

EFFECTS OF SERVICE QUALITY ON CUSTOMER SATISFACTION

In selected Private Banks in Jimma Town

*A thesis Submitted to the School of Graduate Studies of Jimma University in Partial
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**JIMMA UNIVERSITY
COLLEGE OF BUSINESS & ECONOMICS
DEPARTMENT OF MANAGEMENT
MBA PROGRAM**

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JIMMA ETHIOPIA

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DECLARATION

I hereby declare that this thesis entitled “Effects of service quality on customer satisfaction in selected private banks in Jimma town”, has been Carried out by me under the guidance and supervision of Mr. Seid Hussen and Mr. Mohammed Yassin.

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

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CERTIFICATE

This is to certify that the thesis entities “Effects of service quality on customer satisfaction in selected private banks in Jimma town”, Submitted to Jimma University for the award of the Degree of Master of Business Administration (MBA) and is a record of Valuable research work carried out by Mr. Daniel Ersumo, under our guidance and supervision

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

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ABSTRACT

Customer satisfaction is defined as the customer's subjective evaluation of a consumption experience, based on some relationship between the customer's perceptions and objective attributes of the product. Service quality has been defined as a degree and direction of discrepancy between customers' service perception and expectations. The main purpose of the study is to examine the effect of customer service quality on customer satisfaction on selected private banks in Jimma Town. The study also examines empirically the determinants of service quality in selected private banks in Jimma Town. Five dimensions in service quality such as tangibility, reliability, responsiveness, assurance and empathy are considered as the base for this study. From the total 10 private commercial banks which are operating in Jimma town, six private commercial banks were selected for the study by using purposive sampling those are Dashen bank, Awash bank, Bank of Abyssinia, Wegagen bank ,and Nib bank . To achieve the objectives of this study, data was collected through questionnaire from a sample of 398 bank customer. These respondents were selected using Convenience sampling method. The data collected from the questionnaire were analyzed using Statistical tools such as mean, standard deviation, correlation, and multiple regression analysis. The results of this study indicate that, the five service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) have positive and significant relationship with customer satisfaction. The finding of this study also indicates that customers were most satisfied with the Tangibility dimensions of service quality. On the contrary, customers were less satisfied with reliability and empathy dimensions of service quality. The correlation results indicate that there is a positive correlation between the dimensions of service quality and customer satisfaction. Furthermore, the multiple regression analysis, a technique of multivariate analysis, adopted to determine the importance of the perceived service quality factors. The results of the regression test showed that offering quality service have positive impact on overall customer satisfaction. That is, service quality dimensions are crucial for customer satisfaction in banking sector in Jimma Town. Based on the findings of the study, the customers of private banks in Jimma Town were found less satisfied in terms of the empathy dimensions. One way of addressing this could be by treating customer with great respect, giving individual attention to customers, serving customers based on their specific needs and treating customers in a friendly manner. This is to say, the bank management should focus on this factor to maximize customer satisfaction.

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TABLE OF CONTENTS

CONTENTS	PAGE
Abstract	i
Acknowledgements.....	ii
Table of Contents.....	iii
List of Tables	v
List of Figure.....	vi
List of Abbreviation or Acronyms	vii
CHAPTER ONE	1
1. INTRODUCTION	1
1.1. Background of the study.....	1
1.2 Statement of the Problem.....	4
1.3. Objectives of the study.....	6
1.3.1 General Objective	6
1.3.2. Specific Objectives	6
1.4 Hypothesis of the study.....	7
1.5 Significance of the Study	7
1.6 Scope of the Study	8
1.7 Organization of the study.....	8
1.8. Limitation of the study.....	9
2. LITERATURE REVIEW	10
2.1. Introduction.....	10
2.2. Theoretical Review	10
2.2.1Service.....	10
2.2.2 Characteristics of Services	11
2.2.3 Quality.....	12
2.2.4 Service Quality.....	13
2.2.5 Service Quality Measurement.....	14
2.2.6 The SERVPERF Scale.....	17
2.2.7 The Service Quality Gaps Model.....	18
2.2.8 BSQ.....	19
2.2.9 BANKQUAL	19
2.2.10Customer Satisfaction	20

2.2.11. Customer Satisfaction and Service Quality.....	21
2.3. Empirical Review.....	22
2.4. Conceptual Framework.....	26
CHAPTER THREE	27
3. RESEARCH DESIGN AND METHODOLOGY	27
3.1 Research Design.....	27
3.2 Data Source and Collection Method	27
3.3 Population, Sample size and Sampling technique.....	27
3.4. Method of Data Collection.....	29
3.5. Description Of Study Variables	30
3.6 Study Model And Specification.....	30
3.7Methods of Data Analysis	31
3.8Validity and Reliability Test.....	32
3.8.1 Validity Test.....	32
3.8.2 Reliability Test.....	32
CHAPTER FOUR.....	34
4. DATA ANALYSIS AND DISCUSSION OF RESULTS	34
4.1Introduction.....	34
4.2 Respondents Profile	34
4.3. Descriptive Statistics Analysis.....	36
4.4 Pearson Correlation analysis.....	40
4.5. Multiple Regression Analysis	42
4.6. Model summary.....	45
4.7 Overall Regression Analysis.....	49
4.9 Discussion of Results.....	50
4.9.1. Descriptive statistics (mean, and standard deviation) and correlation analysis for the service quality dimensions and customer satisfaction.....	50
4.9.2. Regressing customer satisfaction on the service quality dimensions.....	51
5. SUMMARY, CONCLUSION AND RECOMMENDATIONS	53
5.1. Summary	53
5.2. Conclusion	54
5.3. Recommendations.....	55
References	57
Appendix	64

LIST OF TABLES

Table 3.1: Number of customers and proportion of samples taken from each bank.....	29
Table 3.2 Reliability statistics	33
Table 4.2 Characteristic of the Respondents.....	35
Table 4.3.a. Mean and standard deviation for Dashen bank’s Service	36
Table 4.3.b Mean and standard deviation for Awash bank’s Service quality dimension and Customer Satisfaction	37
Table 4.3.c Mean and standard deviation for bank of Abyssinia Service quality dimension and Customer Satisfaction	37
Table 4.3.d Mean and standard deviation for bank of Wegagen banks Service quality dimension and Customer Satisfaction.....	37
Table 4.3.e Mean and standard deviation for bank of United bank Service	38
Table 4.3.f Mean and standard deviation for bank of Nib International bank Servicequality dimension and Customer Satisfaction.....	38
Table 4.3.gMean and standard deviation for the Six bank’s Service quality dimensions and Customer Satisfaction.....	39
Table 4.4.The relationship between service quality dimensions and customerSatisfaction	41
Table 4.5 Multicollinearity test statistics	42
Table 4.6 Model Summary	45
Table 4.7 Coefficients of determination	46
Table 4.8 Model summary for service quality dimensions	49
Table 4.9 ANOVA for service quality dimensions and customer satisfaction	50

LIST OF FIGURE

Figure 1: The theoretical framework of relationship between the dimensions of SERVPERF and customer satisfaction.....	26
Figure 2. Normality test using normal probability plot of multiple regression	43
Figure 3: scatterplot Heteroscedasticity test results.....	44

List of Abbreviation or Acronyms

CSQ: Customer Satisfaction Questionnaire

SERVQUAL: Service Quality

SQQ: Service Quality Questionnaire

SPSS: Statistical Package for Social Sciences

SERVPERF: Service Performance

BANKQUAL: Bank Quality

VIF: Variance Inflation Factor

ATM: Automatic Teller Machine

POS: Point Of Sale

NBE: National Bank of Ethiopia

CBE: Commercial Bank of Ethiopia

DBE: Development Bank of Ethiopia

CHAPTER ONE

1. INTRODUCTION

This chapter deals with Background of the study, statement of the problem, objective of the study, hypothesis of the study, significance of the study, scope of the study, organization of the study and limitation of the study.

1.1. Background of the study

Customer Satisfaction (CS) has become an important measure of firm performance and consequently an important area of interest in the accounting and finance research literature. Institutional theory and Stakeholder theory have referred to the multi-dimensionality of the customer as not only an economic being but also as a member of a family, community and country. Service quality is a multidimensional concept incorporating a number of aspects of both past and present service experience (Titko, Lace, &Kozlovskis, 2013). The measurement of customer satisfaction in service industries, compared to manufacturing industries, requires special consideration due to difficulties of finding accurate measurement parameters. Of all the service industries, the banking and financial sector has a dominant position and a discussion of customer satisfaction based performance measurements in the financial sector requires special attention.

Customer satisfaction is a grossly neglected measure of governance in most countries including Ethiopia. Anecdotal evidence suggests that state-owned commercial banks (SCBs) have lost their market share and are virtually on the point of closing because of their poor service quality as perceived by their customers. In contrast, private and foreign commercial banks working in the same economic and cultural setting are growing rapidly with higher profits and market share. Banking is one of the most sensitive businesses all over the world. A bank is a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. It is a highly regulated industry with detailed and focused regulators. Bank, a service selling institution, plays a significant role in a contemporary world of money and economy. It influences and facilitates many different but integrated economic

activities such as resource mobilization, poverty elimination, production, and distribution of public finance. In modern sense, Ethiopian banking history, began towards the end of the regime of Emperor Menilek. This period witnessed the establishment of the country's first bank called the Bank of Abyssinia, or in Amharic "Ye-Ityopya Bank", it was an affiliate of the National Bank of Egypt, and was founded in 1906. The banking system in Ethiopia has showing progress and which consists of a wide variety of institutions ranging from a central bank to commercial banks. The country started without any worthwhile banking network, but witnessed phenomenal growth in the past five years. Hence, it is essential to identify the factors responsible for the quality of the services. (www.nbe.gov.et).

Bank is a customer oriented services industry. A bank depends upon the customers for their survival in the market. The customer is the focus and customer service is the differentiating factors (Guo et al.,2008). A bank can differentiate itself from competitors by providing high quality customer service (Naeem&Saif,2009).

Research indicates that companies with an excellent customer service record reported a 72% increase in profit per employee, compared to similar organizations that have demonstrated poor customer service; it is also five times costlier to attract new customers than to retain existing customers (Duncan, 2004).In Ethiopia, customers in the banking sector are becoming a strong bargaining position due to the significant growth of banks. Therefore, banks have to provide service carefully because of the availability of banks. Service quality has been a vital issue of discussion and research over the past years. Research on service quality has well established that the customer perception of the quality of a service depends on customer's pre-service expectations. Studies by Parasuraman et al. (1985), Zeithmal et al. (1990), noted that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers. Equally well, dissatisfied customers are more likely to tell another ten people about their unfortunate experiences with a particular organization. In order to achieve customer satisfaction, organizations must be able to build and maintain long lasting relationships with customers through satisfying various customers' needs and demands (Pizam& Ellis, 1999). Otherwise, the combined effect of negative word-of-mouth, switching and reduced consumption will affect the productivity and profitability of the bank. Service Quality and customer

satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market.

Today the banking industry is expanding rapidly in Ethiopia, in order to win and maintain the market share of bank industry; the bank must give attention to the existing and potential customers need, want and preferences to maximize their satisfaction and loyalty. Bank must make continuous customer service quality improvement program. The importance of making continuous customer service quality improvement program is to make profit, build good images, lead market, and retain customers and so on. While having the potential to improve the quality of bank services to improve customer satisfaction and thereby economically contribute to higher benefits, this study will also serve as a useful instrument to demonstrate the impact of customer service quality on customer satisfaction through quality services in banking industries. These quality indicators may also serve as tools of reference to bank management, giving them the basis by which to measure the levels of overall customer satisfaction in different service quality domains. The indicators will also provide the means by which internal bank operations may be tested on their functional efficiency and allow the application of appropriate corrective or regulatory measures. Ethiopia has 19 banks, of which 16 are privately owned, and they form the country's main financial institutions. Services quality is an issue that needs to be addressed in Ethiopian Banking sector using the most contemporary techniques to strengthen the Banks. (www.nbe.gov.et)

1.2 Statement of the Problem

In the world of competition, service quality is the most important parameter that needs critical attention for an organization to exceed its competitors. This is especially true in the service sector where there is frequent interaction with customers which hold the highest stake in ensuring the organization exceeds its competitors and excel in the service it provides. In winning this competition, it is obvious that customer satisfaction is a critical issue as it is highly correlated with the quality of services provided by competing organizations. (Armstrong & Kotler, 2011).

The understanding of customer's needs within current competitive banking industry has become an important factor for service providers successes. Owing to that, companies have moved from product-centric to a customer centric positions. Satisfaction has become of great interest to practitioners because it is important to customer retention (Patterson et al., 1997; Sedon, 1997).

Improved service quality in the future is the critical factor that will determine whether the business will survive or fail (Thompson, Green & Bokma 2000). Better service quality typically helps to get higher market share and better returns (Slu & Mou, 2003).

Recent finding shows that Saghier and Nathan (2013) have conducted a research on service quality dimensions and customers' satisfaction of banks in Egypt using SERVQUAL model. The research result indicated that customer satisfaction in Egyptian banking services was significantly affected by reliability, empathy, assurance and responsiveness where as the effect of tangibility did not have any significant impact on customer satisfaction. Al-Azzam (2015) has undertaken a research on the impact of service quality dimensions on customer satisfaction on Arab banks in Irbid city, Jordan. The researcher came up with the result that the customer satisfaction in the Jordanian banking Services is significantly affected by tangibility, reliability, responsiveness, empathy and Security. It also demonstrated that customers' perception is the highest in reliability area.

