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DEPARTMENT OF MANAGEMENT
COLLEGE OF BUSINESS AND ECONOMICS
EMBA PROGRAM

THE EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION
OF WEGAGEN BANK S.C

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DECEMBER, 2018

ADDIS ABABA

**THE EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION
OF WEGAGEN BANK S.C**

BY

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**A THESIS SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION
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Department of Management

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This is to certify that the research project prepared by Amanuel Berhane, entitled: The Effect of Customer Satisfaction on the Performance of Wegagen Bank S.C submitted in partial fulfillment of the requirements for the Degree of Executive Masters of Business Administration complies with the regulation of the university and meets the accepted standards with respect to the originality and quality.

Signed by the Examining Committee

Advisor _____ **Signature** _____ **Date** _____

Examiner _____ **Signature** _____ **Date** _____

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Statement of Declaration

I, Amanuel Berhane , have carried out independently a research work entitled “The Effect of Customer Satisfaction on the Performance of Wegagen Bank S.C” project in partial fulfillment of Requirements for the Executive Masters of Business Administration with the guidance and support of the research advisor. I declare that this is my original work and has not submitted to any other college or university for academic credit.

Signed _____ Date _____

Amanuel Berhane

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Abstract

Customers evaluate a product or service in terms of whether that product or service has met their needs and expectations. Customer satisfaction is derived largely from the quality and reliability of products and services. Commercial banks encounter similar problems in meeting customer's expectation of services and customer satisfaction. The general purpose of this paper was to assess the effect of service quality on customer satisfaction in Wegagen Bank S.C. The sample was 136 customers from five branches of Wegagen Bank Share Company operating in Addis Ababa city. Convenience sampling was used to select a sample. Data was collected using questionnaires and analyzed and presented using descriptive as well as inferential statistical tools including the use of frequency, tables and Pearson Correlation Coefficient and linear regressions with the help of Statistical Package for Social Sciences (SPSS) version 20. Research findings revealed that most of the customers who use Wegagen bank services are satisfied or find these services 'average'. The responsiveness and assurance dimensions of service quality found to be the significant contributors customer satisfaction. The determinant factors; responsiveness for customer's need and assurance of the bank have been found to have a statistically positive effect on customer satisfaction hence there is need for Wegagen bank to improve on these determinant factors.

Key words: Customer, Satisfaction, service quality

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The premise of “service quality” as a tool for gaining competitive advantage and lead in a market-driven system has been well recognized by the financial institutions. However in current highly competitive corporate environment it has become increasingly important to not only become the market leader but also to maintain that top position (Zeithaml et al., 1996).

Researchers all over the globe claim that offering quality services give a sustainable competitive advantage to any business. It enables them to fulfill not only the present needs of their customers satisfactorily but also to anticipate their future needs. This ability to anticipate the future needs of customers allows them to delight their customers through quality services on consistent basis. Subsequently it enhances customer satisfaction and customer loyalty level towards these organizations (Wisniewski, 2001; Naik et al., 1988; Zeithaml, 1988).

Banks must consider various antecedents (tangibles, reliability, responsiveness, assurance and empathy) of service quality in order to have delighted customers (B. Sharp, & A. Sharp, 1997) and to enhance their performance and profitability (Hackl et al., 2000; Andereson et al., 1994; Lewis, 1993).

Customer satisfaction is considered important in defining organizational performance. Enhancing customer satisfaction is critical because it is a key to business success of any banking institutions. In the competitive economy, customer’s satisfaction has come under a limelight due to stiff competition where organizations are trying to take competitive advantage through the human factor and customers (Singh et, al., 2011). Business environment in developed and developing countries has changed due to globalization and free trade and global competition is increasing with exploding. Because such reasons, to stay in competitive environment and deliver acceptable financial returns, managers must know how to handle changes which are unexpected by cementing on customer satisfaction (Naseemetb al, 2011).

There is strong relationship between customer satisfaction and profitability of the organization (Hill, et al.; 2007). Customer satisfaction is considered as the measure of success of many organizations. So it became the key operational goals for several companies. They added that “customer satisfaction is a measure of how organization’s total product performs in relation to set of customers’ requirements. According to Cochran (2003), profits and revenue are nothing more than the results of fulfilling customers’ expectation and needs. Customer satisfaction may impact the upcoming reaction of customers such as readiness to repurchase, willingness to refer and willing to pay more price without searching cheaper suppliers.

In commercial banks, customer satisfaction is regarded as primary criterion used to assess the relationship of banks with the market (Munari et.al. 2013). In addition, customer satisfaction is important driver in banks because higher customer satisfaction means lower intention for customers to switch to banks (Hoq and Amin, 2010). The achievement of high degree of banking customer satisfaction represents an important field of banking management. Customer satisfaction is a complex of various aspects which operate in a coherent manner and form attitudes of customers to the bank. Therefore, this study was focused on the impact of service quality on the customer satisfaction thereby organizational performance.

1.2. Statement of the Problem

Service quality and customer satisfaction are very crucial concepts and thus they have been highly considered and discussed in the marketing environment. Various marketing researchers have pointed out the fact that, satisfied customers and service quality are important factors for organizational competitive benefit (Ruyter, 1997).

In the literature, the relationship between service quality and customer satisfaction is a debatable issue. The idea that the concepts of service quality and customer satisfaction are extremely related is very common in researchers. Although service quality and satisfaction are close in meaning, they are nonetheless distinct. Service quality was explained as overall evaluation of a product or service, while customer satisfaction was considered as specific evaluation (Tan et al., 2014).

In order to cope with the competition and survive in the market furthermore to increase bank’s performance, customers should be a center of all services and products. Zairi (2000) agreed on

this principle by his saying that customers become a center for all banking activities due to increased competition for greater market share. Focusing on customers' satisfaction has been the key to increasing service quality according to customers' expectation the banking sector" (Zairi, 2000). Hanson (2000) suggested that the level of service quality is an indication of the organization's ability to meet customers' desire and demands. So organizations must better their services to meet customers' need and requirement.

Customer service strategy plays an important role in organization's ability to satisfy customers thereby generate income and revenue. On the other hand customer dissatisfaction leads the organization fail in order to reach its objectives. To avoid this dissatisfaction of customers' business organization should consider effective customer service strategy. So there is a strong tendency for a researcher to measure the relationship between customer satisfaction and different measurement of performance.

Banking institutions across the globe have recognized the importance of customers' satisfaction and developing and maintaining enduring relationship with their customers as two crucial parameters leading to increased business profits. At the same time, several banking institutions are experiencing increasing level of retail customers' dissatisfaction (Mistry, 2013). However, whether any of these really holds true and the extent to which service delivery strategies contribute for the obtained customer satisfaction/dissatisfaction is not known. Moreover, there may be other causes which are out of the above list of possible causes but none has been established.

