

Full Length Research Paper

Evaluation of customer satisfaction on bank services: An empirical analysis

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Customer confidence and trust on the services delivered determines profitability of a bank. A full-fledged service delivery to the customer secures survival of a bank. The major objective of this study is to analyze customer satisfaction on banking services in Jimma, Ethiopia. For the purpose of this study primary data sources were used. The collected data were analyzed by using descriptive statistics. The findings of the study suggest that there are a number of problems hindering the smooth delivery of the banking services. The network problem for instance is the major obstacle in the check clearing operations. Besides, in the loan operations the delays of the loan approval is the major problem. In the electronic banking services, customers responded that the benefits they obtained are limited. Therefore, the bank should handle its customers so well to achieve its organizational aims.

Keywords: Customers, Bank, loans, electronic-banking, Commercial Bank of Ethiopia

INTRODUCTION

According to Shekhar (1998), the primary function of a commercial banker is that of a broker and a dealer in money. A commercial bank may also act as a trustee, executor, administrator and attorney (Paul, 2002).

The advancement of information technology today's banking has become simple, speedier and readily accessible through various devices such as personal computers, mobile phones, etc. The electronic banking services include Automated Teller Machines (ATM), Internet Banking, Tele Banking, Electronic Credit cards, anywhere banking, etc. (Perry, 1999). Kulkarni and Kalkundrikar (2002) discussed the importance of a sound system of commercial banking for a developing country as accumulating capital, provide assistance to innovation activities, and help finance the priority sectors.

According to Gil et.al, 2008, in contrast to products, customers are not really able to appraise services before the service process takes place. The contact with the service provider and the customers is the key in the evaluation of service performance. The customer's service experience is defined by the interaction with the organization, the processes and the employees.

According to Wirtz (1994) service givers have considerable occasions to control the connections that mutually form the experience. In banking system,

satisfaction is elucidated as if it is multidimensional conception (Anderson, 1998).

Faraz (2005) stated that customer satisfaction is the situation when customer expectations have been fulfilled to the fullest capacity when using the product or service. The capacity to fulfill customer expectation consequently brings about strong loyalty to the product or services of a company. On the other hand, Murthy (2010) stipulated that banks have to be efficient in dealing with individual customers, traders and companies. It is also necessary for banks to strive hard to retain the existing customers in the face attracting new customers.

The number of customers served determines the bank's success. Customers' confidence and trust on the services delivered by the bank determines the bank's fate. A full-fledged service delivery to the customer by the bank secures the bank's survival. Banks as the major financial institution in the country provide various services to customers. The major services rendered by banks include the accepting of all types of deposits, extending credit services and the provision of international banking services and others. The major objective of this study is to analyze customers' satisfaction on banking services in Jimma, Ethiopia.

Table 1. Socio-demographic characteristics of sample population

Items		N	%
Sex	Male	71	59
	Female	49	41
Educational status	Illiterate	10	8.3
	Read and write	32	26.7
	Primary	23	19
	Secondary and above	55	46
Marital status	Married	46	38.3
	Single	40	35
	Divorced	20	16.7
	Widowed	12	10

MATERIALS AND METHODS

Description of the study area

Jimma is the largest city in southwestern Ethiopia. It's a special zone of the Oromia Region and is surrounded by Jimma Zone. It has a latitude and longitude of 7°40N 36°50E. The town was the capital of Kaffa Province until the province was dissolved. Prior to the 2007 census, Jimma was reorganized administratively as a special Zone.

Based on the 2007 Census conducted by the Central Statistical Agency of Ethiopia (CSA), this Zone has a total population of 120,960, of whom 60,824 are men and 60,136 women. With an area of 50.52 square kilometers, Jimma has a population density of 2,394.30 all are urban inhabitants. A total of 32,191 households were counted in this Zone, which results in an average of 3.76 persons to a household, and 30,016 housing units. The three largest ethnic groups reported in Jimma were the Oromo (46.71%), the Amhara (17.14%) and the Dawuro (10.05%); all other ethnic groups made up 26.1% of the population. Amharic was spoken as a first language by 41.58% and 39.96% spoke Afan Oromo; the remaining 18.46% spoke all other primary languages reported.