Despite the banking service is booming dramatically in Ethiopia, the service quality level and customer satisfaction has not been thoroughly examined. Since 1991, when the Derge regime was overthrown, the banking sector has been growing in many dimensions. The total banks' number has gone up to nineteen and the number of branches has grown up from about less than

one hundred to more than three thousand. The growth has enabled different pockets of the country to get banking service through different approaches. The increase in availability and accessibility does not guarantee competitiveness in the globalized business environment. Nowadays, service quality and customer satisfaction are main focus in the banking sector to survive and grow because the pressure from globalization and multinational banks may pose danger to the domestic banks. In the same token, the growing demand for quality service and growing expectation from the domestic consumers as a result of improving educational background and growing income, it is a must to measure service quality and customer satisfaction in order to make possible amendments on the service provision. Lovelock and Wirtz (2004)

In the past decade, the banking sector has undergone radical changes, resulting in a market place, which is characterized by intense competition, little growth in primary demand and increased deregulation. The government of Ethiopia increased deregulation, in order to encourage the investors to participate in the banking sectors, as a result the number of bank has been increased which further raises the competition and difficulty among the banks. In this competitive environment, each bank wants to attract the customers. This can be achieved through providing quality services to its customers. (Saravana and Rao, 2007; Lee et al, 2000).

Several studies have been done on service quality and customer satisfaction in service organization in Ethiopia. However, some of these studies were conducted on non-banking service organization (Electric Power Corporation, insurance, hotels). Different studies have been done on banks, but the studies were conducted in only one bank. It is not sufficient to give generalization about banks with one bank. So, the researcher wanted to see the impact of customer service quality on customer satisfaction in six private banks. For example, Meron (2015) conducted a research on impact of service quality on customer satisfaction: the case of Bank of Abyssinia S.C. The results indicate that the service quality positively affects customer satisfaction.

Currently, banking service becomes a tough operation in our country; characterized by stiff competition especially for private banks. Almost all senior banks are providing same products and services (such as Internet banking, Mobile banking, Agent banking, ATM and POS transaction facilities, foreign remittance, Interest free banking, etc...) with similar technological

advancements and relatively the new ones are also on the way to do so. A new product invented and provided by a single bank is followed by others and becomes popular. The performance gap between one Bank and other competitor bank becomes narrower and narrower from time to time. As a result, the first private bank, Awash International Bank, excels Dashen Bank in profit for the first time during 2015/2016 fiscal year and again 2016/2017. Likewise, the other private banks are also competing highly with narrow gap. Moreover, the competition between banks also continues with one or more of the following variables (number of branches, amount of loans and advances, foreign remittance and amount of paid up capital). The stiff competition among banks coupled with the above mentioned challenges needs Bank to assess the level of their customers' satisfaction as of today's banking business. Customer satisfaction is the competitive advantage for staying in the market with better performance. (www.nbe.gov.et)

Therefore, the researcher becomes interested to undertake a study on the effect of quality service in customer satisfaction considering the following points.

Firstly, to measure the influence of the five service quality dimensions have on customer satisfaction and the level of customer's satisfaction with the service quality dimensions.

lastly, the perception of customers concerning a service provided by Banks and find out whether the banks has met the perception of their customers under the five dimensions of service quality as service quality is becoming key choice driver of customers. Jimma is the center town for south east Ethiopia and many districts are under each private banks are opened. So addressing jimma town is mandatory.

1.3. Objectives of the study

1.3.1 General Objective

The main objective of this study is to examine the effect of service quality on customer satisfaction on selected private banks in Jimma Town.

1.3.2. Specific Objectives

- ✓ To identify the effect of tangibility on customer satisfaction.
- ✓ To determine the effect of reliability on customer satisfaction.
- ✓ To determine the effect of responsiveness on customer satisfaction.
- ✓ To identify the effect of assurance on customer satisfaction.
- ✓ To determine the effect of empathy on customer satisfaction.
- ✓ To identify the customers' level of satisfaction

1.4 Hypothesis of the study

In order to achieve the study objectives and to answer the study questions the following hypotheses are developed:

Hypothesis 1

Ho1: Tangibility will not have a positive and significant effect on customer satisfaction.

Hypothesis 2

Ho2: Reliability will not have a positive and significant effect on customer satisfaction.

Hypothesis 3

Ho3: Responsiveness will not have a positive and significant effect on customer satisfaction.

Hypothesis 4

Ho4: Assurance will not have a positive and significant effect on customer satisfaction.

Hypothesis 5

Ho5: Empathy will not have a positive and significant effect on customer satisfaction

1.5 Significance of the Study

This study examined the service provided by private banks in Jimma Town and its impact on customer satisfaction. It identified the strengths and weaknesses of the service delivered by the Banks and its effect on customer satisfaction. The significance of the study is to give information on the service the banks is currently providing and help it to identify areas which need improvement and plan towards it so that its customers enjoy quality service.

The ultimate goal of any business establishment is to remain in business profitably through production and sale of products or services. Without optimal profit, a business firm cannot survive. One of the core activities in a business organization is providing quality service to its customers. The ultimate success or failure of a company depends on its ability to sell what it produces and continues offering quality services for relatively 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 study has also the following importance. The findings of this research will help banks to understand the role of good customer service on customer satisfaction, 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 idea 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, It also allows the stake holders to have clue on where the bank stands in the eyes of its customers and The findings can be a stepping stone for future researches in banking industries and other service sectors.

1.6 Scope of the Study

The study is delimited to a section of the impact of customer service quality on customer satisfaction measures in six private banks (namely, Dashen bank, Awash bank, bank of Abyssinia, wegagen bank, united bank and Nib international bank). The findings of this study would have had a paramount importance if more banks included in the research. However, it was practically unattainable to assess more than six banks due to lack of time and financial resources.

1.7 Organization of the study

This research is organized into five chapters. Chapter one contains background of the study, statement of the problem, research objectives, hypothesis of the study, significance of the study, limitations and scope of the study. Chapter two provides a literature review informing the reader of what is already known in this area of study. Chapter three discusses the methodology employed in the study, including, research design, sample size and sampling technique, data source and collection method, procedure of data collection and method of data analysis. Chapter four is about data analysis and discussion of results. Finally, chapter five contains summary, conclusions and recommendations.

1.8 Limitation of the Study

As stated here above, this study was undertaken on the effect of service quality on customer satisfaction in selected private banks in Jimma Town. The resistance of customers to fill the questionnaire was one of the limitations of the study.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Introduction

This chapter is based on the introduction given lately and the research problem presented in the introduction and the previous studies that have been done within these constructs. It provides the reader with a literature review concerning the research area. Large number of studies has been conducted in the field of service quality and customer satisfaction. There are useful contributions expressed by so many authors about service quality dimensions, tangibles, reliability, responsiveness, assurance, and empathy as important factors of quality service delivery. The definitions of customer service, service quality, characteristics of service, quality, service quality, service quality measurement, the SERVPERF scale, the service quality gap model, BSQ, BANKQUAL, customer satisfaction, and distinction between service quality and customer satisfaction literature will be discussed. At the end the previous studies on the area were presented. In this study, the contribution will be reviewed to show the effect of customer service quality on customer satisfaction on selected private banks in Jimma town.

2.2. Theoretical Review

2.2.1 Service

Services are economic activities offered by one party to another. In exchange for money, time, and effort, service customers expect value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of the physical elements involved (Lovelock & Wirtz, 2011).

A service occurs when an interaction is established between customers and service providers and/or the physical component of the service and/or the systems through which the service is delivered (Shahin & Janatyan, 2011).

Philip Kotler (2000) defines services as “ A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything, its production may not be tied to a physical product.”

According to Zeithaml and Bitner (2004) Services include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser. Lovelock and Wirtz (2007) indicated that, service is “time based” and the outcome of a service may result in desire change in consumer or any property of the consumer.

As observed from the above definitions, service is an interaction between the service provider and the customer. Unlike goods it is intangible, cannot be inventoried or stored, and cannot be produced until the customer is ready to consume it.

2.2.2 Characteristics of Services

It is generally accepted that services have four main characteristics that differentiate them from goods: intangibility, inseparability, variability, and perishability (Armstrong & Kotler, 2011) these characteristics create unique challenges for services.

Service intangibility refers to the fact that services cannot be seen, tasted, felt, heard, or smelled before they are bought. For this reason, customers try to evaluate the quality of a service by looking at tangible components such as the place, people, price, equipment, and communications apparent. (Armstrong & Kotler, 2011).

Service inseparability refers to the fact that services cannot be separated from their providers, whether the providers are people or machines. This means that the employee providing the service becomes part of the service, in most cases, the customer is also present at the time of providing the service. Therefore, the provider-customer interaction becomes important in determining the outcome of the service (Armstrong & Kotler, 2011)

Service variability refers to the fact that the quality of services depends on who provides them as well as when, where, and how they are provided (Armstrong & Kotler, 2011). This means that the quality of a service provided is not just determined by the company but by the service provider too. Therefore, understanding the role of service providers is crucial to understand perceptions of service quality.

Service perishability refers to the fact that services cannot be stored for later sale or use (Armstrong & Kotler, 2011), although Lovelock and Wirtz (2011) argue that “not all service performances are perishable” like video recordings of events and concerts. One problematic situation that accompanies this characteristic is when demand exceeds supply (Armstrong & Kotler, 2011). This can be applied to the banking sector when there is traffic at the counters and not enough service providers, thus the service in that case cannot be stored for later use. In this case, banks should think of better ways to match the service supply with the demand. For this reason, understanding perishability of services is important in the context of this study.

2.2.3 Quality

Deming (1983) as cited by Juran (1988) defined quality as those features of products which meet customer needs and thereby provide customer satisfaction. Adrian (1995) united these two definitions and stated the concept of customer perceived quality: quality can be defined only by customers and occurs when an organization supplies goods or services to a specification that satisfies their needs.

The purpose of higher quality is to provide greater customer satisfaction. However, providing better quality features usually requires an investment and hence usually involves increases in costs. Good quality means a predictable degree of uniformity and dependability with a quality standard suited to the customer. The level of quality to which a service is designed is a crucial element in the total service offer. Quality is an important factor used by customers to evaluate the service of one organization in comparison with the offers of others.

In service marketing, quality is the perceived level of performance of a service, but it can be difficult to measure quality parameters and also to identify which quality factors customers attached importance to. The intangible nature of service quality standards is reflected in the difficulty that services companies have in designing quality standards that will be readily accepted by potential customers. Customer expectations form an important element of quality, a service that fails to meet the expectations of one customer may be considered to be poor quality, while another customer receiving an identical service but not holding such high expectations may consider the service to be a high quality standard, Andrian. Palmer (1995)

Defining quality for service organization is difficult because of the intangible nature of the product. Since a service is experienced, perceptions can be highly subjective. In addition to tangible factors, quality of services is often defined by perceptual factors. In most cases, defining quality in services can be especially challenging. (Reid and Sanders, operation mgt 4th edition) Some of the terms used to define quality in the service industry according to Reid and Sanders are:

Consistency: ability to provide same level of good quality repeatedly.

Responsiveness to Customer needs: willingness of service providers to help customers in unusual situations and to deal with problems.

Courtesy: the way employees treat customers.

Time: the amount of time a customer has to wait for the service.

Reliability: the ability to perform dependably, consistently and accurately.

Convenience: the accessibility of service provider to its customers.

2.2.4 Service Quality

Gronroos (1978) as cited by Adrian (1995) suggested that, service quality is made of two components – technical quality and functional quality. Technical quality refers to the relatively quantifiable aspects of service delivery. Because it can be measured by both customer and supplier, it forms an important basis for judging service quality (example, waiting time in a super market). Functional quality is customers' subjective judgments of the quality service delivery. It cannot be measured as objectively as technical quality. Because services involve direct consumer-producer interaction, consumers are also influenced by how the technical quality is delivered to them-functional quality (example, consumers' perceptions of the manner in which waiting lines are handled by the supermarket).

Consumers judge service quality as the extent to which perceived service delivery matches up to their expectation. In this way, a service that is perceived as being average may be considered of high quality when compared against low expectation, but of low quality when assessed against high expectation (Adrian, 1995).

Zeithaml et al (1993) cited on Adrian (1995) have suggested that three levels of expectations can be defined against which quality is assessed. Those are Desired Level of Service which reflect what the customer wants, Adequate Service Level defined as the standard customers are willing

to accept and Predicted Service Level reflects which customers believe is most likely to actually occur.

Lehtinen and Lehtinen (1982) defined service quality in terms of physical quality, interactive quality and corporate (image) quality. Physical Quality is associated with tangible aspects of the service, Interactive Quality involves the interactive nature of services and refers to the two-way flow, which occurs between the customer and the service provider, or his/her representative, including both automated and animated interactions and Corporate Quality refers to the image attributed to a service provider by its current and potential customers, as well as other publics. They also suggested that, when compared with the other two quality dimensions, corporate quality tends to be more stable over time.