Banks are competing intensely in a highly competitive environment to offer quality oriented services according to customers' expectations. In developing countries customer satisfaction has become important to business success of banking institutions. Suggested reasons for the apparent trend include flexible employment, higher mobilized and completion in banking industry (Panda, 2003).

Thus, understanding customers' satisfaction in banking industry is important not only from economic perspective but also from image building in the industry. Ethiopia banking sector has gone to significant changes after the liberalization of banking sector domestically.

Although much empirical evidence could be found in the literature worldwide investigating the relationship between service quality and customer satisfaction, this domain has not been much considered in Ethiopia's context. A lot of research on service quality and its association with customer satisfaction have been conducted in developed countries. Therefore this study contributes to the literature by studying this phenomenon in the banking sector of a developing country i.e. Ethiopia. Therefore, the purpose of this research is to examine the impact of service quality on customer satisfaction in Wegagaen Bank S.C.

1.3. Research Questions

The basic research questions of the study are the following:

1. What is the current level of quality of different services provided by Wegagen Bank S.C?
2. To evaluate the effect of service delivery on customer satisfaction of Wegagen Bank S.C?
3. Which service quality dimensions may enhance customer satisfaction in a better way?

1.4. Objectives of the Study

1.4.1. General Objective

The aim of this research study is to determine the effect of service delivery on satisfaction banking customers in Wegagen Bank S.C.

1.4.2. Specific Objectives

The specific objectives of this study are listed as follows:

- To determine the level of quality of different services provided by Wegagen Bank S.C
- To evaluate the effect of service delivery on customer satisfaction of Wegagen Bank S.C
- To find out which service quality dimensions may enhance customer satisfaction in a better way.

1.5. Significance of the Study

The purpose of this study is to extend both theoretical and practical understanding of customer satisfaction and performance of the organization as well as their relationship. To get benefit from

the theoretical side of the study offers new way of understanding customer satisfaction and organizational performance with regard to the bank and the current situation in which banks are competing in Ethiopia. The sampled banks will learn about the level of their customer's satisfaction towards their services.

Regarding the practical significance of the study, the study was of value addition to the bank in designing its products and provision of its products that they be customer oriented. This study also helped the bank to increase its competitiveness while maintaining its customers by increasing customer relationship. The study was also relevant to other financial organization in improving their specific other areas of performance. This will also give insights so as to take measurement actions that can increase their services. Researchers and strategists will learn about the relationship between service quality, customer satisfaction and organizational performance and the result will give them further insights about the area. Future researchers and scholars may also use the study findings as a source of reference for further research in the same area.

1.6. Scope and Limitations

The main scope of this thesis is to analyze the effect of customer satisfaction on the organizational performance on Wegagen Bank S.C. Its theoretically scope is the level of customer satisfaction, quality of service delivery and the effect of customer satisfaction on bank's performance. The study does not focus other factors of customer satisfaction and performance. Since working staffs play an important role to create quality services the research focused on the customers and employees of the banks.

Regarding its geographical scope, the research focused on five selected branches of Wegagen Bank S.C. These branches are found in the north eastern part of Addis Ababa. There were various constraints for the study; the time constraint even though not short to present but there were various difficulties to handle it together with the office work.

1.7. Organization of the Research

This research is organized in five chapters. The first chapter tells about the introduction part of the paper. The second chapter gives review various related literatures. Chapter three gives details of the research methodology involved in the research. Chapter four is about the data analysis and

interpretations that leads to discussion of results. The final chapter would give a summary, a conclusion and recommendation regarding the findings.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

2.1. Theoretical Literature Review

2.1.1. Service Quality

Quality means “innate excellence” according to the common view and is viewed as “a precise and measurable variable” in a product-based approach. In this approach differences in quality mean differences in the quantity of some ingredient or attribute. So higher quality can only be obtained at higher cost. But on the other hand, quality is compared with the satisfaction in a user-based approach and in this approach the highest quality means the best satisfaction of consumers’ preferences. In a manufacturing-based approach, quality is defined as “making it right the first time”. This approach is supply based and concerned with engineering and manufacturing issues. Quality is defined in terms of cost and price in a value based approach (Yarimoglu, 2014).

Services are a continuous process of on-going interactions between customers and service providers comprising a number of intangible activities provided as premium solutions to the problems of customers and including the physical and financial resources and any other useful elements of the system involved in providing these services (Grönroos, 2004).

Premium service quality is a key to gain a competitive advantage in services industry. The satisfaction level of customers is dependent on their perception of service quality and the trust in service provider (Ismail et al., 2006; Aydin & Özer, 2005; and Parasuraman et al., 1988). By providing better quality services to customers, a firm revives the perception of customers about quality of services.

Particularly in banking industry, premium service quality plays a pivotal role for customers in evaluating the performance of a service provider and is the key to gain customer satisfaction and customer loyalty. A bank can gain competitive advantage and build long term relationship with its customers by providing premium quality services.

The idea of service quality consists of comparisons customers make between their expectations and the perception of the service offered. The importance of the quality of the product and/or service lies in the fact that customers who perceive unsatisfied quality tend to change their buying habits (Wu et. al., 2014).

Service quality has been becoming the most powerful weapon of competition. Quality is a multidimensional fact. Therefore, obtaining the service quality without differentiating the important parts of quality is impossible. According to a common definition, service quality is defined as the total attributes of a service which gives it the ability to satisfy customers' demands (Kotler and Keller, 2006).

The fact that the nature of services is intangible and goods are tangible is one of the major differences between services and goods. Services have four characteristics which distinguish them from products: Intangibility, that is a service cannot be touched or tasted; inseparability, that is a service cannot be separated from its provider; variability, that is the quality of a service is dependent on how and when it is serviced; perishability, that is services are not storable for later use (Amstrong and Kotler, 2006). Measurement of service quality can be more complicated because services are intangible. Service quality measurement means how much the service offered meets the customers' expectations.

Customer expectations, on the other hand, are formed depending on various factors such as the amount of time to order and receive the service, the convenience of the usage of the service, pricing of the service, and the after-sales assurances (Dunne and Lusch, 1999).

In their first researches, Zeithaml et al. (1996) have referred to ten dimensions of service quality. However, they found a strong correlation between these dimensions in their following researches. Therefore, they grouped these dimensions and named them as Reliability, Responsiveness, Assurance, Empathy and Tangibles to make a tool for testing the service quality, also known as SERVQUAL. In their researches, they emphasize that SERVQUAL is a lasting and reliable scale of service quality (Parasuraman et al., 1994). According to them, this tool is applicable in a wide spectrum of service fields such as libraries, hotels, hospitals, universities, etc. and some of SERVQUAL statements could be rephrased, or more statements

could be added to it. Many researchers have applied SERVQUAL to their studies in different service fields.