The majority of the inhabitants said they practiced Ethiopian Orthodox Christianity, with 46.84% of the population reporting they observed this belief, while 39.03% of the population was Muslim, and 13.06% were Protestant. The national 1994 census reported this town had a total population of 88,867, of whom 43,874 were men and 44,993 were women.

Method of data collection

For the purpose of this study primary data sources were used. Structured questionnaires were employed to collect primary data from 120 purposively selected respondents who were customers of the major bank in the town (Commercial Bank of Ethiopia). The questionnaires were distributed for collecting primary data from the sampled

customers of the major bank when entering the bank and also while serving. Besides, bankers were also contacted in order to get valuable information.

Method of data analysis

The collected data were entered into SPSS version 16.0 and analyzed by using descriptive statistics. In this study descriptive analysis were chosen because of its simplicity and clarity to draw inferences. Averages, percentages, diagrams and tables were used for the analysis of the collected data.

RESULTS AND DISCUSSION

This section of the study presents the socio-demographic characteristics of the respondents, domestic banking activities and loan operations. Moreover, the section discusses the issues of electronic banking services and overall banking services. The major findings of the study are compared to the previously published studies.

Socio-demographic characteristics

The socio-demographic characteristics of the respondents are elucidated in terms of sex, educational background and marital status. Table 1 illustrates the socio-demographic characteristics of the sampled respondents to evaluate their satisfaction on banking services rendered in the study area.

The survey result reveals that 59% and 41% of the respondents were male and female, respectively. The respondents were selected from among the main branch of Commercial Bank of Ethiopia located in Jimma, Ethiopia. The respondents were customers of the bank for varying years. When we look at the educational background of the respondents, the survey result revealed that the lion's share goes to the secondary and above (46%) category. On the other hand, the illiterate respondents account only for 8.3%. Out of the total sampled respondents married (38.3%) customers occupy

Table 2. Extent of speedy services to open new accounts

No.	Items	N	%
1	fast	22	18.4
2	very fast	25	20.8
3	fair	43	35.8
4	very slow	30	25
	Total	120	100

Table 3. Problems encountered on check clearing operations

No.	Items	N	%
1	Delay occurrences	18	15
2	Network problems(telecom)	63	52.5
3	Bureaucratic work procedures	30	25
4	Others	9	7.5
	Total	120	100

the largest share while the smallest share taken by the widowed respondents (10%).

Domestic Banking Operations

The domestic banking operations include the accepting of various deposits such as saving, demand and time deposits, the local transfers, check clearance and others. Syed and Guruswamy (2007) found that word of mouth is the crucial type of marketing present to retail banks in Ethiopia. A considerable number of customers looking for services from bank make their choices depending up on other customers' recommendations. The following table depicts the ratings on extent of speedy services to open new accounts by customers.

The opening of accounts is the first step for all customers to establish customer- banker relationship. There are various accounts. They include saving accounts, which for the most part aimed at the encouragement of the thrift habit of the people. Current accounts which are mostly maintained by business people or traders who have to make a number of transactions. The other account is the fixed time account which is the occasionally transacted account. This account attracts a huge amount of deposit as the interest rates are bargained between the customer and the bank. However, most of the time this account is maintained by few individuals and companies.

Table 2, shows that 35.8% of the respondents believed that the time taken to open new accounts is fair. Opening of accounts consists of the registration of the customer on the Account Register Book, the issue of specimen card, attachment of photos, the insertion of personal data of customers into the computer, the issue of pass book (in the case of saving accounts or the issue of cheque book in the case of current accounts or special saving accounts), authorization of the accounts by the

concerned officer, the checking of the account opening process by the auditor and finally the receiving of the cash by the teller, among others.

In line with this, the above table also depicts that, of the total respondents 25% stated the opening of account is very slow. This situation is alarming as a significant number of respondents were dissatisfied with the process of opening accounts. Therefore, the bank should take corrective measures on the operations at the counter related with opening of accounts. Because failure to satisfy the customers in the services rendered compel customers to go for other alternatives. This brings a decline in the profitability of the bank.

On the other hand, there are also respondents which stated that the processes in the opening of new accounts are fast. This category of respondents amounted to 18.4% of the total respondents. Apart from this some respondents replied that the process of opening new accounts is very fast. These respondents constitute 20.8% of the total surveyed customers. This is a good feedback as it motivates the bank to improve its service delivery.