The most extensive research in to service quality is strongly user oriented. Valarie Zeithmal and Leonard Berry (1990) cited in Lovelock and Wirtz (2004) identified criteria consumers use in evaluating service quality. In subsequent research, they found a high degree of correlation among several of these variables and so consolidated them into five broad dimensions. Tangibles is the appearance of physical facilities, equipment, personnel and communication materials. The customer perceives that all the tangible aspects of the service are fit for the task and is customer friendly, Reliability is the ability to perform the promised service dependably and accurately, Responsiveness is the willingness to help customers and provide prompt service. The customer's perception that the service provider responds quickly and accurately to his or her specific needs and demands, Assurance is the knowledge and courtesy of employees and their ability to convey trust and confidence so that the customer feels he or she is in courteous, able and competent hands and Empathy is providing caring and individualized attention for customers to make them feel they are receiving caring services and individualized attention.

2.2.5 Service Quality Measurement

The SERVQUAL Scale

The SERVPERF model was carved out of SERVQUAL by Cronin and Taylor in 1992. SERVPERF directly measures the customer's perception of service performance and assumes that respondents automatically compare their perceptions of the service quality levels with their expectations of those services.

The SERVQUAL scale is a survey instrument which claims to measure the service quality in any type of service organization on five dimensions which are tangibility, reliability, assurance, responsiveness and empathy (Parasuraman et al, 1988).

The SERVQUAL scale was developed by Parasuraman et al in 1985 and refined in 1988, 1991 and 1994. Realizing the significance of service quality for survival and success of service companies and the need for a generic instrument which would be used to measure service quality across a broad range of service categories, Parasuraman et al began a research program to develop such a tool. The research program began with a series of in-depth interviews conducted with executives from nationally recognized service firms in four selected service categories. The four service categories selected included appliance repair and maintenance, long distance telephone, retail banking, and credit cards. In conjunction with the executive interviews, the researchers conducted interviews with three customer focus groups for each of the selected service categories.

The exploratory study comprised of interviews and focus groups led Parasuraman et al to make a definition of service quality as the discrepancy between customers' expectations and perceptions and to identify 10 general dimensions that represent the evaluative criteria customers use to. After two stages of refinement, the initial instrument consisted of 97 items capturing the 10 dimensions refined and condensed to a purified instrument that consisted of 22 sets of expectation and perception measuring items and five dimensions. The resultant five dimensions and their definitions were: Tangibility is physical facilities, equipment, and appearance of personnel, Reliability which means ability to perform the promised service dependably and accurately, Responsiveness is willingness to help customers and provide prompt service. Assurance is knowledge and courtesy of employees and their ability to inspire trust and confidence and Empathy is caring and individualized attention the firm provides its customers.

This instrument consisted of two sections; an expectations section containing 22 statements to ascertain the general expectations of customers concerning a service and a perceptions section containing a matching set of 22 statements to measure customers' assessments of a specific firm within the service category (Zeithaml et al, 1990). Statements in both sections used a seven-point Likert scale ranging from "Strongly Agree" (7) to "Strongly Disagree" (1).

Customers' responses to service expectations and perceptions statements that are acquired by the seven point Likert scale are calculated to arrive at the gap scores [perceived service minus expected service (P-E)]. When perceived service is less than expected service, the implication is that service quality is less than satisfactory. But, when perceived or experienced service is higher than expected service, it implies that customers have got more satisfactory service quality.

SERVQUAL instrument has emerged as the most popular standardized questionnaire to measure service quality. The review of the relevant literature reveals that the SERVQUAL instrument continues to draw attention from both academics and practitioners (Mei et al, 1999). However, incites creation, the scale has been the object of various criticisms raised by a number of studies (e.g., Babakus and Boller, 1992; Carman, 1990; Cronin and Taylor, 1992, 1994; Teas, 1993, 1994). These theoretical and operational criticisms are listed below (Buttle, 1996):

Theoretical criticisms

A paradigmatic objection SERVQUAL is based on a disconfirmation paradigm rather than an attitudinal paradigm and it fails to draw on established economic, statistical and psychological theory.

Gaps model there is little evidence that customers assess service quality in terms of P-E gaps.

Process orientation:- SERVQUAL focuses on the process of service delivery, not the outcomes of the service encounter.

Dimensionality:- SERVQUAL's five dimensions are not universal; the number of dimensions comprising service quality is contextualized; items do not always load onto the factors which one would expect a priori; and there is a high degree of intercorrelation between the five RATER (reliability, assurance, tangibility, empathy and responsiveness) dimensions.

Operational criticisms

Expectations: - the term expectations is polysomic; consumers use standards other than expectations to evaluate service quality; and SERVQUAL fails to measure absolute service quality expectations.

Item composition: - four or five items cannot capture the variability within each service quality dimension.

Moments of truth (MOT):- customer's assessments of service quality may vary from MOT to MOT.

Polarity: the reversed polarity of items in the scale causes respondent error.

Scale points: the seven-point Likert scale is flawed.

Two administrations:- two administrations of the instrument cause boredom and confusion.

Variance extracted:- the level of variance extracted is a measure of construct validity. The higher the variance extracted, the more valid is the measure.

Generally, the modified scales tended to produce higher levels of variance extracted than original SERVQUAL did.

2.2.6 The SERVPERF Scale

Cronin and Taylor (1992) in their empirical work controverted the framework of Parasuraman, Zeithaml and Berry (1985, 1988) with respect to conceptualization and measurement of service quality and propounded a performance-based measure of service quality called „SERVPERF“ illustrating that service quality is a form of consumer attitude. They argued that SERVPERF was an enhanced means of measuring the service quality construct.

SERVPERF directly measures the customer’s perception of service performance and assumes that respondents automatically compare their perceptions of the service quality levels with their expectations of those services. Cronin and Taylor argued that only perception was sufficient for measuring service quality and therefore expectations should not be included as suggested by SERVQUAL (Baumann et al, 2007). Instead of measuring the quality of service via the difference between the perception and expectation of customers as in SERVQUAL, SERVPERF operates on the perceived performance and did not assess the gap scores as expectation does not exist in the model.

The model adopts the five dimensions of SERVQUAL and the 22 items scale is used in measuring service quality. In the SERVPERF model, the results demonstrated that it had more predictive power on the overall service quality judgment than SERVQUAL (Cronin and Taylor, 1994).

Many studies have been conducted by adopting the SERVPERF model. The SERVPERF scale is found to be superior not only as the efficient scale but also more efficient in reducing the number of items to be measured by 50% (Hartline and Ferrell, 1996; Babakus and Boller, 1992; Bolton and Drew, 1991) cited by (MesayShita, 2012). Wall and Payne (1973) also noted that when people are asked to indicate the “desired level” (expectations) of a service and the “existing

level” (perceptions) of the service, there is a psychological constraint that people always tend to rate the former higher than the latter (E>P). Babakus and Boller (1992) have found that service quality, as measured in the SERVQUAL scale, relies more significantly on the perception score than on the expectation score.

The researcher, therefore, preferred the SERVPERF model as it is found convenient to undertake this study with regard to the above mentioned points and its simplicity from the respondents’ point of view in addressing the questionnaires.

2.2.7 The Service Quality Gaps Model

Parasuraman et al (1985) analyzed the dimensions of service quality and constituted a Gap model that provides an important framework for defining and measuring service quality (Saat, 1999). There are seven major gaps in service quality concept. The three important gaps, which are more associated with the external customers, are Gap1, Gap5 and Gap6; since they have a direct relationship with customers, (ASI Quality Systems, 1992; Curry, 1999; Lukand Layton, 2002) cited on the work of MeronMelaku (2016).

Gap1. Customers’ expectations versus management perceptions:- as a result of the lack of a marketing research orientation, inadequate upward communication and too many layers of management.

Gap2. Management perceptions versus service specifications:- as a result of inadequate commitment to service quality, a perception of unfeasible, inadequate task standardization and an absence of goal setting.

Gap3. Service specifications versus service delivery:- as a result of role ambiguity and conflict, poor employee-job fit and poor technology-job fit, inappropriate supervisory control systems, lack of perceived control and lack of teamwork.

Gap4. Service delivery versus external communication:- as a result of inadequate horizontal communications and propensity to over-promise.

Gap5. The discrepancy between customer expectations and their perceptions of the service delivered:- as a result of the influences exerted from the customer side and the short falls (gaps) on the part of the service provider. In this case, customer expectations are influenced by the extent of personal needs, word of mouth recommendation and past service experiences.

Gap6. The discrepancy between customer expectations and employees' perceptions:- as a result of the differences in the understanding of customer expectations by front-line service providers.

Gap7. The discrepancy between employee's perceptions and management perceptions:- as a result of the differences in the understanding of customer expectations between managers and service providers.

The presence of any one of the above seven gaps may lead to a disappointing outcome which affects the relationship with customers. Thus, it is important to avoid this gap in every service counter for it helps to build a good reputation in the eyes of customers. Moreover, identifying the specific causes of each gap and then developing strategies to close them will reduce the likelihood that one of the gaps will occur (Lovelock and Writz, 2004).

2.2.8 BSQ

BSQ scale was proposed by Bahia and Nantel in 2000 when they have conducted a study on banks' service quality in Canada. The BSQ is the acronym for Bank Service Quality. The BSQ scale is the extension of SERVQUAL scale. In SERVQUAL scale there are five dimensions, while BSQ scale is composed of six dimensions with 31 attributes. The service dimensioned proposed in the BSQ include effectiveness and assurance, access, price, tangibility, service portfolio and reliability (GirmaBersisa, 2015).

2.2.9 BANKQUAL

BANKQUAL scale was proposed by Tsoukatos and Mastrojianni (2010) in the study conducted in Greece retail banking industry. The BANKQUAL scale proposed the key dimensions of effectiveness, reliability, assurance/empathy and confidence, which is a combination of SERVQUAL and BSQ dimensions. The 27 attributes in BANKQUAL scale consists of twelve SERVQUAL, seven BSQ, two common in BSQ and SERVQUAL and six specific setting items. In this respect, the scale is a mixture of the SERVQUAL and BSQ scales. The dimensions structure of BANKQUAL consists of SERVQUAL's empathy and assurance (Parasuramanetal, 1988), BSQ's effectiveness (Bahia and Nantel, 2000), reliability which is common in SERVQUAL and BSQ and finally confidence.

2.2.10 Customer Satisfaction

A customer is a stakeholder of an organization who provides payment in exchange for the offer provided to him/her by the organization with the aim of fulfilling a need and to maximize satisfaction. Sometimes, the term customer and consumer are confusing. A customer can be a consumer, but a consumer may not necessarily be a customer. A customer is the person who does the buying of the products and the consumer is the person who ultimately consumes the product (Solomon, 2009).

Satisfaction is the consumer's fulfillment 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 fulfillment, including levels of under or over-fulfillment (Oliver 2010).

Satisfaction is a person "feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (Kotler and Keller, 2009). Satisfaction could be the pleasure derived by someone from the consumption of goods or services offered by another person, group of people, or an organization; or it can be the state of being happy with a situation. Satisfaction varies from one person to another because it is utility. "One man's meal is another man's poison," is an old adage stated describing utility; thus, highlighting the fact that it is sometimes very difficult to satisfy everybody or to determine satisfaction among group of individuals.

Customer satisfaction is one of the most important concepts for most marketers and consumers (Jamal, 2004). Client happiness, which is a sign of customer satisfaction, is and has always been the most essential thing for any organization as it is the milestone for its existence. The conceptualization of customer satisfaction is very complex and has been defined in many different situations. However, no single definition of customer satisfaction has been universally accepted. Customer satisfaction traditionally defined, according to the expectation-disconfirmation theory, as the result of the comparing between customers' expectation before purchase and evaluation about the actual performance of a product or service after purchase (Oliver, 1977).

According to Tse and Wilton (1988), customer satisfaction is defined as the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or service as perceived after its consumption. Giese and Cote (2002) stated that customer satisfaction is identified by a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time (i.e. post-purchase, post-consumption). This definition is supported by some other authors who think that consumer's level of satisfaction is determined by his or her cumulative experience at the point of contact with the supplier (Sureshchander et al, 2002).

Kotler and Keller (2009) conceptualized satisfaction as the pleasure felt by the customers occur when the actual performance of products or services meet their prior expectations. Therefore, high level of service quality is considered as one of the most important determinant in explaining customer satisfaction, which in turn, influences on customer loyalty towards the firm (Oliva et al, 1992). It requires a commitment for excellence in customer service which is one of the most effective and least expensive ways to market a business and being successful in the competitive market especially in service giving organizations.

Aborampah argued that customer satisfaction is not only linked with the view of customers but also on their experience with the service delivery process. (Aborampah Amoah Mensah 2010)

Customer satisfaction reflects the degree of a customer's positive reaction for a service provider in a bank context, it is necessary for service providers (bank) to recognize the customer's vision of their services. A high level of customer satisfaction can have a positive impact on customer loyalty (Deng et al., 2010) cited on Hossein Gazora*, Babak Nematia, Amir Ehsania and Kianoush Nazari Ameleh

2.2.11. Customer Satisfaction and Service Quality

Researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson et al, 2008). Although it is stated that other factors such as price and product quality can affect customer satisfaction, perceived service quality is a component of customer satisfaction (Zeithaml et al, 2006).