A brief explanation of these dimensions is given below:

I. Tangibles

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

II. Reliability

Reliability means the ability of a service provider to provide the committed services truthfully and consistently (Blery et al., 2009). Customers want trustable services on which they can rely.

III. Assurance

Assurance is developed by the level of knowledge and courtesy displayed by the employees in rendering the services and their ability to instill trust and confidence in customer (Blery et al., 2009).

IV. Empathy

Empathy means taking care of the customers by giving attention at individual level to them (Blery et al., 2009). It involves giving ears to their problems and effectively addressing their concerns and demands.

V. Responsiveness

Responsiveness means willingness to help customers and provide prompt service. Providing service in a timely manner is highly appreciated by customers. Good service providers understand this aspect (Iqbal et al., 2010). Furthermore, firms that value efficiency pay attention to the services that they offer so that they can have an advantage and use this to keep off

competitors (Karim & Chowdhury, 2014). Bank customers look for banks that willingly help them in their banking operations.

2.1.2. Customer Satisfaction

Wilson (2002) argues that customer satisfaction is ambiguous and complex in nature, and it often consists of various components that are measured with different methods under different conditions. Based on intensive research through time, two types of customer satisfaction definitions have emerged. The first type defines customer satisfaction as an outcome of a buying experience (Westbrook and Reilly, 1983). The second type of definition defines customer satisfaction as a benchmark between the real purchase and the purchase expectations of the customer (Hunt, 1977).

Edvardsson (1996) argues that customer satisfaction is an individual category since the customer tacitly understands it in his own unique way. This means that customer satisfaction can be understood as a web of psychological, social and physical variables, which correlate with the notion of a satisfied customer. Parasuraman, Zeithaml and Berry, (1988) and O'Neill in Palmer (2004) also see customer satisfaction as a cognitive construct and as a psychological state. Anderson, Fornell, and Lehman (1994) argue that customer satisfaction is primarily an emotional state and the outcome of the long term relationship between customers and service providers. Ning-jun Zhang et al (2007) show that the emotional dependency of employees fosters their efforts to satisfy customers.

Customer satisfaction is a highly personal assessment that is greatly influenced by individual expectations. Some definitions are based on the observation that customer satisfaction or dissatisfaction results from either the confirmation or disconfirmation of individual expectations regarding a service or product. To avoid difficulties stemming from the kaleidoscope of customer expectations and differences, some experts urge companies to “concentrate on a goal that’s more closely linked to customer equity.” Instead of asking whether customers are satisfied, they encourage companies to determine how customers hold them accountable.

On other argument is entailed as customer satisfaction is an organization’s ability to attract and retain customers and to improve customer relationship over time. It is often seen as the satisfaction with an organization’s products or services. Furthermore, it is considered to be the

key to success and long-term competitiveness. The knowledge of customer satisfaction is the source for the fulfillment of customer expectations, the informed source for gaining their retention and the source for studying organizational effectiveness in the process of service delivery. An organization can decide on the actions required to meet customer needs if it understands perceptions. Furthermore, it can identify its own strengths and weaknesses and chart out the strategy of future progress and improvement of the work practices and processes used within the organization (Milan and Martina, 2008).

Parasuraman, Zeithaml & Berry (1988) relate customer satisfaction to qualitative and quantitative elements of the service and see it as a relation between customer satisfaction, service performance, and perceived customer service performance expectations (Oliver, 1997). Zeithaml & Bitner (2000) propose a simpler definition of customer satisfaction based on the degree of customer needs and expectation satisfaction, which directly impacts the degree of customer dissatisfaction.

Customer satisfaction can be determined by either subjective factors (e.g. customer needs, emotions) or objective factors (e.g. product and service features). Applying to the banking industry, there have been numerous studies that examined attributes that clients expect regarding customer satisfaction. This study will focus on the objective factors.

Customer satisfaction is frequently used term in business literature which indicates how products and services offered by a company meet the expectation of customers. It is a measure of how a company offers its services which meet or exceed customers' expectation. Customer satisfaction is mainly related to the whole consumption experience by the customer.

The different aspects of customer satisfaction mentioned by Oliver (1997) are:

- ♣ Satisfaction with the final outcomes
- ♣ Satisfaction with events that happen during consumption and
- ♣ Satisfaction with the level of received happiness

According to Oliver (2010) Satisfaction is the consumers' 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 level of under-or over- fulfillment.

Customer satisfaction is the outcome of his or her needs and expectations which influence the interaction with service providers and other customers. The quality of this interaction impacts customer decisions to repurchase the service, his retention and the intention of the customer to recommend to other potential customers and finally to pass on useful information about the service quality and delivery. Customer satisfaction is related to different ways of interacting with the environment. A positive recommendation is a social interaction, which is positively related to customer retention, reduces transaction costs and increases long-term profitability (Jamieson, 1994, Mackey, 2005).

Word of mouth has great communication power because it is a direct transmission of customer satisfaction to other potential customers. Weinberger, Allen and Dillon (1981) and Herr et al (1991), are convinced that word of mouth is more important than information about service generated by marketing activities. The communication power of word of mouth is manifested when the service provider fails to meet the complaints of the customer or his reactions are not congruent with the customer demands. The highest importance of word of mouth is when customer reaction to the service provider is negative (Richins, 1983). The result of negative perceptions is a dissatisfied customer, who rarely decides to repurchase the service from the same provider (Newman and Werbel, 1973). The worst case is when a customer refuses to buy another service from the same provider (Fitzgibbon and White, 2007). Word of mouth is closely related to the customer intentions to repurchase the service (Gupta and Zeithaml, 2007).

2.1.3. The relationship between Service Quality and Customer Satisfaction

In banking industry, service quality is one of the most important aspects of the premium customer experience. Most organizations monitor their services quality on a regular basis to ensure maximum customer satisfaction and to improve customer retention and loyalty. Customer satisfaction is attained by properly meeting the customer demands and expectations and providing services which are up to the market standards (Gitomer, 1998). A positive consumption experience of the customer ensures that overall his feelings for the products or

services consumed are positive. However customer satisfaction does not guarantee repurchase, customer retention, or loyalty.

Several evidences found in literature establish that there is a significant correlation between service quality and customer satisfaction (Sureshchandar et al., 2002; Boulding et al., 1993; and Bitner, 1990). While Spreng and Mackoy (1996) provided evidence of the significant correlation between service quality and customer loyalty.