Traders use checks for their financial transactions at large. Apart from traders various individuals and companies use checks for their daily financial inflows and outflows. As a result, the bank's speedy service delivery in this regard is obligatory. However, most of the time the check clearing operations are constrained by a number of problems.

Table 3, depicts that 52.5% of the respondents replied that network problem is the major hindrance in the check clearing processes. The check clearing operations include the clearing of the balances of the customers in checks. Besides, it also encompasses the special clearance and normal clearance of the checks of the other banks.

The respondents also stated that unkind work procedures are one of the obstacles in the check clearing

Table 4. Time consuming credit procedures

No	Procedures	N	%
1	Document Analysis	43	35.8
2	Loan approval	64	53.4
3	Disbursements	13	10.8
	Total	120	100

operations. As it is put in the above table, this category amounted to 25% of the total respondents. Unkind work procedures include the unnecessary authorization by two or three officers, totality of task assignment to the managers or the responsibility of managers in simple as well as complex duties by avoiding representation of other staff, and others.

On the other hand, 15% of the total respondents stated that the lag in time is the problem encountered in check clearing operations. The lags in time in the process of check clearing imply the unnecessary leaving aside of checks in order to serve other customers. As a result, delays will happen.

There are also other specific problems faced by the customers on check clearing process. Of the total respondents, 7.5% stated that insufficient balance and confirmation requests by the bank are the problems encountered during check clearing process. The insufficient fund problem is not the problem of the bank. However, the confirmation request for a huge sum of money is compulsory. As a result, the confirmation for small amount of money is unnecessary. Generally, the problems in checks clearance should be solved so as to better serve the customers.

Loan Operations and customer satisfaction

Banks provide various types of loans to their customers. Commercial Bank of Ethiopia grants credit services to the various sectors of the economy including domestic trade, industry, construction, hotel, transport and other sectors. The loans provided may be short term loans, medium term loans, merchandise loans, overdraft facilities and the like. The following table reveals the various credit procedures and the replies obtained on the extent of their time consumption.

Credit request originates from the customers themselves. In the process of granting credits documents should be presented by the customers as regards their collaterals and their trade license if they are traders or any identifying evidences for their work. Table 4, clearly shows that the most time consuming procedure in the credit procedures is the loan approval process. Of the total respondents, 53.4% replied that loan approval is the most time consuming procedure in the credit granting process. The loan approval process is the process that includes the checking of the credit worthiness of the borrower. Therefore, it needs caution and may take time.

Besides, the loan approval is mostly taken place at the head office of the bank which makes the approval process to be delayed. However, all loans are not approved at the head office. Branches have their own limits to approve some small loans.

On the other hand, 35.8% of the respondents stated that the document analysis takes longtime. The document analysis process includes the inspection of documents like trade licenses, article and memorandum of association in case of corporate entities, company profile, feasibility studies, booklets of motor vehicles, financial statements, etc. All the checkings of the documents consume time and it is at this stage that the customer is inspected as regards its legality and then after the credit worthiness continued to be analyzed.

The final step after the loan approval is the disbursement and follows up of the loans. In the above table it is shown that of the total respondents 10.8% said that the disbursement of the loans is the time consuming procedure in the credit delivery process. In the loans application there are a number of requirements as this is the inception in the credit delivery process. Loan application letters among others include the type, amount and purpose of the loan, security proposed including type and value, mode of repayment and the term of loan.

Besides, original and photocopy of currently renewed trade licenses for businessmen, article and memorandum of association in case of corporate entities, feasibility studies, company profiles, projected financial statements, supporting evidences for items listed in the financial statements, evidences of securities such as land holding certificates and approved plans of building, ownership booklet of motor vehicles, etc are also requested by the bank along with the loan application letter. Generally, the bank should make the credit procedures simple, understandable and time saving. It is when all these are there that borrowers will be satisfied by the banking services rendered.