Regarding the relationship between customer satisfaction and service quality, some researchers have found empirical supports for the view that service quality would be antecedent to customer satisfaction (Fornell et al, 1996; Spreng and Macky, 1996); i.e., customer satisfaction came as a result of service quality.

It has been proven from past researches on service quality and customer satisfaction that customer satisfaction and service quality are related from their definitions to their relationships with other aspects in business. Some authors have agreed to the fact that service quality determines customer satisfaction. Parasuraman et al (1985) in their study, proposed that when perceived service quality is high, then it will lead to increase in customer satisfaction. Some other authors did comprehend with the idea brought up by Parasuraman (1995) and they acknowledged that 'customer satisfaction is based upon the level of service quality that is provided by the service providers' (Saravana and Rao, 2007; Lee et al, 2000).

Parasuraman et al (1988) defined service quality and customer satisfaction as 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. (BeliyuGirma 2012)

Due to the dynamic nature of expectation, evaluations change over time from person to person and from culture to culture. What is considered quality service or the things that satisfy customers today may be different tomorrow. Customers perceive services in terms of the quality of the service and how satisfied they are overall with their experiences. (Zeithaml and Bitner, 2013). The reason for the focus on quality of service and customer satisfaction is the belief that organizations can differentiate themselves by means of providing better service quality and overall customer satisfaction.

2.3. Empirical Review

The impact of service quality dimensions on customer satisfaction has been done by different individuals. Some of them are stated hereunder.

Girma (2015) has undertaken a research on assessment of service quality and its influence on customer satisfaction in the case of Oromia International Bank S.C. SERVQUAL method was used to determine customers' expectation and perception of service quality.

The researcher selected 40 branches using simple random sampling and 365 customers from these branches using systematic simple random sampling technique. 365 questionnaires were distributed to the selected customers and 211 duly filled questionnaires were collected and used to undertake the research. The study applied quantitative research method and descriptive and explanatory research design.

The result of the study revealed that the average perception and expectation gap for all service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) was a negative disconfirmation score of 1.53. The highest mean score was for tangibility followed by reliability and assurance and the lowest mean score was for empathy and responsiveness. There was a significant and positive relationship between the five service quality dimensions and customer satisfaction. The highest correlation was between assurance and customer satisfaction followed by responsiveness and customer satisfaction and empathy and customer satisfaction. The least correlation was between tangibility and customer satisfaction and reliability and customer satisfaction.

The analysis also indicated that the service quality dimensions have positive and statistically significant influence on customer satisfaction except reliability. 77.3 % of the variation in customer satisfaction was explained by the service quality dimensions.

The researcher recommended development of skill and knowledge of employees and prioritizing investment outlay for physical elements of the service like equipment, physical facilities and communication materials.

Meron (2015) conducted a research on impact of service quality on customer satisfaction: the case of Bank of Abyssinia S.C. The researcher used SERVPERF model to identify the relationship between service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) and customer satisfaction. She also used quantitative research method and descriptive and explanatory research designs. 12 branches were selected using disproportionate stratified sampling technique and 399 customers were selected from sample

branches using proportionate stratified sampling technique. Out of the 399 questionnaires distributed to the sample customers, 341 questionnaires were collected and used in the analysis. The mean result showed that customers were most satisfied with Assurance followed by Responsiveness. The correlation result indicated that the service quality dimensions have positive and significant relationship with customer satisfaction and the service quality dimension which has the highest correlation with customer satisfaction is Assurance. The regression analysis also revealed that all service quality dimensions have a positive impact on customer satisfaction and assurance is the dominant service quality dimension that affects customer satisfaction.

According to the result of the study, 44% of variation in customer satisfaction was explained by the service quality dimension in Bank of Abyssinia S.C. Therefore, the researcher recommended the Bank to work hard on all service quality dimensions in order to improve and maintain its customers' satisfaction.

Saghier and Nathan (2013) have conducted a research on service quality dimensions and customers' satisfaction of banks in Egypt using SERVQUAL model. The purpose of the study was to measure the quality of service from customers' perspective in the Egyptian banking. The study used primary data collected through scientifically developed questionnaires that has been personally administered on a sample size of 150 customers chosen from Egyptian banks. The research result indicated that customer satisfaction in Egyptian banking services was significantly affected by reliability, empathy, assurance and responsiveness where as the effect of tangibility did not have any significant impact on customer satisfaction. It also revealed that customer perception is highest in reliability and lowest in assurance.

Al-Azzam (2015) has undertaken a research on the impact of service quality dimensions on customer satisfaction on Arab banks in Irbid city, Jordan. The study used simple random sampling technique to select 400 respondents from four banks sited in Irbid city. Primary data was collected using questionnaire. The questionnaire measured the quality of services by implementing the five dimensions SERVQUAL instruments (tangibility, reliability, responsiveness, empathy and security) and the 5-point Likert scale was used for all responses. The research has applied quantitative research approach and analyzed using SPSS version 19.

The researcher came up with the result that the customer satisfaction in the Jordanian banking services is significantly affected by tangibility, reliability, responsiveness, empathy and security. It also demonstrated that customers' perception is the highest in reliability area.

Munusamy et al. (2010) has undertaken a research on the five dimensions of service quality (Tangibility, reliability, responsiveness, assurance and empathy). The researcher came up with the result that the three service quality dimensions (assurance, empathy, and responsiveness) have positive and insignificant effect on customer satisfaction. Tangibility has a positive and significant impact on customer satisfaction. However, reliability has a negative and insignificant effect on customer satisfaction

Mohammad and Alhamadani (2011) has undertaken a research on five dimensions of Service quality (tangibility, reliability, responsiveness, assurance and empathy). The researcher came up with the result that the five service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) have a positive and significant effect on customer satisfaction.

Al-Hawary et al (2011) has undertaken a research on 5 dimensions of SERVQUAL (tangibility, reliability, responsiveness, assurance and empathy). The researcher came up with the result that the four service quality dimensions (tangibility, reliability, assurance, and responsiveness) have positive and significant effect on customer satisfaction. Empathy has a negative and significant effect on customer satisfaction.

Malik et al., (2011) has undertaken a research on 5 dimensions of SERVQUAL (tangibility, reliability, responsiveness, assurance and empathy). The researcher came up with the result that the two dimensions of service quality (reliability, assurance) have a significant and positive effect on customer satisfaction. However, the rest three service quality dimensions (tangibility and responsiveness and empathy) have no contribution to customer satisfaction.

2.4. Conceptual Framework

The conceptual framework for this research indicates the relationship between the independent variable which is service quality dimensions namely tangibility, reliability, responsiveness, assurance and empathy and the dependent variable, customer satisfaction. SERVPERF model is used to undertake the research and identify whether the above stated relationship exists in Private Banks in Jimma town with regard to service quality and customer satisfaction.

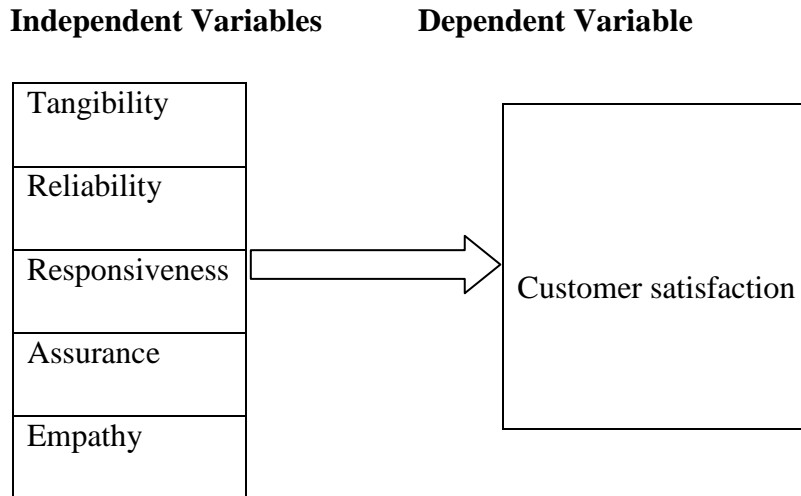


Figure 1: The theoretical framework of relationship between the dimensions of SERVPERF and customer satisfaction.

Source: Parasuraman et al., 1988

CHAPTER THREE

3. RESEARCH DESIGN AND METHOD

This deals with the research design and methodology. This includes the research design, sample size and sampling technique, data source and collection method, method of data collection, description of study variables, study model and specification, method of data analysis and Validity and Reliability Test

3.1 Research Design

Both descriptive and explanatory study design and quantitative method was used to analyze for data collected from customers. The reason behind using descriptive study design is because the researcher is interested in describing the existing situation under study. This study was use descriptive analysis that describes the service quality dimensions that lead to customer satisfaction. This study also use explanatory study design, to explaining, understanding, predicting and controlling the relationship between variables.

3.2 Data Source and Collection Method

For the proper achievement of the objectives of the study; the researcher used primary data and secondary data source. Primary data were selected for respondents using questionnaires. Secondary data were obtained by reviewing existing published literature.

Primary data was collected using questionnaires. Questionnaire was distributed to the customers of the banks. The variables was attitudinal and measured using Likert scale with five response categories (strongly disagree, disagree, neither agree nor disagree, agree and strongly agree). “The Likert scale method was preferred to make questions interesting to respondents and thereby enhance their cooperation, ultimately to ensure maximum response rate” (Robson Colin, 2002).

3.3 Population, Sample size and Sampling technique

Currently there are ten commercial private banks operating in Jimma town; however the researcher has selected only banks under operation at least ten years .Therefore, the sample size of banks were determined by using purposive sampling method. Out of 10 private banks, 60 percent (6 banks) were selected as a sample. The six banks were selected on the assumption that they will represent the 10 private banks.

The researcher used Convenience sampling method to select the target customers. The rationale behind using Convenience sampling technique is because sampling units are selected out of Convenience.

After the samples of banks have been determined, the researcher used the following sample size determination formula to determine the sample size of the population in six banks. The formula was developed by Taro Yamane (1967). It is calculated as follows:

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

Where **n** is the sample size,

N is the population size, and

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

$$n = \frac{101,000}{1 + 101,000(0.05)^2} = 398$$

Hence, the total sample size is 398. Since the number of people in each bank is not the Same, the number of samples for each bank was calculated by the following formula:

$$n_1 = \frac{nN_1}{N}$$

Where **n**= total number of samples

N= total number of population

N₁= total number of population in each bank

n₁= number of samples in each bank

The study was conducted on 6 private bank's main branches (Awash bank, ashen bank, bank of Abyssinia, wegagen bank, united bank and Nib international bank and the total population of the Study was 101,000. The researcher identify the population by requesting the branch manager Dated on 23/4/2010 E.c at proximity but the number of customer are increasing from time to time.

Table 3.1: number of customers and proportion of samples taken from each bank

Banks	year of establishment	Total number of Population	proportion
Awash Bank	1994 G.C	31,000.00	122
Dashen bank	1995 G.C	29,000.00	114
Bank of Abyssinia	1996 G.C	13,300.00	52
Wegagen bank	1997 G.C	8,900.00	35
United bank	1998 G.C	11,000.00	43
Nib international bank	1999 G.C	7,800.00	31
Total		101,000.00	398

Source: Own survey, 2018

After each bank sample size was determined, the researcher used convenience sampling method to select the target customers. The rationale behind using Convenience sampling technique is because sampling units are selected out of Convenience. For primary data collection, from the total number of population (101,000.00) the number of samples taken was 398.

3.4. Method of Data Collection

The researcher requested permission from all Six private banks in Jimma Town. After permission was granted for survey by six bank managers, the questionnaires were distributed to the respondents. The survey pack included a copy of the cover letter, and the questionnaire. Collection of responded questionnaire was started after a week from date of administration and continued for a month.

3.5. DESCRIPTION OF STUDY VARIABLES

The definitions of dependent and independent variables are summarized in the following table as follows:

Variables	Proxies
Service Quality(independent)	<p>Tangibility: physical facilities, equipment, and appearance of personnel</p> <p>Reliability: ability to perform the promised service dependably and accurately</p> <p>Responsiveness: willingness to help customers and provide prompt service</p> <p>Assurance: knowledge and courtesy of employees and their ability to inspire trust and confidence</p> <p>Empathy: caring individualized attention the Bank provides to its customers</p>
Customer Satisfaction(dependent)	

Source: Own survey, 2018

3.6 STUDY MODEL AND SPECIFICATION

The data collection method is done using self-administered questionnaire to be filled by the bank's customers. The questionnaire was designed in a five scale likert measurement. 22 item Measure was used to indicate the customers' degree of agreement for the 22 performance statements, based on their assessments of the service provided by the banks adopted from SERVPERF model by Cronin and Taylor's(1992). The variables are measured by using Likert

scale with five response categories (strongly agree, agree, neither agree nor disagree, disagree and strongly disagree). The Likert scale method was referred to make the questions interesting to the respondents and to insure maximum response rate. Customer satisfaction was measured with one scale adopted from Lovelock and Wright (1999) with response ranging from ‘strongly agree’ to ‘strongly disagree’.