Service quality has been suggested as a strong predictor of customer retention and customer satisfaction by many organizational researchers. Service quality is a driver of the customer satisfaction that impacts customer loyalty (Cronin et al., 2000). Service quality is a key factor for customer satisfaction. It is an important tool for banks for augmenting their income and market share (Muyeed, 2012)

The SERVQUAL model (Parasuraman, Zeithaml & Berry, 1988) suggests that the differences between customers' expectations about the performance of a general class of service providers and their assessment of the actual performance of a specific firm in that class results in perceptions of quality. So that the first step in satisfying customers is to determine the level of customer service through service quality assessment. But is there a consensus among researchers, as they argue over whether high degree of service quality always brings about satisfaction. The work of Bitner et al (1990) proposed an alternative method and defined service quality as the customer's overall impression of the relative inferiority/superiority of a firm and its service offerings. Antreas (1997) found that service provider perceptions about customer satisfaction are a function of perceived service quality.

2.2. Empirical Literature Review

Jabnoun and Al-Tamimi (2003) found that banks with better ambience enhance customer satisfaction in a better way. Association between service quality and customer satisfaction in banking sector of Sweden is examined by Zineldin (2005). He found that by combining tangible and intangible attributes of premium quality in products and services provided by banks, they may create a strong and long-term relationship with their customers.

This service quality dimension comprises of bank ambience, service equipment, human resources (staff) and the means of communication. In simple words tangibles are about creating foremost impressions. All organizations desire that their consumers get an exceptional and positive foremost impression. Focusing on this particular dimension will help them to gain maximum benefit. (Swar & Sahoo, 2012).

Ladhari et al., (2011) concisely explain the idea of tangibles role in banking sector. Service quality is key tool to achieve customer's attention. Varying behaviors and attitudes of customers demand high service quality to attain their perception of service.

Service quality has linear relationship with success and profitability of business. General Electric (GE) has invested heavily in quality service and in return they earned huge profits every year. GE considered both tangible and intangible aspects of service quality equally important in the success of organization (Tax & Brown, 2012).

Environment and culture of different areas serve as a guide for businesses on how to adapt their policies in global perspective for a particular area. They have to make changes in the setup of their outlets and branches. Banking industry mostly follows identical office ambience setups and installs similar service equipment all over the globe to maintain a standard. But adapting according to cultural needs of particular areas up to some extent will make customers feel more comfortable and loyal (Ganguli & Roy, 2011).

The association between dimensions of service quality and customer satisfaction was investigated by Ibáñez et al. (2006). They found a significant relationship between reliability of services on the satisfaction level of customers.

The literature reveals an increased degree of positive relationship between service quality, customer satisfaction and performance (both financial and non-financial) where face-to-face dealing between customer and employee is the only focus. Technology expansion has had a great impact on the choice of service delivery standard and services marketing strategies. This has yielded many prospective competitive advantages including augmenting of productivity and enhanced revenue creation from new services (Muyeed, 2012).

In addition to tangibles, reliability and responsiveness; assurance has been identified as a significant dimension of service quality by Parasuraman et al. (1988). They propose that all of these dimensions significantly enhance customer satisfaction. It is believed that if the employees of financial institutions display trustworthy behavior, the satisfaction level of customers can be enhanced significantly. It may also positively influence repurchase intention of customers (Ndubisi, 2006; and Ndubisi & Wah, 2005).

A positive and significant relationship is found between empathy and customer satisfaction by Iglesias and Guillén (2004). It was proposed in another research study, that customers may remain unsatisfied with service quality if a gap is left in empathy. It was also established by Al-Marri et al. (2007) that customer satisfaction is significantly impacted by empathy. It makes customers contented and in the long-run serves as an important predictor in improving the financial performance of the organization.

Wieseke et al. (2012) empirically investigated the role of empathy in service quality and its impact on customer satisfaction. It was established that customers treated empathically are more often visitors and prone to forgive any mistakes that may occur. Empathy creates an emotional relationship with customer, providing customer a touch of importance for business. This leads to retention and creation of new customer's pool.

Juneja (2011) has also studied the correlation between service quality dimensions and customer satisfaction in Bangladesh banking industry. It was found that customer loyalty can be won through empathy. Empathy can play a role in improvement of service quality, customer loyalty and finally satisfaction.

Karatepe (2011) explored the service environment impact with empathy and reliability on satisfaction. Empathy works as a moderator between quality and customer satisfaction. Empathy can change the behavior of customer ultimately.

2.3. Conceptual Framework

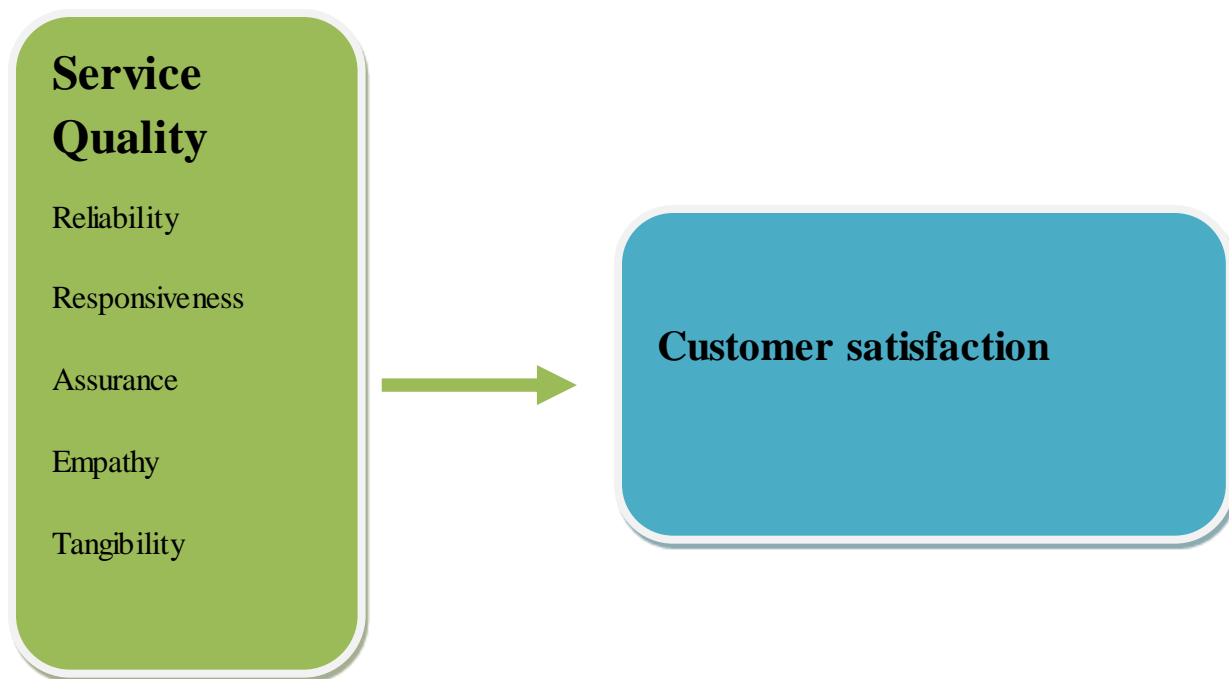
The framework for the study was adopted and modified from the empirical study by Dehghan, A. (2006) depicted in Figure 1. The figure illustrates the relationship between service quality and customer satisfaction and the characteristics or variables that determines each of them.