As figure 1, shows 47.5% of the respondents utilize the loans they took to the originally said purpose. In the loan application letter, the customers need to state the details showing type, amount and purpose of the loan. Besides, the customers are also obliged to clearly put the security proposed or the collateral for the loan to be taken including the type of the collateral and its value. Therefore, the bank assumes that once the customer is granted a loan according to the originally agreed terms it will be used to that purpose only. Yonatan (2010) stressed that reliability is rated to be the most important

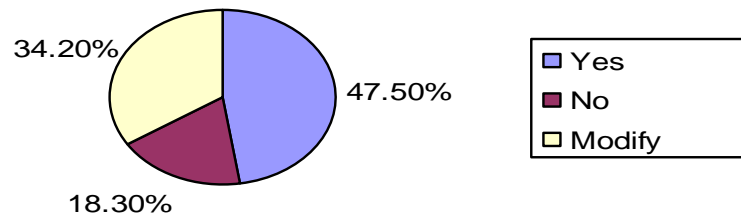


Figure 1. The utilization of loan by customers to their said purpose

Table 5. The follow up situations of loans

No	responses	N	%
1	Always on time	18	15
2	Usually on time	64	53.3
3	Usually late	38	31.7
4	Always late	-	-
	Total	120	100

dimension in determining a quality banking service, while comparing the relative importance of dimensions.

However, there are occasions when borrowers deviate from the originally agreed terms. This may include the modification of the purpose for which the loan is taken or totally changing its direction of utilization. For example, when the loan taken for construction is used for purchasing residential houses or used for the purchase of luxury cars, we say it is the total shift of the purpose of loan. As a result, defaults may happen. Defaults on loans will be a cost to the bank. As this default situation brings about the keeping of provisions for doubtful loans or the non performing loans. This in turn has a negative impact on the profitability of the bank as provisions for doubtful loans are deducted from the gross profits of the bank. Girma (2011) puts forward that banks having sound credit risk management policies will have lower amount of bad loans and attain higher profitability.

As it is depicted in Figure 1, (34.2%) of the respondents use loans by modifying the original purpose for which they have taken. On the other hand, 18.3% of the respondents use the loans granted to them totally for other purposes as opposed to the agreed terms. As we have seen before the failure to use the loans granted by the bank to the original purpose the borrowers requested might create defaults. This is evidenced from the fact borrowers sometimes utilize the loans to invest on a fixed assets or luxury goods which do not have flow of cash or circulation of money. As a result, they fail to repay their loans regularly according to the agreed terms. Therefore, the bank needs to follow up the borrowers as regards the final destinations of the loan taken from the bank.

Timely and regular loan utilization follow up can save the borrowers from defaults and also the bank from setting aside provisions for doubtful loans. Above all, regular follow up by the bank on the loans granted minimizes the risk of defaults by the borrowers. As it is

indicated elsewhere in this paper loans and their final destinations matter for the bank as well as for the borrowers. After the loans are approved and disbursed to the customer for the said purpose follow up of the proper use of the loans is compulsory for the bankers. The following table reveals the frequency of the follow up done by the bank as regards the end use of the loans provided.

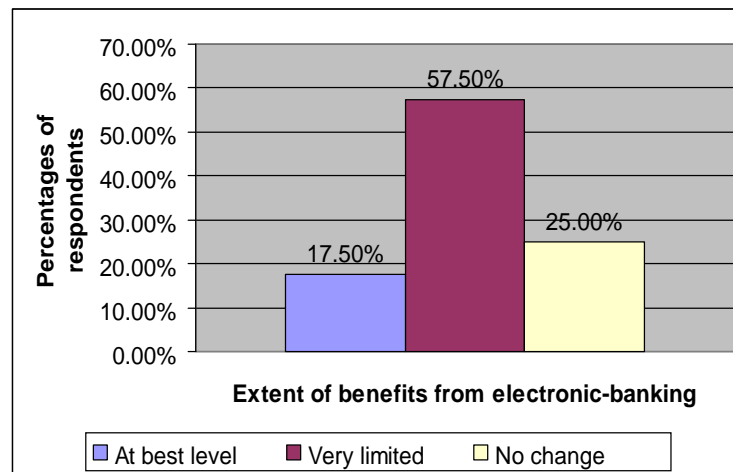
In the credit delivery process the follow up stage is important both for the customer as well as the bank. This stage ensures whether the loan is used to the said purpose or not. This in turn protects the bank from possible risks of default and for the borrower it is good in that follow up stage compels the customer in order to use the loan taken properly.