3.7 Methods of Data Analysis

Both descriptive and inferential statistics were used to analyze and interpret the findings. Demographic variables of the respondents and mean scores of the service quality dimensions are interpreted using descriptive statistics whereas inferential statistics is used to find out the relationship between service quality dimensions and customer satisfaction using correlation and regression analysis via SPSS Version 20.

Descriptive analysis

The descriptive statistical results were presented by tables, frequency distributions and percentages to give a condensed picture of the data. This was achieved through summary statistics, which includes the means, 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) and customer satisfaction.

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.

Regression functions

The equation of multiple regression on this study is generally built around two sets of variable, namely dependent variables (customer satisfaction) and independent variables (Tangibility, reliability, responsiveness, assurance, and empathy). The basic objective of using regression equation on this study is to make the researcher more effective at describing, understanding, predicting, and controlling the stated variables.

Independent variables dependent variables

Tangibility

Reliability

Responsiveness

Assurance

Empathy

Customer satisfaction

Regress customer satisfaction on the service quality dimensions

$$Y_i = \beta_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6$$

Where Y is the dependent variable- customer satisfaction

X2, X3, X4, X5, and X6 are the explanatory variables (or the regressors) **β1** is the intercept term- it gives the mean or average effect on Y of all the variables excluded from the equation, although its mechanical interpretation is the average value of Y when the stated independent variables are set equal to zero.

β2, β3, β4, β5, and β6 refers to the coefficient of their respective independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables.

3.8 Validity and Reliability Test

3.8.1 Validity Test

It is evidence that the instrument, technique of process used to measure a concept does indeed measure the intended concept, Sekaran (2013). The research instrument of this study is developed by Parasuraman et. al, 1988. Therefore, verifying the validity of the instrument is not needed.

3.8.2 Reliability Test

The reliability of a measure is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the “goodness” of a matter. The Cronbach alpha coefficient is an indicator of internal consistency of the scale, Sekaran (2013). A high value of the Cronbach alpha coefficient suggests that the items that make up the scale „hang

together” and measure the same underlying construct. A value of Cronbach alpha above 0.70 can be used as a reasonable test of Reliability.

Table 3.2 Reliability statistics

Factors	Cronbach's Alpha	No. of Items
Tangibility	0.873	4
Reliability	0.712	5
Responsiveness	0.791	4
Assurance	0.897	4
Empathy	0.763	5
Customer satisfaction	0.753	1

Source: Own survey, 2018

To meet the consistency reliability of instrument, the questionnaire was first distributed to 35 respondents. The duly filled questionnaires were tested for reliability and the Cronbach alpha for the independent variables (Tangibility, Reliability, Responsiveness, Empathy and Assurance) was above 0.7. Therefore, the five dimensions of service quality were found to be high in their internal consistency and thereby in measuring the dimensions of interest.

CHAPTER FOUR

4. DATA ANALYSIS AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter presents the descriptive statistics, a correlation analysis, and a multiple regression analysis of the study variables. It has three sections. The first section is the descriptive statistics which summarizes the main features of the study variable such as mean and standard deviation. The second section is the correlation analysis which shows the degree of association between the study variables. The third section of the chapter, multiple regressions was employed to examine the effect of customer service quality dimensions on customer satisfaction. Out of the 398 questionnaires distributed to customers of the banks 365 questionnaires were collected. The data was analyzed using SPSS version 20.

4.2 Respondents Profile

To find out general background of customers of the banks, the respondents were asked their Gender, Age, Educational Status and length of relationship with the banks. The results obtained from the structured questionnaires are represented on the table below.

Table 4.2 Characteristic of the Respondents

Gender Profile	Frequency	Percent	Valid Percent	Cumulative Percent
Female	156	42.7	42.7	42.7
Male	209	57.3	57.3	100.0
Total	365	100.0	100.0	
Age Profile				
18-30	154	42.2	42.2	42.2
31-40	137	37.5	37.5	79.7
41-50	60	16.4	16.4	96.2
above 50	14	3.8	3.8	100.0
Total	365	100.0	100.0	
Educational Status				
high school	58	15.9	15.9	15.9
Diploma	106	29.0	29.0	44.9
Degree	184	50.4	50.4	95.3
Master	17	4.7	4.7	100.0
Total	365	100.0	100.0	
Length of Relationship				
less than 1 year	47	12.9	12.9	12.9
1-5 years	151	41.4	41.4	54.2
6-10 years	128	35.1	35.1	89.3
11-15 years	39	10.7	10.7	100.0
Total	365	100.0	100.0	

Source: Own survey, 2018

The sample includes 365 customers of private banks in Jimma Town. Table 4.2 presents the background information of the respondents for this study. The survey showed that there were more males as compared to females. Male respondents represented 57.3%, on the other hand 42.7% were females.

As far as age of respondents is concerned, 42.2% of the respondents are in the range of 18-30 years, 37.4% of the respondents are in the range of 31-40 years, 16.4% are in the range of 41-50 years, and 3.8% are above 50 years. The Management of the Bank has to design a strategy to provide convenient and attractive products and services to this group of customers as it enables the Bank to have loyal customers for relatively long period of time.

With regard to educational level of respondents, high school holders represented 15.9% of the customer, Diploma holders represented 29.0% of the customers, degree holders represented 50.4% and Masters holders represented 4.7% of the customers. It can be said from the survey that, most of the banks customers were degree holders. The lowest respondents were master holders.

With regard to length of relationship with the banks respondents, 12.9% of the respondents are in the range of less than 1 year, 41.4% of the respondents are in the range of 1-5 years, 35.1% are in the range of 6-10 years, and 10.7% are in the range of 11-15 years. Therefore, the Banks has to continue to give quality service to customer. Besides, the Management and Employees should work hard to retain the existing customers and make them loyal to the Bank.

4.3. Descriptive Statistics Analysis

Table 4.3.a. Mean and standard deviation for Dashen bank’s Service

Quality dimension and Customer Satisfaction

		Statistics					
		Tangibility	Reliability	Responsiveness	Assurance	Empathy	customer satisfaction
N	Valid	103	101	103	103	103	103
	Missing	1	3	1	1	1	1
Mean		4.43	4.52	4.21	4.15	4.07	4.26
Std. Deviation		.497	.502	.457	.406	.582	.442

Sour Source: Own survey, 2018

Table 4.3.b Mean and standard deviation for Awash bank’s Service quality dimension and Customer Satisfaction

		Statistics					
		Tangibility	Reliability	Responsiveness	Assurance	Empathy	customer satisfaction
N	Valid	108	107	107	107	107	108
	Missing	0	1	1	1	1	0
Mean		4.41	4.48	4.22	4.14	4.07	4.26
Std. Deviation		.494	.502	.462	.399	.571	.518

Source: Own survey, 2018

Table 4.3.c Mean and standard deviation for bank of Abyssinia Service quality dimension and Customer Satisfaction

		Statistics					
		Tangibility	Reliability	Responsiveness	Assurance	Empathy	customer satisfaction
N	Valid	47	47	47	47	46	47
	Missing	0	0	0	0	1	0
Mean		4.53	3.98	4.21	4.11	3.91	4.17
Std. Deviation		.504	.675	.463	.312	.694	.433

Source: Own survey, 2018

Table 4.3.d Mean and standard deviation for bank of Wegagen banks Service quality dimension and Customer Satisfaction

		Statistics					
		Tangibility	Reliability	Responsiveness	Assurance	Empathy	customer satisfaction
N	Valid	33	33	32	33	33	33
	Missing	0	0	1	0	0	0
Mean		4.39	3.97	4.28	4.03	3.88	3.94
Std. Deviation		.609	.585	.457	.467	.650	.429

Source: Own survey, 2018

Table 4.3.e Mean and standard deviation for bank of United bank Service quality dimension and Customer Satisfaction

		Statistics					
		Tangibility	Reliability	Responsiveness	Assurance	Empathy	customer satisfaction
N	Valid	42	41	42	42	42	42
	Missing	0	1	0	0	0	0
Mean		4.55	3.98	4.24	4.12	3.88	4.12
Std. Deviation		.504	.524	.484	.328	.739	.395

Source: Own survey, 2018

Table 4.3.f Mean and standard deviation for bank of Nib International bank Servicequality dimension and Customer Satisfaction

		Statistics					
		Tangibility	Reliability	Responsiveness	Assurance	Empathy	customer satisfaction
N	Valid	30	30	30	30	30	30
	Missing	0	0	0	0	0	0
Mean		4.47	3.93	4.30	4.10	3.80	4.00
Std. Deviation		.507	.521	.466	.305	.847	.263

Source: Own survey, 2018

As indicated in Table 4.3a& 4.3bcustomer’s of Dashen bank and Awash international bank were satisfied by the five service quality dimensions with a mean and standard deviation tangibility (4.43, .497)(4.41, .494) and (4.52, .502)(4.48,.502) and (4.21,.457)(4.22,.462) and (4.15,.406)(4.14,.399) and (4.07,.582)(4.07,.571) respectively. The highest number of mean indicated that the customers are more satisfied by service quality dimensions and the highest number of standard deviation indicated that the customers are less satisfied by service quality dimensions of the banks. However, table 4.3c, 4.3d, 4.3e and 4.3f indicated that customer’s of bank of Abyssinia, Wegagen, United and Nib international bank were satisfied by only three service quality dimensions (tangibility, responsiveness and Assurance).

Therefore, bank of Abyssinia, Wegagen, United and Nib international banks must give attention for reliability and empathy dimensions. Empathy involves caring and individual attention while the company provides its services for the customers. It consists of five statements that request whether the Bank gives individual attention to its customers, has convenient operating hours to all of its customers, assists customers best interest at heart and has employees who give personal attentions and understand the specific needs of their customers or not. So, customers need individual attention during their interaction with service giving organizations. The more individual attention is given to the customers, the more possibility to make them loyal to that organization. As such, the Management and Employees of the Bank should give due consideration to address the concerns of customers for individual attention.

Reliability is the ability to perform services dependably and accurately in a consistent manner. It is considered as the vital core of service quality. Other dimensions will matter to customers only if a service is reliable, because those dimensions cannot compensate for unreliable service delivery (Berry et al., 1994). It contains five questions used to assess the accuracy and credibility of the services. It evaluates whether the Bank keeps its promises or not while giving the services, the Bank's sincere interest in solving the problem of its customers and the accuracy of records.

Therefore, it is a good indicator to the Employees and Management of the Bank to locate where about of the gap in satisfying its customers and take the relevant action in order to fill the observed gap.

Table 4.3.g Mean and standard deviation for the Six bank's Service quality dimensions and Customer Satisfaction.

Statistics

		Tangibility	Reliability	Responsiveness	Assurance	Empathy	customer satisfaction
N	Valid	364	360	362	363	362	364
	Missing	1	5	3	2	3	1
Mean		4.46	4.14	4.24	4.11	3.94	4.13
Std. Deviation		.519	.552	.465	.370	.681	.688

Source: Own survey, 2018

Table 4.3, g indicates that tangibility has the highest mean value and assurance and empathy have least mean value. Therefore, it may be concluded from table 4.g that respondents are most satisfied with Tangibility dimensions with a mean and standard deviation of 4.46 and 0.519 respectively. This is followed by responsiveness and Reliability. However, customers are less satisfied with assurance and empathy at a mean of 4.11 and 3.94 respectively. The satisfaction has a mean score 4.13 which indicates that overall customers are slightly satisfied with the service quality of banks. This indicates that the banks Management and Employees of the Banks should work hard in order to improve the service quality level of the Banks and satisfy the unsatisfied customers, because, the major competitive advantage in the today's banking industry in our country is excellent service quality.

4.4 Pearson Correlation analysis

Correlation coefficient is a measure of relationship (association) and strength between two variables. The correlation coefficient ranges between -1 and 1. If the two variables are in perfect positive linear relationship, the correlation coefficient was 1 and if they are in perfect negative (inverse) relationship, the correlation coefficient was -1. The correlation coefficient is 0 (zero) if there is no linear relationship between the variables.

A low correlation coefficient (r), between 0.1 and 0.29, suggests that the relationship between the two variables is weak or non-existent. If r is between 0.3 and 0.49, the relationship is moderate and a high correlation coefficient, i.e. $r > 0.5$, indicates a strong relationship between the variables. The direction of the dependent variables change depends on the sign of the coefficient. If the coefficient is a positive number, then the dependent variable will move in the same direction as the independent variable and if the coefficient is negative, then the dependent variable will move in the opposite direction of the independent variable.

To determine the relationship between service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) and customer satisfaction, Pearson correlation was computed. Table 4.4 below presents the results of Pearson correlation on the relationship between service quality dimension and customer satisfaction.

Table 4.4. The relationship between service quality dimensions and customer Satisfaction

		Customer Satisfaction
Tangibility	Pearson correlation	.832
	Sig.(2-tailed)	.000
	N	365
Reliability	Pearson correlation	.756
	Sig.(2-tailed)	.000
	N	365
Responsiveness	Pearson correlation	.543
	Sig.(2-tailed)	.000
	N	365
Assurance	Pearson correlation	.669
	Sig.(2-tailed)	.000
	N	365
Empathy	Pearson correlation	.786
	Sig.(2-tailed)	.000
	N	365

Source, Own survey, 2018 Correlation is significant at the 0.01 level (2-tailed).