The framework indicates that perceived quality is considered an antecedent of customer satisfaction (Woodside et al., 1989; Reidenbach & Sandifer-Smallwood, 1990; Cronin & Taylor, 1992; Fornell, 1992; Anderson & Sullivan, 1993; Gotlieb et al., 1994; Spreng & Mackoy, 1996). It indicates that the quality of service measured by the SERVQUAL variables may lead to customer satisfaction. A vast number of specific constructs have been used in conceptual discussions and empirical examinations of customer satisfaction, yet they seem to have at least one thing in common (at a very high level of aggregation): they refer to the customer's relationship over time toward one specific object (a vendor, a brand, a service supplier, etc.) (Soderlund, 2005). In addition, Mittal and Lassar (1998) found that there was a relationship between service quality and customer satisfaction. Elnan and Andersen (1999) proved a positive relationship between service quality and customer satisfaction in the bus industry in Norway. A recent study by Ojo (2010) in the telecommunication industry showed that a positive relationship exists between service quality and customer satisfaction. The same relationship is demonstrated by Cook (2008) and Oyeniyi and Abiodun (2008). Fornell et al (1996) argued that perceived quality, which had been explained as the served market's evaluation of recent consumption experienced, would have a direct and positive impact on overall customer satisfaction. In their development of the American Customer Satisfaction Index (ACSI), they concluded that overall customer satisfaction, especially for ASCI, has three antecedents, which are: perceived service quality, perceived value and customer expectation.

In view of the literature discussed above, the following research model for the study is formulated.

The hypothesis for this study thus was: High level of service quality exerts a strong influence on customer satisfaction for Wegagen Bank S.C.

Figure 1: conceptual framework of the study



Source: Developed by the researcher

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Design

The research design that was used in this study was cross-sectional survey descriptive research design. Bryman and Bell (2011) define a descriptive research as one that is used to obtain information to portray the participants in an accurate way. It is usually concerned with describing a population with respect to specific variables. One of the main advantages of using descriptive research design is that it provides a relatively whole picture of what is occurring at a given time. It also allows the development of questions for further studies. A survey is a method of collecting data from participants who answer questions administered through interviews or questionnaires.

The study design of this study was cross-sectional design on the basis of time horizon because it presents a ‘snapshot’ of results and characteristics associated with it at a specific point of time rather than following same sample over time and frequent observations. The study is based on quantitative method rather than qualitative because statistical or numerical analysis was applied to set up relationship between the variables. The chosen methods to gather the empirical material is quantitative method in order to get the most factual and dependable information.

3.2. Source and types of Data

For this study primary data were used. Primary data were included the status of service quality and customer satisfaction that were collected from customers of the selected branches. These data were collected from customers of Wegagen Bank.

3.3. Sampling Technique and Sample Size

Convenient sampling were used to select a sample of customers because of it is hard to access customer’s list easily. Customers who came to the banks in the data collection period were considered as the study population. The coming participants were selected by the data collector based on their willingness.

From the 112 branches of Wegagen bank found in Addis Ababa, five of them were selected randomly. According to the information obtained from the bank, on average 120 customers get a banking service per day in each branch. By using Taro Yemane's sampling formula, thirty one respondents from each branch, totally 156 respondents, were selected as a respondent (Yemane, 1967).

- ▶ Total Target Population : 600
- ▶ Sample size: 156
- ▶ Taro Yamane (1967) with 8% error tolerance

$$n = N / (1 + Ne^2)$$

$$n = N / (1 + Ne^2)$$

$$n = \text{Sample Size}$$

$$n = 600 / (1 + 600(0.08)^2)$$

$$N = \text{Population Size}$$

$$n = \underline{156}$$

$$e = \text{error tolerance}$$

The data were collected in consecutive 3 days from all of the branches. Therefore, 156 respondents were determined as a sample in the study.

3.4. Data Collection Instruments

Survey method is used for this study using questionnaire as data collection instrument. The questionnaire is adapted from scales already used for previous studies in the literature. The final questionnaire consists of three sections.

The first part of the survey contains demographic characteristics such as gender, marital status, age, education, profession and occupation. The second section contains items regarding independent variables of the study, and was divided into five parts such as tangibles, reliability, assurance, responsiveness, and empathy. To assess the service quality, SERVQUAL, a scale developed by Parasuraman et al. (1988) is used. It is considered a reliable service quality measurement model. Five items for reliability, 5 items for responsiveness, 3 items for assurance,

5 items for empathy and 4 items for tangibles were taken. Generally, there are 22 statements measured on the five point Likert scale (1= Strongly agree, 2=Agree, 3=Neither agree nor disagree, 4=Disagree, 5=Strongly disagree) for measuring perceived service quality. The third part of the survey contains 4 statements measured on the five point Likert scale for measuring customer satisfaction.

Before going to analyze the data, initially a reliability of SERVQUAL scale and the underlying service quality model was checked using Cronbach's Alpha test. Overall, the service quality scale consisting of 22 items turned out to be reliable with Cronbach's Alpha coefficient of .856. The scale items of the dimensions (reliability, responsiveness, assurance, empathy and tangibles) of independent variable service quality were also found to be reliable with Cronbach's Alpha coefficients of .664, .674, .877, .892 and .918, respectively. Whereas the scale items of the dependent variable customer satisfaction also yielded reliable results with Cronbach's Alpha coefficient of .893.

Table 1: Cronbach's Alpha Coefficient for Constructs

No	Measurement scale	Number of items	Cronbach's Alpha
1	Overall service quality	21	.856
2	Reliability	5	.664
3	Responsiveness	5	.674
4	Assurance	3	.877
5	Empathy	5	.892
6	Tangibles	4	.918
7	Customer satisfaction	4	.893

3.5. Data Analysis Method

The collected primary and other related data regarding customer satisfaction and business performance of the target Bank were coded into the Statistical Package for the Social Sciences (SPSS 20). Data analysis during the field was analyzed according to their types. It was analyzed through different mathematical and statistical techniques such as correlation and regression

analysis. The level of customer satisfaction was also analyzed using frequency, percent, mean and standard deviation.