Therefore, timely and regular follow up of end users of the loans granted by the bank is vital both for the customer and the bank's sake. As it is indicated in table 5, the majority of the respondents said that the follow up by the bank on the loans granted is usually on time. Of the total respondents, 53.3% replied that the follow up of loan is usually on time. Although the follow up is required always on time the frequency of the follow ups may be interrupted due to various reasons. The reasons may be the reluctance of the credit officers to go for follow up or the unwillingness of the borrowers to be available on time when the follow up process is carried out.

On the other hand, 31.7% of the respondents replied that the credit follow up is usually late. This shows the negligence of the bank officers to carry out adequate follow up on the loans extended to the borrowers. As opposed to the respondents which said the follow up is usually late, 15% of the respondents stated that the follow up is always on time. For this category of individuals the follow up on the credit is sufficient and that is why they responded as if the follow up is adequate and timely. Generally, the credit follow up stage ensures the

Table 6. Extent of application of advanced technologies on bank services

No	Ratings	N	%
1	More than required	24	20
2	Less than required	58	48.3
3	To some extent	38	31.7
4	Not at all	-	-
	Total	120	100

**Figure 2.** The degree of benefits obtained from the electronic banking services.

proper utilization of the loans granted by the bank minimizing the risks of defaults and thereby avoiding the problems of foreclosure.

Electronic Banking Services

The technological revolution that we witness nowadays in our world particularly the advancements in the information technology has brought an enormous transformation in the banking industry. Due to the advances in information technology banking services have now become easier, speedy and everywhere accessible. There are various types of electronic banking services. They include Automated Teller Machine, Internet Banking, SMS banking, Credit Cards, Debit Cards, Tele Banking, etc

CBE's effort to deliver electronic banking services can be seen as a good beginning. However, the bank lags behind its competitors in the introduction of up to date electronic banking services. For example, among the private commercial banks, Dashen bank, Zemen bank and United bank are leading in electronic-banking service delivery. United bank is the first to introduce Internet banking, Tele banking and the SMS banking. Dashen bank on its part introduced various electronic cards such as Master Card and Visa Card. Zemen bank, on the other

hand, is the single branch bank having a full-fledged electronic banking service. Table 6 illustrates the replies obtained on the extent of application of advanced technologies in bank services.

As it is shown in table 6, (48.3%) of the respondents replied that the usage of advanced technologies by the bank is less than required level as compared to the other commercial banks. The bank currently uses advanced banking software and automated the city branches that enable customers to use their accounts in any branch. The bank is introducing E-banking services such as ATM; anywhere banking that is on use now connecting city branches by the Star Bank soft ware. Of the total respondents, 31.7% stated that the bank utilizes to some extent modern banking technologies. There are still respondents which replied that the bank's utilization of modern banking technologies is more than required. However, this situation is true only if CBE's modern technologies are compared with some new commercial banks. Generally, the introduction of new and modern technologies is late in CBE as compared to other commercial banks. Therefore, the bank should introduce up to date banking technologies in order to serve customers better and thereby compete with the other commercial banks.

As it is indicated in figure 2, (57.5%) of the respondents responded that the benefits they obtained from the

Table 8. Corrective measures taken on the failure of electronic banking services.

No	responses	N	%
1	Immediate	44	37
2	Delayed	61	50
3	Ignorant	15	13
	Total	120	100

introduction of the electronic banking services are very limited. As we have seen in the previous parts due to the network problems or other reasons the electronic banking services are usually interrupted. Therefore, in the face of late introduction of new technologies by the bank and the problems in the technologies, the benefits obtained by the customers may be minimal or very limited.

On the other hand, 25% of the respondents stated that they observed no big change by the introduction of anywhere banking system by the bank. The fast growing utilization of modern technologies by other commercial banks as opposed to CBE, may seem to the customers as if no changes had come in the electronic banking services. The remaining respondents replied that the utilization of modern technologies benefited them at best level. This may be true because the banking soft ware has made easy the use of customers' accounts in any branch.

The introduction of electronic banking services has its own drawbacks. The major problem in the electronic banking services is the network problem. This problem is originated from the telecom service of the country. Without adequate coverage of networks the anywhere banking system is unfunctional. The bank's banking soft ware frequently faces failure particularly due to the weakness of the telecom service of the country.