The results in table 4.4 indicate that, there is strong and significant relationship between Tangibility and customer satisfaction ($r = 0.832$, $p < 0.01$), followed by empathy and customer satisfaction ($r = 0.786$, $p < 0.01$), reliability and customer satisfaction ($r = 0.756$, $P < 0.01$), assurance and customer satisfaction ($r = 0.669$, $P < 0.01$), and responsiveness and customer satisfaction ($r = 0.543$, $p < 0.01$).

The finding on table 4.4 above further indicates that the highest relationship is found between tangibility and customer satisfaction ($r = 0.832$, $p < 0.01$). The five service quality dimension (tangibility, reliability, responsiveness, assurance and empathy) has a positive relationship with customer satisfaction.

Accordingly, it is possible to conclude that there is a positive and significant correlation or relationship between service quality dimensions and customer satisfaction so that any improvement in one of the dimensions will positively contribute to enhancing customer satisfaction. In addition, the result confirmed that the alternative hypothesis “service quality dimensions are positively and significantly correlated with customer satisfaction in Banks.” is accepted which leads to rejection of the null hypothesis.

4.5. Multiple Regression Analysis

Multiple regression analysis was employed to examine the effect of customer service quality dimensions on customer satisfaction. Regression analysis is a statistical measure that attempts to determine the strength of the relationship between one dependent variable and a series of other changing variables (known as independent variables). More specifically, regression analysis helps one understand how the typical value of the dependent variable (criterion variable) changes when any one of the independent variables is varied, while the other independent variables remain constant.

Multicollinearity Test:- in multiple regression analysis, multicollinearity refers to a situation where a number of independent variables are closely correlated to one another. Multicollinearity test is done using variance inflation factor (VIF). The VIF indicates whether a predictor has a strong linear relationship with other predictor(s). As a rule of thumb, if the VIF of a variable exceeds 10, there will be a serious multicollinearity problem. The tolerance statistics, which is the reciprocal of VIF ($1/VIF$), also used to test multicollinearity. Tolerance values below 0.1 indicates serious multicollinearity problem.

As depicted on table 4.5, the value of VIF does not exceed 10 and the value of tolerance is not below 0.1. Therefore, it indicates that there is no multicollinearity among the predictor variables.

Table 4.5 Multicollinearity test statistics

Multicollinearity Test: in multiple regression analysis, multicollinearity refers to the correlation among the independent variables.

Model	Collinearity Statistics	
	Tolerance	VIF
Tangibility	.583	1.716
Reliability	.412	2.427
Responsiveness	.446	2.240
Assurance	.366	2.731
Empathy	.427	2.339

Dependent Variable: Customer satisfaction

Source: Own survey, 2018

In this study, regression analysis is used to identify the impact of service quality dimension on customer satisfaction in order to answer the second research question.

Normality

To find out whether the error term follows the normal distribution or not the normality test should be checked formally. A comparatively simple graphical device to study the shape of the probability density function of a random variable is the normal probability plot which makes use of normal probability paper, a special designed graph paper. On the horizontal (X-axis), we plot values of the residuals and on the vertical (Y-axis) we show the expected value of the variable if it were normally distributed. If the variable is from the normal population, the normal probability plot will be approximately a straight line (Gujarati, 2003). Figure 2, shows that the residuals are approximately normally distributed, because a straight line seems to fit the data reasonably well.

Normal P-P Plot of Regression Standardized Residual

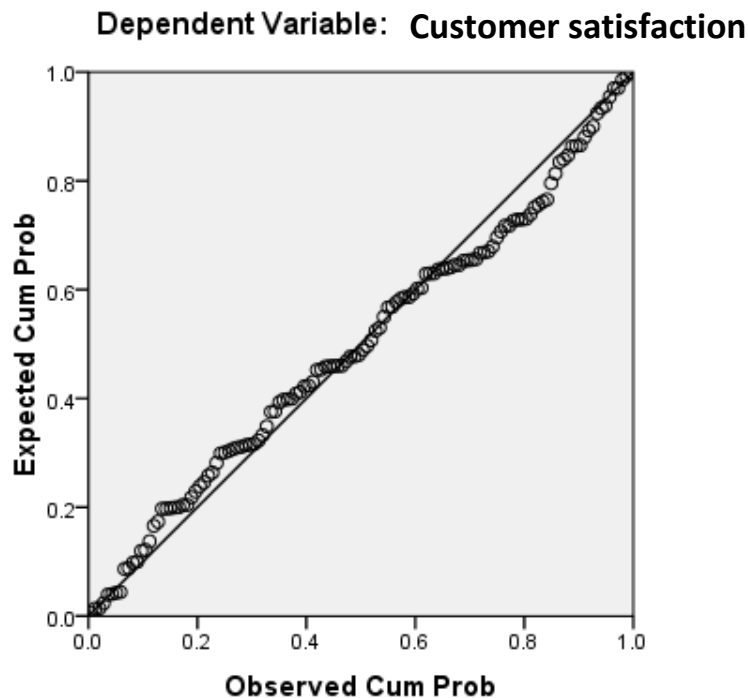


Figure 2. Normality test using normal probability plot of multiple regression

Heteroscedasticity Test

Heteroscedasticity statistics checked is used to measure model fitness. The variance of the residuals for every set of values for the independent variable should be equal and violation is called heteroscedasticity. This means that investigators assume that errors are spread out consistently between the service quality dimensions. Scatterplot of more than 3.3 or less than -3.3 indicates a heteroscedasticity problem (Tabachnick & Fidell, 2007). Therefore, as shown in figure below the data did not violate heteroscedasticity assumption and instead it was homoscedastic.

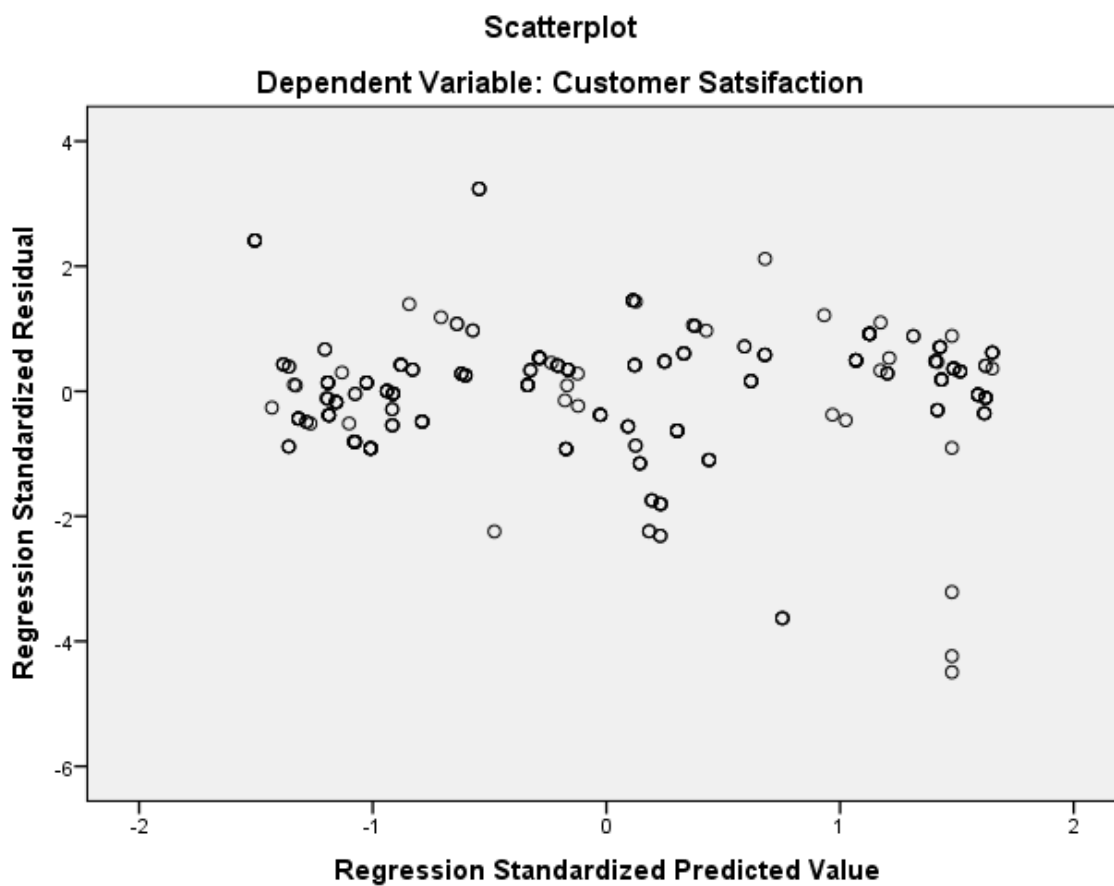


Figure 3: scatterplot Heteroscedasticity test results

Source: survey result, 2018

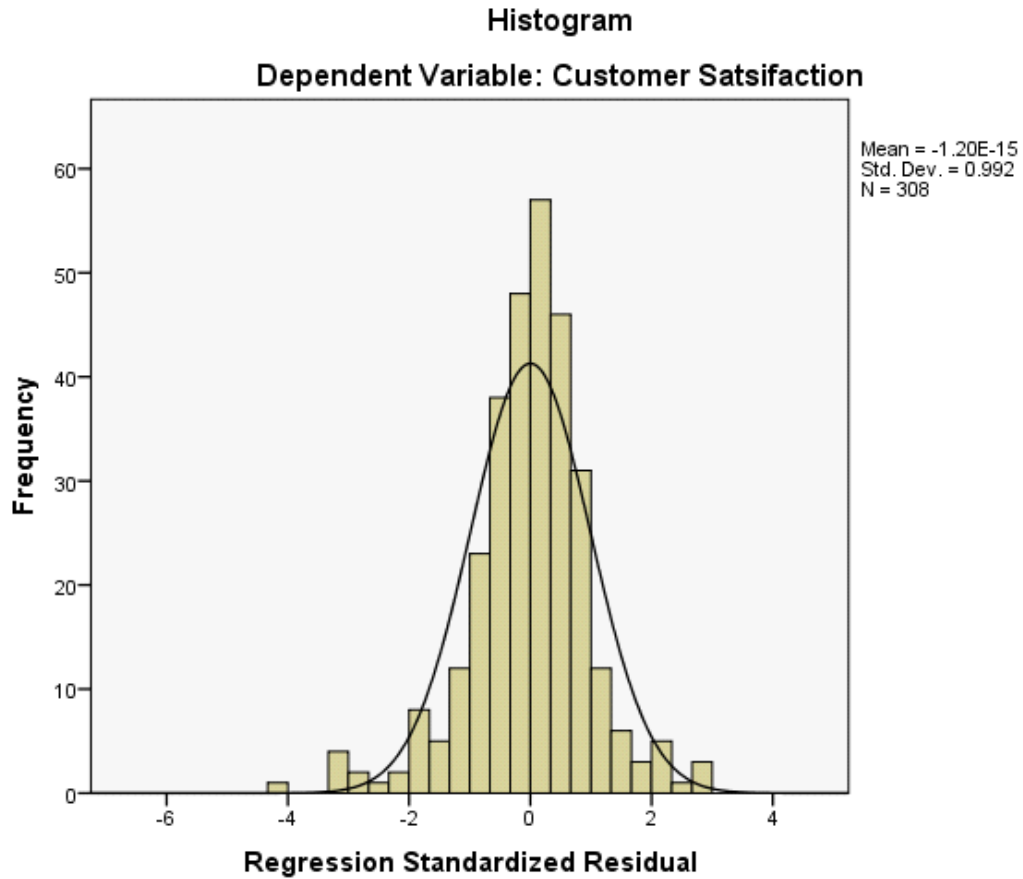


Table 4.6 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Tangibility	.641	.411	.409	.60264
Reliability	.609	.371	.370	.62254
Responsiveness	.543	.295	.293	.65917
Assurance	.508	.258	.256	.67621
Empathy	.620	.384	.383	.61604

Source: Own survey, 2018

Table 4.7 Coefficients of determination

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.605	.211		2.874	.004
Tangibility	.794	.050	.641	15.956	.000
(Constant)	1.462	.171		8.549	.000
Reliability	.654	.045	.609	14.683	.000
(Constant)	1.206	.223		5.414	.000
Responsiveness	.654	.053	.543	12.364	.000
(Constant)	1.950	.179		10.904	.000
Assurance	.528	.047	.508	11.273	.000
(Constant)	.907	.203		4.479	.000
Empathy	.754	.050	.620	15.097	.000

Dependent variable customer satisfaction

Source: Own survey, 2018

Hypothesis 1

Hol: Tangibility will not have a positive and significant effect on customer satisfaction.

Ha1: Tangibility will have a positive and significant effect on customer satisfaction.

From the regression analysis, as presented in table 4.6 we can see that there is a positive statistical relationship between tangibility (the independent variable) and customer satisfaction (the dependent variable). The R-square answers the question, “of all of the reasons why the outcome variable can vary, what percent of those reasons can be accounted for by the predictor(s) variables?”. In this case, the coefficient of determination (R-square) indicates the proportionate amount of variation in the response variable (customer satisfaction) explained by the independent variable (tangibility) in the linear regression model. Thus, 41.1% ($R^2=.411$) of the variation on customer satisfaction is explained by tangibility.