3.6. Ethical Considerations

Letter of confirmation was issued from the University research committee to the selected banks. After gaining the consent of the bank managers, the list of employees was obtained and orientation was given. Objective of the study was informed and their consent was requested orally. All of the information that was obtained from the participants kept confidential. A guaranty has given to the selected employees and customers that their names should not be revealed in the questionnaire and research report. Moreover participants have received a verbal consent and informed consent was obtained before the data gathering process. Participation in the study participated voluntarily and all participant responses kept **confidential**.

Additionally, assuring volunteers that they can quit the study at any time, without penalty, assuring participant **confidentiality** and assuring that they will not experience any harm because of the information they provided.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1. Introduction

This chapter presents data analysis, interpretation, discussion and conclusion from the analysis. The study seeks to find the effect of service quality on customer satisfaction of Wegagen Bank Share Company. Data was obtained from questionnaire from all branches of the selected commercial bank. The necessary and complete data appropriate for this study were collected from five branches of Wegagen Bank S.C.

Service quality was purely measured by reliability, responsiveness, assurance, empathy, tangibility dimensions of service quality. The data were obtained from each of the selected branches. The Statistical package for social Sciences (SPSS) version 20 was then used to find the statistical relationship between service quality and customer satisfaction at 5% significance level. The results from SPSS were as follows:

4.2. Profiles of respondents

As shown in table 1, the customer satisfaction survey was collected from five branches of Wegagen bank S.C. namely Summit (22.8%), Wuhalmat (19%), CMC (20.6%), Ayat (118.4%) and Megenagna (19%). Majority of the respondents (66.2%) are represented by male and the rest 33.8% are female. This result is similar with a study conducted in 2010 concluded that male customers are greater than female customers that were using services/products of selected banks in Pakistan (Ashfaq, 2010). It also support the argument of Obbe (1980) saying it is evident that male customers perform more banking activities than female customers. This implies that there has not been a change on the proportion of customers using in commercial banks.

Regarding their age, nearly half of the respondents (43.4%) are in the age range of 20-30 followed by respondents who are in the age range of 31-40 (28.7%), 41-50 (14.7%), 51-60 (9.5%) and above 60 (3.7%) respectively.

One third (33%) of the customer respondents has educational qualification of first degree followed by diploma (22.1%), secondary school completed (17.6%) and elementary school

completed (16.9%). Around 57 percent of the respondents are married and 39% are single regarding their marital status of the sampled customers. The proportion of respondents who are working as a private sector employee covered 52% of the respondents followed by trade (24.3%) and private works (11.8%).

Table 2: Demographic Characteristics of Customer Respondents

		Frequency	Percent
Branch	Summit	31	22.8
	Wuhalimat	26	19.1
	CMC	28	20.6
	Ayat	25	18.4
	Megenagna	26	19.1
Age	20-30	59	43.4
	31-40	39	28.7
	41-50	20	14.7
	51-60	13	9.5
	61 and above	5	3.7
Sex	Male	90	66.2
	Female	46	33.8
Educational qualification	Illiterate	7	5.1
	Elementary school	23	16.9
	High school	24	17.6
	Diploma	30	22.1
	First Degree	45	33.1
	Masters Degree	6	4.4
	Other	1	.7
Marital Status	Married	78	57.4
	Unmarried	53	39.0
	Divorced	2	1.5
	Widowed	1	.7
	Total	136	100.0
Occupation of respondents	Government employee	12	8.8
	Private sector employee	72	52.9
	Trade	33	24.3
	Private works	16	11.8
	Student	3	2.2
	Total	136	100.0

4.3. Status of service Quality

Respondents were further required to rate the bank services in scale of 1 to 5 where 1 represents extremely dissatisfied, 2 –dissatisfied, 3 – neutral, 4 – satisfied and 5 represents extremely satisfied. Information on the table below indicates the customer's satisfaction towards bank

services available in Wegagen Bank S.C. The result revealed that seventy percent of the customers are found to be satisfied with the customer service quality of Wegagen bank. Majority of the respondents (67%) indicated that their bank is providing the service as promised. The same amount of respondents (72.8%) reported that they are satisfied with the dependability in handling customers' service problems.

It was established that majority (70%) of the respondents indicated that the bank perform services right first time. Moreover, 89% of the respondents reported that they are satisfied with the way the bank providing services at the promised time. This means the bank is reliable in respect to its service delivery on the appropriate time. Regarding recording of documents, majority of the respondents (75.8%) said that they are satisfied with the bank's capacity to maintain error free record. Generally, 75 percent of the respondents (customers) were satisfied with the reliability of Wegagen bank.

Regarding the responsiveness dimension of service delivery, 64 percent of the customers are satisfied with keeping customer informed as to when service will be performed. Similarly, 66.2 percent of them labeled the prompt service to customers as 'satisfied'. Majority of the respondents were also satisfied with the remaining sub dimensions of the responsiveness dimension of the banking service; willingness to help customers (70.6%), readiness to respond to customers' requests (68.3%), and employees will instill confidence in customers (68.3%). The aggregate percentage of customer satisfaction with the responsiveness dimension of the bank service was 67.5%.

The other service quality dimension was assurance. Higher number of the respondents (78.7%) said that they are satisfied with making customers feel safe in their transactions. The same amount of respondents reported that employees of the bank are consistently courteous. Seventy five percent of them also said that employees of the bank have the knowledge to answer customers' questions. Generally, around three fourth of the customers are satisfied with the accuracy of the bank's service delivery.

Table 3: Status of service quality by dimensions in Wegagen Bank S.C (n= 136)

