877.347
	Covariance	2.675	3.974	3.244	3.047	4.067	.669	2.210
	N	398	398	398	398	398	398	398
Assurance	Pearson Correlation	.595**	.768**	.754**	1	.872**	.512**	.666**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	Sum of Squares and Cross-products	1101.000	1953.884	1209.477	1996.706	2149.080	245.058	953.008
	Covariance	2.773	4.922	3.047	5.029	5.413	.617	2.401
	N	398	398	398	398	398	398	398
Empathy	Pearson Correlation	.691**	.900**	.816**	.872**	1	.511**	.704**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	Sum of Squares and Cross-products	1576.000	2823.126	1614.698	2149.080	3039.739	301.437	1244.101
	Covariance	3.970	7.111	4.067	5.413	7.657	.759	3.134
	N	398	398	398	398	398	398	398
Customer Satisfaction	Pearson Correlation	.307**	.385**	.691**	.512**	.511**	1	.542**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	

	Sum of Squares and Cross-products	136.000	234.809	265.658	245.058	301.437	185.947	114.595
	Covariance	.343	.591	.669	.617	.759	.468	.289
	N	398	398	398	398	398	398	398
	Pearson Correlation	.589**	.630**	.763**	.666**	.704**	.542**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
Loyalty	Sum of Squares and Cross-products	781.000	1148.106	877.347	953.008	1244.101	185.947	1026.384
	Covariance	1.967	2.892	2.210	2.401	3.134	.468	2.585
	N	398	398	398	398	398	398	398

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

Source: Own Survey; 2016

QUESTIONNAIRE
JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT
MBA PROGRAM

Dear, Respondents

I am currently a student of Jimma University, and I am doing my MBA thesis “**Service Quality on Customers’ Satisfaction and Loyalty: The case of Commercial Bank of Ethiopia-Jimma Town Branches**”. The purpose of this questionnaire is to gather adequate information from the customer about customer service, customer satisfaction and loyalty. In order to make the study more fruitful your response for the given question is necessary.

All of your response to the given question would be used for the research and will be kept confidential.

N.B

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

Section A. PERSONAL INFORMATION

1.1 Gender Male Female

1.2 Age 18-29yearsold 30-45yearsold
46-59yearsold 60 yrs. And above

1.3 Marital Status Single Married
Divorced Widowed

1.4 Educational level Primary school High school
Certificate Diploma
First degree and above

1.5 Occupation Student Self Employed
Government Others

1.6 Types of Account Saving Account Current Account
Fixed Deposit Account

Section B; Customer Perception Questionnaire

No.	Service Quality Dimension	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
		1	2	3	4	5
	Tangibles					
1	CBE Jimma Town branches provide adequate physical facilities					
2	CBE Jimma Town branches location is convenient					
3	CBE Jimma Town branches uses modern and appropriate equipment and technology like E-payment...					
4	The employees of CBE Jimma Town branches are well dressed and neat in appearance					
	Reliability					
5	CBE Jimma Town branches provide service without disturb					
6	CBE Jimma Town branches is financially stable					
7	CBE Jimma Town branches staff show genuine interest in solving customers concern					
8	CBE Jimma Town branches transact products and services of highest quality					
9	When bank staff will promise to do something by a certain time and do so					
	Responsiveness					
10	CBE Jimma Town branches employees are happy and willing to serve customers					

11	CBE Jimma Town branches staff tell customers exactly when services will be performed					
12	Prudent CBE Jimma Town branches staff will always be willing to help customers					
13	Prudent CBE Jimma Town branches management are accessible, listen to and provide prompt and honest responses to customers inquiries					
	Assurance					
14	CBE Jimma Town branches employees have the required skills in providing services					
15	CBE Jimma Town branches employees have sufficient knowledge of service information					
16	CBE Jimma Town branches employees are consistently polite with customers					
17	CBE Jimma Town branches employees make customers feel safe in their transaction					
	Empathy					
18	CBE Jimma Town branches has customers best interest at heart					
19	CBE Jimma Town branches uses reliable, knowledgeable and efficient employees to provide quality service					
20	CBE Jimma Town branches employees give customers individual attention					
21	CBE Jimma Town branches employees demonstrate integrity in dealing with customers					
22	CBE Jimma Town branches employees are committed to ethics and promote ethical behaviour in the work place					

Section C: Please indicate on a five point scale the extent to which you find the following statement important by indicating the number that best shows your judgment.

No.	Item	Extremely Low	Very Low	Neutral	Very High	Extremely High
1	Please indicate your overall satisfaction with your CBE Jimma Town branches	1	2	3	4	5

Section D: Customer Loyalty Questionnaire

No.	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1.	I will keep on using the services of CBE Jimma Town branches in the future					
2.	I will recommend other people to use service of CBE Jimma Town branches.					
3.	I determined to use other services of CBE Jimma Town branches in addition to the one I already use.					

Thank You