As presented in table 4.7 the regression coefficient is the value that represents the rate of change of one variable (dependent variable) as a function of changes in the other variable (independent variable). It represents the mean change in the response variable for one unit of change in the predictor variable while holding other predictors in the model constant. This statistical control that regression provides is important because it isolates the role of one variable from all of the others in the model.

From the following coefficient table, B value which measures how strongly each independent variable influences the dependent variable. Thus, a unit increase in tangibility leads to .794 increase in customer satisfaction, other things remain constant. Therefore, the researcher may reject the null hypothesis and it is accepted that, tangibility has a positive and significant effect on customer satisfaction.

Hypothesis 2

Ho2: Reliability will not have a positive and significant effect on customer satisfaction.

Ha2: Reliability will have a positive and significant effect on customer satisfaction.

From the regression analysis, as presented in table 4.6 we can see that there is a positive statistical relationship between reliability (the independent variable) and customer satisfaction (the dependent variable). As observed from the following table, the coefficient of determination (R-square) indicates 37.1% ($R^2 = .371$) of the variation on customer satisfaction is explained by reliability.

As presented in table 4.7 from the following coefficient table, B value which measures how strongly reliability, the independent variable, influences the customer satisfaction, the dependent variable. Thus, a unit increase in reliability leads to .654 increases in customer satisfaction, other things remain constant. Therefore, the researcher may reject the null hypothesis and it is accepted that, reliability has a positive and significant effect on customer satisfaction.

Hypothesis 3

Ho3: Responsiveness will not have a positive and significant effect on customer satisfaction.

Ha3: Responsiveness will have a positive and significant effect on customer satisfaction.

From table 4.6, we can see that there is a positive statistical relationship between the independent variable-responsiveness and the dependent variable-customer satisfaction. The coefficient of determination (R-square) indicates 29.5% ($R^2 = .295$) of the variation on customer satisfaction is explained by responsiveness

On table 4.7, B value which measures how strongly responsiveness, the independent variable, influences the customer satisfaction, the dependent variable. Accordingly, a unit increase in responsiveness leads to .654 increases in customer satisfaction, other things remain constant.

Therefore, the researcher may reject the null hypothesis and responsiveness has a positive and significant effect on customer satisfaction.

Hypothesis 4

Ho4: Assurance will not have a positive and significant effect on customer satisfaction.

Ha4: Assurance will have a positive and significant effect on customer satisfaction.

From table 4.6, we can infer that there is a positive statistical relationship between the independent variable-assurance and the dependent variable-customer satisfaction. The coefficient of determination (R-square) indicates 25.8% ($R^2 = .258$) of the variation on customer satisfaction is explained by assurance.

On table 4.7, B value which measures how strongly assurance, the independent variable, influences the customer satisfaction, the dependent variable. Accordingly, a unit increase in assurance leads to .528 increases in customer satisfaction, other things remain constant. Therefore, the researcher may reject the null hypothesis and assurance has a positive and Significant effect on customer satisfaction

Hypothesis 5

Ho5: Empathy will not have a positive and significant effect on customer satisfaction.

Ha5: Empathy will have a positive and significant effect on customer satisfaction.

From table 4.6, we can infer that there is a positive statistical relationship between the independent variable-empathy and the dependent variable-customer satisfaction. The coefficient of determination (R-square) indicates 38.4% ($R^2 = .384$) of the variation on customer satisfaction is explained by empathy.

From table 4.7, how strongly the independent variable - empathy influences the dependent variable - customer satisfaction. Accordingly, a unit increase in empathy leads to .754 increases in customer

satisfaction, other things remain constant. Therefore, the researcher may reject the null hypothesis and empathy has a positive and significant effect on customer satisfaction.

Moreover, from the findings of this study, researchers found out all of the service quality dimensions have positive effects on customer satisfaction. Out of the five service quality dimensions four dimensions (tangibility, reliability, responsiveness, assurance, and empathy) have positive and significant effects on customer satisfaction. Tangibility is the most influential service quality dimension in customer satisfaction. The second service quality dimension which has the highest effect in customer satisfaction is empathy, reliability and responsiveness have equal impact in customer satisfaction and assurance is the last service quality dimension that has relatively least effect on customer satisfaction.

4.7 Overall Regression Analysis

Table 4.8 shows that 51.1% ($R^2=.511$) of the variation on customer satisfaction is explained by the independent variable. Therefore, there is a positive and statistically significant relationship between the service quality dimensions, the independent variables, and customer satisfaction, the dependent variable.

Table 4.8. Model summary for service quality dimensions

Model	R	R-square	Adjusted R-square	Std. Error of the Estimate
1	.715	.511	.504	.55232

Predictor: constant, tangibility, reliability, responsiveness, assurance and empathy.

Source: Own survey, 2018

Table 4.9 ANOVA for service quality dimensions and customer satisfaction

Model		Sum of square	Df	Mean square	F	Sig
	Regression	114.890	5	22.978	75.324	.000
	Residual	110.124	361	.305		
	Total	225.014	366			

Dependent variable: customer satisfaction Source: Own survey, 2018

Predictor: constant, tangibility, reliability, responsiveness, assurance and empathy.

From the above ANOVA table 4.9, it has been determined that service quality dimensions have significant impact on customer satisfaction as $F = 75.324$ and Sig. is $.000$. Hence, the result depicted that the alternative hypothesis “service quality dimensions have significant impact on customer satisfaction in private banks in Jimma Town”

4.9 Discussion of Results

This section discusses the findings of the statistical analysis in relation to the previous research and literature.

4.9.1. Descriptive statistics (mean, and standard deviation) and correlation analysis for the service quality dimensions and customer satisfaction.

The finding of this study indicates that customers were most satisfied with the tangibility dimensions of service quality. However, customers were less satisfied with reliability and empathy dimensions of service quality. The correlation result show that there is positive and significant relationship between tangibility and customer satisfaction, reliability and customer satisfaction, responsiveness and customer satisfaction and assurance and customer satisfaction and empathy and customer satisfaction. The finding further indicates that the highest relationship is found between tangibility and customer satisfaction.

4.9.2. Regressing customer satisfaction on the service quality dimensions

The result of this study indicates that tangibility has a positive and significant effect on customer satisfaction. This finding is supported by Munusamy et al., (2010), found that tangibility has a positive and significant effect on customer satisfaction. This finding is also supported by Al-Hawary et al., (2011) reported that tangibility has a positive and significant effect on customer satisfaction. On the contrary, Malik et al.,(2011) and Saghier and Nathan (2013) reported that tangibility has no contribution to customer satisfaction.

The finding of this study also indicates that reliability has a positive and significant effect on customer satisfaction. This finding is supported by Al-Hawary et al., (2011) and Al-Azzam (2015) reported that reliability has a positive and significant effect on customer satisfaction. This result also supported by Malik et al., (2011), found that reliability has a significant and positive effect on customer satisfaction. On the other hand, Munusamy et al., (2010) reported that reliability has a negative and insignificant effect on customer satisfaction.

However, the finding of this study indicates that responsiveness has a positive and significant effect on customer satisfaction. This result is supported with the study by Mohammad and Alhamadani (2011), found that responsiveness has a positive and significant effect on customer satisfaction. This finding is also supported with the study by Al-Hawary et al., (2011) reported that responsiveness has a positive and significant effect on customer satisfaction.

Moreover, the result of this study also indicates that assurance has a positive and significant effect on customer satisfaction. This finding is supported by Malik et al.,(2011),reported that assurance has a positive and significant effect on customer satisfaction. This result is also supported by Al-Hawary et al., (2011), Girma (2015) and Meron (2015) found that assurance has a positive and significant effect on customer satisfaction.

The finding of this study further indicates that empathy has a positive and significant effect on customer satisfaction. This finding is supported by Mohammad and Alhamadani (2011), reported that empathy has a positive and significant effect on customer satisfaction. On the contrary Munusamy et al., (2010) found that empathy has a negative effect on customer satisfaction.

Moreover, from the findings of this study, researcher found all of the service quality dimensions have positive effects on customer satisfaction. The five service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) have positive and significant effects on customer satisfaction. The results of this study further indicate that tangibility is the most important factor to have appositve and significant effect on customer satisfaction.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Summary

The study was intended to investigate the effect of customer service quality on customer satisfaction in selected private banks in Jimma town based on the questionnaire consisting of 365 randomly selected customers of six banks. The results of the descriptive statistical analysis also indicated that, customers were most satisfied with the Tangibility dimensions of service quality followed by responsiveness and assurance. However, customers were less satisfied with reliability 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 tangibility and customer satisfaction, while the lowest relationship was found between assurance and customer satisfaction. Furthermore, the multiple regression results showed that the five service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) have positive and significant effect on customer satisfaction. Overall Regression Analysis 51.1% ($R^2=.511$) of the variation on customer satisfaction is explained by the independent variable.

5.2. Conclusion

The finding of the study indicates that customers of Dashen Bank and Awash international bank were satisfied by the five service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy). However, customers of Abyssinia, wegagen, United and Nib international bank were satisfied by only three service quality dimensions (tangibility, responsiveness and Assurance). The finding of the study also indicates that, customers were most satisfied with the Tangibility dimensions of service quality. However, customers were less satisfied with reliability and empathy dimensions of service quality. The correlation result shows that, the five service quality dimensions (tangibility, assurance, responsiveness, empathy and reliability) are positively and significantly related with customer satisfaction. In terms of the stated research hypotheses 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 tangibility is the most important factor to have a positive and significant effect on customer satisfaction. The study revealed that the variation on customer satisfaction is explained by the independent variables. Therefore, the Banks should give due attention on the components of these service quality dimensions especially on those which showed less result and exert maximum effort to improve them.

5.3. Recommendations

Banking sector shows remarkable progress accompanied with stiff competition in the last two decades in the country. These days, most of the banks are adopting technological advancements that enable them to provide similar service to their customers. As such, there is no major difference among banks in the country with regard to their products and services. The major factor that differentiates one bank from the other is the quality of the service that the bank provides to its customers. Therefore, Banks has to work hard to provide efficient and effective service to satisfy its customers and get remarkable market share in the industry. For this, the researcher recommended the following points.

Empathy dimension was considered as one of the most important factors influencing customer satisfaction. However, the customers of private banks in Jimma Town were found less satisfied in terms of the empathy dimensions. One way of addressing this could be by treating customer with great respect, giving individual attention to customers, serving customers based on their specific needs and treating customers in a friendly manner. This is to say, the bank management should focus on this factor to maximize customer satisfaction.

Furthermore, reliability dimension was considered as one of the most important factors influencing customer satisfaction. However, the customers of private banks in Jimma town were found less satisfied in this regard. One way of handling this problem is by delivering its services at promised times, showing sincerely interest in solving the problem of the customer and handling customer's complaints effectively.

The finding of the study also indicates that customers of Dashen bank and Awash bank were satisfied by the five service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy). However, customers of Abyssinia, wegagen, United and Nib international bank were satisfied by only three service quality dimensions(tangibility, responsiveness and Assurance). Therefore, Abyssinia, wegagen, United and Nib international bank must adopt the service quality strategies of Dashen and Awash international bank.

The study revealed that the variation on customer satisfaction is explained by the independent variables which are tangibility, reliability, responsiveness, assurance and empathy. Therefore, the Banks should give due attention on the components of these service quality dimensions especially on those which showed less result and exert maximum effort to improve them. Moreover, assessing the service quality of the Bank on continuous basis will help to persistently improve the quality of the service and maintain the level of customer satisfaction one step ahead.

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APPENDIX
JIMMA UNIVERSITY



BUSINESS AND ECONOMICS COLLEGE
POSTGRADUATE STUDIES IN MBA

Annexure

Questionnaire

Dear Respondents,

My name is Daniel Ersumo. I am a graduate student at Jimma University Business and Economics College in the field of MBA. I am conducting a research on **“The Effect of Service Quality on Customer Satisfaction in private banks at Jimma.**

I kindly request you to spend some minutes of your time in filling the questionnaire. I would like to assure you that any information which you provide will be kept confidential. Your genuine response is highly appreciated for the outcome of the project.

Please do not hesitate to contact me through my cell phone number 0910-369806 for any clarification, if required. [Thank you for your kind cooperation in filling the questionnaire.

[Part-1: General information

Direction: Please put a check mark (√) on the appropriate box.

1. **Gender:** Female Male
2. **Age (years):** 18-30 31-40 41-50 Above 50
3. **Educational Level:** High school Diploma Degree Masters
Above Masters
4. **Length of Relationship with the Bank:** Less than 1 year 1 – 5 years
5 – 10 years 10 - 15 years above 15 years

Part II: Survey on Service Quality Items

Direction: This part of the questionnaire intends to find your perception towards the service quality of the Bank. Please circle the number which reflects your perception.

1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree.