Dimension	Clause		ED	D	N	S	ES
Reliability	Providing service as promised	F	6	4	35	54	37
		%	4.4	2.9	25.7	39.7	27.2
	Dependability in handling customers' service problems	F	5	6	26	65	34
		%	3.7	4.4	19	47.8	25
	Performing services right first time	F	4	7	30	59	36
		%	3	5	22	43.4	26.6
	Providing services at the promised time	F	4	8	35	49	40
		%	3	6	25.7	36	29.3
	Maintaining error-free record	F	4	6	23	50	53
		%	3	4.4	17	36.8	39
Responsiveness	Keeping customer informed as to when service will be performed	F	7	7	35	36	51
		%	5	5	26	26.5	37.5
	Prompt service to customers	F	7	6	33	53	37
		%	5	4.5	24.3	39	27.2
	Willingness to help customers	F	3	2	35	38	58
		%	2.2	1.5	25.7	28	42.6
	Readiness to respond to customers' requests	F	5	2	36	30	63
		%	3.7	1.5	26.5	22	46.3
	Employees will instill confidence in customers	F	5	5	33	35	58
		%	3.7	3.7	24.3	25.7	42.6
Assurance	Making customers feel safe in their transactions	F	5	3	21	59	48
		%	3.7	2.2	15.4	43.4	35.3
	Employees who are consistently courteous	F	4	6	19	44	63
		%	3	4.4	14	32.4	46.3
	Employees who have the knowledge to answer customers' questions	F	4	5	24	49	54
		%	3	3.7	17.6	36	39.7
Empathy	Giving customers individual attention	F	5	3	29	47	52
		%	3.7	2.2	21.3	34.6	38.2
	Employees who deal with customers in a caring fashion	F	13	1	29	47	46
		%	9.6	.7	21.3	34.6	33.8
	Having the customer's best interests at heart	F	8	5	29	48	46
		%	6	3.7	21.3	35.3	33.8
	Employees who understand the needs of their customers	F	9	2	26	54	45
		%	6.6	1.5	9	39.7	33
	Convenience business hour	F	9	1	13	38	75
		%	6.6	.7	9.6	28	55
Tangibles	Availability of Modern equipment	F	11	5	36	51	33
		%	8	3.7	26.5	37.5	24.3
	Visually appealing facilities	F	8	9	40	43	36
		%	6	6.6	29.4	31.6	26.5
	Employees who have a neat, professional appearance	F	9	2	20	42	63
		%	6.6	1.5	14.7	31	46.3
	Visually appealing materials associated with the service	F	10	6	37	50	33
		%	7.4	4.4	27.2	36.8	24.3

Regarding the empathy dimension of the service delivery, majority of the respondents reported as they are satisfied with giving customers individual attention (72.8%), employees who deal with customers in a caring fashion (68.4%), having the customer's best interests at heart (69%), employees who understand the needs of their customers (72.7%), convenience business hour (83%).

4.4. Relationship between service quality and customer satisfaction

4.4.1. Descriptive statistics

The following table illustrates the details about mean, median, and standard deviation scores of the variables of the study. The descriptive shown in the table indicate that mean of service quality is 3.96 with a median, and standard deviation of 3.6, and .16 respectively. The mean score of service quality that is an average of overall service quality dimensions indicates that customers somewhat agree that their bank deliver premium quality services to satisfy their diversified needs in order to enhance their satisfaction level. The standard deviation of service quality is also quite low which means variability of the responses on service quality is less and overall reliability of the score is better.

The mean score of first service quality dimension i.e. reliability has a mean score of 3.92 with a median, and standard deviation of 4.00, and .977 respectively. The mean score of reliability clearly indicates that customers somewhat agree that financial service providers provide promised service accurately and dependably. The standard deviation of reliability is quite low which shows less inter response variability.

The mean score of responsiveness is found to be 4.06 with a median, and standard deviation of 4.1, and 1.09 respectively which shows that customers somewhat agreed that their service providers are responsive for their needs in providing services. It may also positively influence their return intentions. The standard deviation also show a close to 1 score that means there is less variability of the responses.

Assurance has a mean score of 4.08 with a median, and standard deviation of 4.16, and .888 respectively which shows that there is less variability of the responses and customers somewhat

agreed that banks possess trustworthy behavior and reflect genuine commitments in providing services. It may also positively influence their repurchase intentions.

The mean score of empathy is 3.97 with a median and standard deviation of 4.2 and .92 respectively. The mean of empathy is less than but close to 4 so that banking staff listen to the customers' problems carefully and provide individualized attention to their concerns and demands. Moreover, variability in the responses is much lower as indicated by the standard deviation of empathy.

Tangibles have a mean score of 3.76 with a median and standard deviation of 4.00 and 1 respectively. The mean score of tangibles is more than 3 but less than 4 which is good but not significant enough to make the customers strongly agreed that bank's availability of Modern equipment, visually appealing facilities, employee's neat and professional appearance, visually appealing materials associated with the service enhance their levels of satisfaction. However, there is less variability in the responses as indicated by the standard deviation of tangibles.

Table 4: Descriptive Statistics

Statistics							
	reliability	responsiveness	Assurance	Empathy	Tangibles	SERVQUAL	general customer satisfaction
N	136	136	136	136	136	136	136
Mean	3.9265	4.0647	4.0833	3.9735	3.7684	3.9633	4.3015
Median	4.0000	4.1000	4.1667	4.2000	4.0000	3.9073	4.0000
Std. Deviation	.97701	1.09162	.88866	.92081	1.00583	.16079	3.69648
Minimum	1.00	1.20	1.00	1.00	1.00	3.80	1.00
Maximum	9.80	9.00	5.00	5.00	5.00	4.27	33.00

The mean score of customer satisfaction is 4.30 with a median and standard deviation of 4.00, 4.00 and 3.69 respectively. The mean score of customer satisfaction is above 4 which show that customers highly agree that they are satisfied with the quality of services delivered by their respective financial service providers (i.e. banks). However, variability in the responses is a bit higher than 1 as indicated by the standard deviation of customer satisfaction.

4.4.2. Correlation Analysis

In this analysis the study determine the relationship between service quality dimensions with customer satisfaction. To quantify the strength of the relationship between the variables, the study used Karl Pearson's coefficient of correlation. The Pearson product-moment correlation coefficient (or Pearson correlation coefficient for short) is a measure of the strength of a linear association between two variables and is denoted by r . The Pearson correlation coefficient, r , can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association, that is, as the value of one variable increases so does the value of the other variable. A value less than 0 indicates a negative association, that is, as the value of one variable increases the value of the other variable decreases. The Pearson's coefficient was used to verify the existence or non-existence of linear correlation between and among the variables. The findings are presented as follows;

Table 5: Correlations between service delivery and its dimensions with customer satisfaction

		Correlations					
		Reliability	responsiveness	Assurance	Empathy	Tangibles	Service quality
service_quality	Pearson Correlation	.734**	.779**	.853**	.866**	.776**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	136	136	136	136	136	136
customer satisfaction	Pearson Correlation	.153	.738**	.188*	.171*	.104	.355**
	Sig. (2-tailed)	.075	.000	.028	.046	.228	.000
	N	136	136	136	136	136	136

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

* . Correlation is significant at the 0.05 level (2-tailed).

Table 4 provides the Pearson's correlation coefficient between various service quality dimensions and customer satisfaction. The results indicate that service quality and some of its dimensions such as responsiveness, assurance and empathy have positive association with customer satisfaction in Wegagen Bank S.C.

Overall service quality has a moderate correlation with customer satisfaction as provided by the correlation coefficients of .355 (sig < .01) thus we can conclude that there is a significant and positive relationship of service quality with customer satisfaction.

The dimension of responsiveness also showed a strong and significant correlation with customer satisfaction as provided by correlation coefficients of .738 (sig < .01) which lead us to conclude that there is a positive and significant relations between dimension of responsiveness and customer satisfaction.