As it is indicated in table 8, (50%) of the respondents said that the corrective measures taken on the failure of the electronic banking services are delayed. This affects the speedy delivery of banking services. As a result, some customers may be dissatisfied by the condition and shift to the other commercial banks for their need of speedy banking services. Therefore, the bank has to work closely with the Ethiotelcom for solving the problems in E-banking services.

On the other hand, 13% of the respondents said that the concerned entities for taking corrective measures are ignorant. This implies the lack of caring from the side of bank officers for their esteemed customers. This ignorance is a big problem which has a far reaching consequence on the reputation and profitability of the bank. Therefore, the bank should take corrective measures.

Ayana (2012) indicated in his study that the major hurdles in the implementation of electronic banking in Ethiopian banks are security risk, lack of trust, lack of legal and regulatory frame work, shortage of ICT infrastructure and lack of competition between domestic

and international banks.

Overall Banking Services

The customers trust and confidence on the overall banking services delivered are the decisive factors for the bank's profitability and good will at large. It was found that the, Wegagen Bank and Awash International Bank are the top most chosen banks by customers in Ethiopia. The Commercial Bank of Ethiopia and Dashen Bank are perhaps preferred due to their wider operation and service quality provision, respectively (Goiteom, 2011). Users frequently choose the two former banks perhaps because of their wider operation and quality of service provision respectively. The following table shows whether the customers are satisfied or not with the level and quality of services provided by the bank. Ermias (2012) discovered that Commercial Bank of Ethiopia has strong commitments in the applications of diverse services such as introduction of up to date banking technologies.

Figure 3, depicts that 29.2% of the respondents are satisfied with the overall quality of the services provided especially as compared to the other commercial banks. The other category of respondents (43.3%) responded that though they are happy still a number of gaps exist in-service delivery. However, there are respondents (27.5%) who stated that the overall quality of the services provided by the bank is not satisfactory. This may be evident in the provisions of electronic banking services which have a number of problems. Besides, it is not easy for them to recommend the bank for use by other people in the face of their dissatisfaction by the overall banking services delivered.

CONCLUSIONS

Overall the customers of the main branch Commercial Bank of Ethiopia in Jimma town responded that they are satisfied by the quality of services provided though it is with considerable reservations. There are a number of problems hindering the smooth delivery of the banking services. The network problem for instance is the major obstacle in the check clearing operations. Besides, in the loan operations the delays of the loan approval is the problem. In the electronic banking services, customers responded that the benefits they obtained are limited as

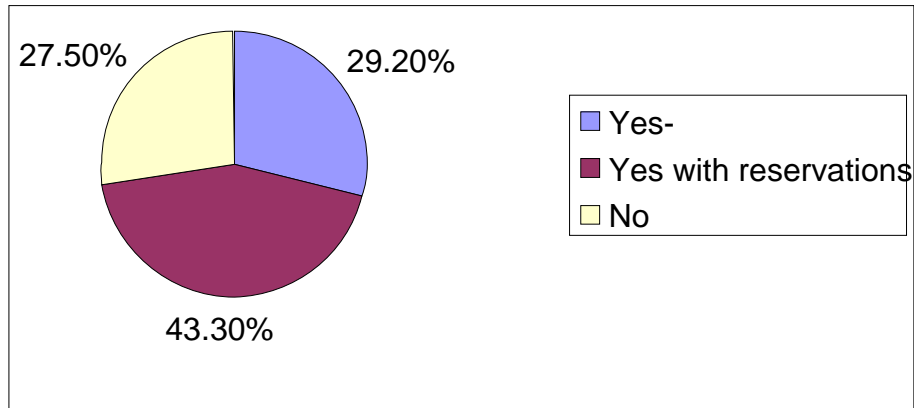


Figure 3. The satisfaction of customers on the overall quality of banking services

the bank's investment in the modern banking technologies is low. In addition, the temporary failures in the electronic banking services are not corrected immediately. It is obvious that if customers do not have a trust on the banking services it is meaningless to talk about the good will of the bank. Therefore, the bank should handle its customers so well to achieve its organizational aims. Finally, it is worthy to affirm that customers are the key for any business organization's success.

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