S. NO	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
I	Tangibility					
1	The Bank has modern looking equipment.	1	2	3	4	5
2	The physical facilities at the Bank are visually appealing.	1	2	3	4	5
3	Employees of the Bank are neat in their appearance.	1	2	3	4	5
4	Materials associated with the service (pamphlets or statements) are visually appealing at the Bank.	1	2	3	4	5
II	Reliability					
5	When the Bank promises to do something by a certain time, it does so.	1	2	3	4	5
6	When a customer has a problem, the Bank shows a sincere interest in solving it.	1	2	3	4	5

7	The Bank performs the service right the first time.	1	2	3	4	5
8	The Bank provides the service at the time it promises to do so.	1	2	3	4	5
9	The Bank insists on error free records.	1	2	3	4	5
III	Responsiveness					
10	Employees of the Bank tell customers exactly when services will be performed.	1	2	3	4	5
11	Employees of the Bank give prompt service to customers.	1	2	3	4	5
12	Employees of the Bank are always willing to help customers.	1	2	3	4	5
13	Employees of the Bank are never busy to respond to customers' requests.	1	2	3	4	5
III	Assurance					
14	The behaviors of employees in the Bank instil confidence in customers.	1	2	3	4	5
15	Customers of the Bank feel safe in transactions.	1	2	3	4	5
16	Employees of the Bank are consistently courteous	1	2	3	4	5

	with customers.					
17	Employees of the Bank have the knowledge to answer customers' questions.	1	2	3	4	5
IV	Empathy					
18	The Bank gives customers individual attention.	1	2	3	4	5
19	The Bank has operating hours convenient to all of its customers.	1	2	3	4	5
20	The Bank has employees who give customers personal attention.	1	2	3	4	5
21	The Bank assists customers' best interest at heart.	1	2	3	4	5
22	The employees of the Bank understand the specific needs of their customers.	1	2	3	4	5

Part III: Level of Customer Satisfaction

Direction: The following statement describes your feeling about the Bank. Please respond by circling only the number that reflects your own perception best.

23. My feeling about the Bank service delivery can be best described as over all:

1 = Highly Dissatisfied 4 = Satisfied

2 = Dissatisfied 5 = Highly Satisfied

3 = Neutral

Thank you so much for taking your time to fill this Questionnaire!!!.



JIMMA UNIVERSITY
BUSINESS AND ECONOMICS COLLEGE
Postgraduate studies in MBA

ጅማ ዩኒቨርሲቲ ቢዝነስ እና ኢኮኖሚክስ ኮሌጅ

ድህረ ምረቃ ጥናት በቢዝነስ አስተዳደር

መጠይቅ

ስሜዳን ኤልኤርሱም ይባላል። በጅማ ዩኒቨርሲቲ የሁለተኛ ድግሪ (MBA)

ፕሮግራም ተማሪ ስሆን የመመረቂያ ጥናቱን የማደርገው “የጅማ ከተማ ባንኮች የደንበኞች አገልግልት ጥራት እና የአገልግሎት ጥራቱ በደንበኞች እርካታ ላይ ያለው ተጽእኖ” በሚል ርዕስ ላይ የሚያተኩር ነው።

እርስዎም ይህን መጠይቅ በመሙላት አስፈላጊውን ትብብር እንዲያደርጉሎኝ እየጠየቅሁ በዚህ ጥናት በመሳተፍዎ ማንኛውም የግል መረጃዎ ከተፈለገው የትምህርት አላማ ውጪ ለሌላ ሦስተኛ ወገን ተላልፎ እንደማይሠጥ እያረጋገጥኩ በዚህ ጥናት በመሳተፍ የሚሠጡት መረጃ እጅግ በጣም አስፈላጊ በመሆኑ ትክክለኛውን መረጃ በመስጠት እንዲተባበሩኝ በድጋሚ ከልብ በመነጨ አክብሮት እጠይቃለሁ።

በመጨረሻም ጥያቄዎቹን ለመመለስ ተጨማሪ ማብራሪያ ቢያስፈልግዎ ወይም ጥያቄ ቢኖርዎ በስልክቁጥር 0910-369806 ሉያገኙኝ የሚችሉ መሆኑን በአክብሮት እጠይቃለሁ።

ከምስጋና ጋር!

1ኛ) የግል መረጃ

ከታችለቀረቡት መጠይቆች ከእርሥዎ ጋር ተዛማጅነት ባላቸው መረጃዎች ትይዩ ባሉት ሳጥኖቻችሁ ስጥ “□” ምልክት በማድረግ ምላሽ ይስጡ።

- ሀ) ጾታ: ሴት ወንድ
- ለ) ዕድሜ: ከ18 እስከ 30 ዓመት ከ31 እስከ 40 ዓመት
 ከ41 እስከ 50 ዓመት ከ50 ዓመት በላይ
- ሐ) የትምህርት ደረጃ: ሁለተኛ ደረጃ ወይም ከዚያ በታች ዲፕሎማ
 የመጀመሪያ ድግሪ ሁለተኛ ድግሪ ከሁለተኛ ድግሪ በላይ
- መ) ከባንኩ ጋር በደንበኝነት የቆዩበት ጊዜ: ከ1 ዓመት በታች ከ1 ዓመት እስከ 5 ዓመት

ከ 5 ዓመት እስከ 10 ዓመት □ ከ 10 አመት እስከ 15 ዓመት □ ከ 15 ዓመት በላይ

2ኛ) የባንክ አገልግሎት ንግድ ተረድቶ ስራ ስር ወይስ ስራ ስር ስላል

ይህ መጠይቅ የዚህ ጥናት ሁለተኛ ክፍል ሲሆን ከባንክ ባንኮች ጋር አገልግሎቶች ላይ ያተኮራል። ስለዚህ አባዛዎን ከዚህ በቀረቡት መጠይቆች መሠረት በባንኩ የተሰጠዎት አገልግሎት ጥራት ምን ያህል እንደሆነ በፍሬ ሃሳብ ተይዞ ለትብብር ጥራት ወይስ ስራ ስር ስላል ስለጥሩት ይገልጹ።

1 = በፍጹም አልሰማም፣ **2** = አልሰማም፣ **3** = አልሰማም ወይም እስማማለሁ ማለት አቸገራለሁ፣

4 = እስማማለሁ፣ **5** = በጣም እስማማለሁ።

ተ. ቁ.	ፍሬ ሀሳብ	በፍጹም አልሰማም	አልሰማም	አልሰማም ወይም እስማማለሁ	እስማማለሁ	በጣም እስማማለሁ
I	የሚታዩ ነገሮች (Tangibility)					
1	ባንኩ ዘመናዊ የሆኑ የቢሮ መገልገያዎች አሉት።	1	2	3	4	5
2	ባንኩ ለዓይን ማራኪ የሆኑ የቢሮ ህንጻዎች እና አገልግሎት መስጫ መሣሪያዎች አሉት።	1	2	3	4	5
3	ባንኩ ወስጥ የሚሠሩ ሠራተኞች ሲታዩ ጽህፈት ይጻፉት።	1	2	3	4	5
4	ባንኩ አገልግሎቱን ለማስተዋወቅ የሚጠቀም ባንኩ በራሪ ወረቀቶች እና መግለጫዎች የሚወደዱ @ ሳቢ እና አስደሳጊ ነገሮች።	1	2	3	4	5
II	ተዳማኒነት (Reliability)					
5	ባንኩ ለደንበኛው የገባውን ቃል ባለው ሰዓት ይፈጽማል።	1	2	3	4	5
6	ባንኩ ደንበኛውን ግርሲ ገጥመው በእውነት እና ክልብ በመኖሩ ለገንዘብ ጥራት ይጥራል።	1	2	3	4	5

7	ባንኩ የሚሰጠው አገልግሎቶች ከመጀመሪያው ትክክለኛ ናምንምስህተት የሌለባቸው ናቸው።	1	2	3	4	5
8	ባንክ አገልግሎቶቹን በገባው ቃል እና ሰዓት መሠረት ለተገልጋዮቹ ይሰጣል።	1	2	3	4	5
9	ባንኩ ሁሉም ከስህተት የጸዳ የባንክ አገልግሎት ለመስጠት ይተጋል።	1	2	3	4	5
III	ምላሽ መስጠት (Responsiveness)					
10	የባንኩ ሠራተኞች ሁል ጊዜ ለደንበኞቻቸው የባንኩን አገልግሎት በምን ጊዜ እና ሰዓት እንደሚሰጡት ክልል ይገልጻሉ።	1	2	3	4	5
11	የባንኩ ሠራተኞች ሁል ጊዜ ለደንበኞቻቸው ፈጣን አገልግሎት ይሰጣሉ።	1	2	3	4	5
12	የባንኩ ሠራተኞች ሁል ጊዜ ለደንበኞቻቸው ንገረ ሰዓት ይገልጻሉ።	1	2	3	4	5
13	የባንኩ ሠራተኞች ለደንበኞቻቸው ጥያቄ ምላሽ ለመስጠት በሌላ ሥራ መጠመድን ምክንያት አያደርጉም።	1	2	3	4	5
Iv	አስተማማኝነት (Assurance)					
14	የባንኩ ሠራተኞች ባህሪን በደንበኞቻቸው ላይ እምነት እንዲኖራቸው ያደርጋል።	1	2	3	4	5
15	የባንኩ ሠራተኞች ሁል ጊዜ ለደንበኞቻቸው ትህትና ይሰጣሉ።	1	2	3	4	5
16		1	2	3	4	5

	የባንኩደንበኞችከባንኩጋርበሚፈጽሙትግብይይትሁሉደህንነትይሠማቸዋል።					
17	የባንኩሠራተኞችሁልጊዜምየደንበኞቻቸውንጥያቄየሚመልስበቂእወቀትአላቸው።	1	2	3	4	5
v	የሠውንችግርእንደራስማየት(Empathy)					
18	ባንኩለእያንዳንዱደንበኛበግልተገቢዉንትኩረትይሠጣል።	1	2	3	4	5
19	የባንኩየአገልግሎትሠዓትለደንበኞቹተስማሚእናአመቺነዉ፡ :	1	2	3	4	5
20	ባንኩሁሌምለእያንዳንዱደንበኛእንደሚመችአድርገዉአገልግሎትየሚሠጡሠራተኞችአለት።	1	2	3	4	5
21	ባንኩየደንበኞቹንዋነኛፍላጎትለማ□ላትከልብይሠራል።	1	2	3	4	5
22	የባንኩሠራተኞችሁሌምየደንበኞቻቸውንልዩፍላጎትይረዳሉ።	1	2	3	4	5

3ኛ) አጠቃላይየደንበኞችንእርካታበተመለከተ

23. አጠቃላይከባንኩያገኙትንአገልግሎትከግምትዉስጥበማስገባትከዚህበታችከቀረቡትምርጫዎችዉስጥአንዱንበቻበመከበብበአገልግሎቱምንያህልእንደረኩያሳዉቁ።

- 1 = በባንኩአገልግሎትበጣምአልረካሁም፤
- 2 = በባንኩአገልግሎትአልረካሁም፤
- 3 = በባንኩአገልግሎትአልረካሁምወይምእረክቻለሁለማለትእቸገራለሁ፤
- 4 = በባንኩአገልግሎትእረክቻለሁ፤
- 5 = በባንኩአገልግሎትበጣምእረክቻለሁ

ጊዜዎትንመስዋዕትአድርገዉመጠይቁንስለሞሉልኝከሌብአመሰግናለሁ!!!!

SPSS Data out put
Mean and standard deviation of Dashen bank

		Statistics					
		Tangibility	Reliability	Responsiveness	Assurance	Empathy	customer satisfaction
N	Valid	103	101	103	103	103	103
	Missing	1	3	1	1	1	1
Mean		4.43	4.52	4.21	4.15	4.07	4.26
Std. Deviation		.497	.502	.457	.406	.582	.442

Mean and standard deviation of Awash bank

		Statistics					
		Tangibility	Reliability	Responsiveness	Assurance	Empathy	customer satisfaction
N	Valid	108	107	107	107	107	108
	Missing	0	1	1	1	1	0
Mean		4.41	4.48	4.22	4.14	4.07	4.26
Std. Deviation		.494	.502	.462	.398	.571	.518

Mean and standard deviation of Abyssinia bank

		Statistics					
		Tangibility	Reliability	Responsiveness	Assurance	Empathy	customer satisfaction
N	Valid	47	47	47	47	46	47
	Missing	0	0	0	0	1	0
Mean		4.53	3.98	4.21	4.11	3.91	4.17
Std. Deviation		.504	.675	.463	.312	.694	.433

Mean and standard deviation of Wegagen bank

		Statistics					
		Tangibility	Reliability	Responsiveness	Assurance	Empathy	customer satisfaction
N	Valid	33	33	32	33	33	33
	Missing	0	0	1	0	0	0
Mean		4.39	3.97	4.28	4.03	3.88	3.94
Std. Deviation		.609	.585	.457	.467	.650	.429

Mean and standard deviation of united bank

Statistics

		Tangibility	Reliability	Responsiveness	Assurance	Empathy	customer satisfaction
N	Valid	42	41	42	42	42	42
	Missing	0	1	0	0	0	0
Mean		4.55	3.98	4.24	4.12	3.88	4.12
Std. Deviation		.504	.524	.484	.328	.739	.395

Mean and standard deviation of Nib bank

Statistics

		Tangibility	Reliability	Responsiveness	Assurance	Empathy	customer satisfaction
N	Valid	30	30	30	30	30	30
	Missing	0	0	0	0	0	0
Mean		4.47	3.93	4.30	4.10	3.80	4.00
Std. Deviation		.507	.521	.466	.305	.847	.263

Normal P-P Plot of Regression Standardized Residual