The second dimension i.e. assurance also yielded positive, weak and significant correlation confidents of .188 (sig < .05) for customer satisfaction which lead us to accept the claim that responsiveness and customer satisfaction has positive relationship. The dimension of empathy was also significant, weak and positive regarding its association with customer satisfaction ($r = .171$, sig < .05) thus we accept the notion that claimed as there is positive relationship between empathy and customer satisfaction. However, reliability ($r = .153$, $p > 0.05$) and tangible ($r = .104$, $p > 0.05$) does not have significant relationship with the dependent variable (customer satisfaction).

4.4.3. Regression

In order to examine the extent to which service quality and its dimensions can predict customer satisfaction, linear regression analysis was computed. To test the composite level of impact that any dimension of the independent variables has upon the customer satisfaction, regression was used and the impact captured by F and p value. The model summary table provides model which specifies customer satisfaction as a function of service quality, reliability, responsiveness, assurance, empathy and tangibles.

In the regression model, the service quality factor has the strongest correlation with customer satisfaction towards the bank ($F = 63.8$; $p < 0.01$). The R^2 value shows how much of the dependent variable (customer satisfaction) can be explained by the independent variable (service quality). In this findings, R square of the model is .711 which entails that 71.1% of the variation in the dependent variable i.e. customer satisfaction is accounted for by this model which is quite good (Table 5).

Table 6: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Durbin-Watson
					F Change	df1	df2	Sig. F Change	
1	.843 ^a	.711	.699	2.02649	63.837	5	130	.000	1.578

a. Predictors: (Constant), service quality, reliability, responsiveness, Assurance, Empathy

b. Dependent Variable: general customer satisfaction

The table below provides the AVOVA test of the model which species customer satisfaction as a function of service quality, reliability, responsiveness, assurance, assurance and empathy. ANOVA tells overall goodness of fit of the model. F-statistic of the model is 63.83 which is quite good and entails that model is a good fit at 1% level of significance (Table 6).

Table 7: ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	1310.776	5	262.155	63.837	.000 ^b
Residual	533.864	130	4.107		
Total	1844.640	135			

a. Dependent Variable: general customer satisfaction

b. Predictors: (Constant), service quality, reliability, responsiveness, Assurance, Empathy

Table 7 provides the results of the model predicting customer satisfaction through the variables of service quality, reliability, responsiveness, assurance and empathy. According to the results in confirmation with the correlation analysis explained above, general service quality, responsiveness, assurance and empathy have a positive and significant relationship with customer satisfaction. But in regression analysis, except responsiveness and assurance, other variables are found insignificant. Regression analysis leads us to accept the claim that there is a significant and positive relationship of responsiveness ($P=.000$), and assurance ($P=.000$) with customer satisfaction. The claim regarding relationship of reliability ($p=.092$), empathy ($p=.055$) and service quality ($P=.254$), with customer satisfaction are however rejected.

Apparently, the responsiveness and assurance dimension of the banking service significantly impact the extent to which the customer satisfaction of the bank. Hence, responsiveness and assurance dimensions of the service has a significant positive effect on customer satisfaction.

Table 8: Coefficients^a

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	.932	.912	1.023	.308
	Reliability	.657	.387	.174	.092
	responsiveness	3.430	.357	1.013	.000
	Assurance	2.002	.460	.481	.000
	Empathy	1.286	.663	.320	.055
	service_quality	1.806	1.577	.381	.254

a. Dependent Variable: general customer satisfaction

4.5. Discussion

The connection between service quality and customer satisfaction (Caruana, 2002; Oh, 1999; Cronin et al., 2000; Parasuraman et al., 1988) has been the worry of numerous past examinations with regards to service industry. The motivation behind this examination is to explore the connection between Service Quality and Customer satisfaction. In the literature review survey segment of the paper five measurements (Tangibility, Reliability, Responsiveness, Assurance and Empathy) of service Quality are distinguished. In this investigation, having learning on these areas would help managers to address the difficulty of enhancing service quality in the managing a banking industry. The discoveries of this investigation demonstrate that the most critical factor in foreseeing service quality assessment were assurance and responsiveness.

The study revealed that there was significant relationship between reliability and customer satisfaction with beta value of 0.657 and the p value 0.308 which was higher than 0.05. The findings did not agree with Safwan et al. (2010) who argued that reliability shows the service provider's ability to perform services in a dependable and accurate manner. It is not also consistent with the conclusion that being reliable is an exceptionally important quality to have,

especially in the banking industry (Ghost & Gnanadhas, 2011). Customers may form a negative perception about the firm and will switch to a competitor without second thoughts (Sakhaei et al., 2014).

The study revealed that there was a positive significant relationship between bank responsiveness to customers and customer satisfaction with a beta of 3.43 and a p value of 0.00. These findings affirm that indeed providing service in a timely manner is highly appreciated by customers. Good service providers understand this aspect (Iqbal et al., 2010). Furthermore, firms that value efficiency pay attention to the services that they offer and use this advantage to keep off competitors (Karim & Chowdhury, 2014). Bank customers look for banks that willingly help them in their banking operations. Customer satisfaction may be achieved in the banking sector when the service provider is willing to assist its customers when required Akbaba (2009) also stated that “responsiveness is positively related to customer satisfaction and customers can refer others if satisfied”. Therefore, word of mouth (WOM) advertisements are important for the banks. Key aspects under responsiveness include keeping customers informed as to when services will be performed, prompt service to customers, willingness to help customers and Readiness to respond to customers request (Armstrong, 2012).

Similarly descriptive results revealed that 64 percent of the respondents agree that indeed employees of the bank tell customers exactly when services will be performed. The findings agree with Timothy (2012) who argued that the steps taken to keep customers informed when problems occur can strengthen or harm the relationship. Keeping customers well informed of what is going on can have lasting effects on the relationship. By letting customers work out their problems and not being proactive, firms miss an opportunity to strengthen customer relationships (Armstrong, 2012). If the customer gets the understanding that a firm is working hard, trying to fix the problem, then the customer will feel well taken care of and feels that he is getting his money worth (Ramzi,2010).

Additionally 66.2 percent of the respondents agreed that employees of the bank give prompt services to customers. In the same regard 70.6 percent of the respondents agreed that indeed employees of the bank are always willing to help customers. The findings affirm that indeed customers expect that firms will treat them in a consistent way and that they will do what they say they will do promptly. By acting in accordance with these wants, a firm provides the

customer with a sense of viewing it as company that gives customers' priority .This builds loyalty. Customers will view the service provider as being competent enough to offer the service. The customer will not be satisfied if he or she does feel that the services offered mostly delay. It brings doubt about the competence of the service provider (Ramzi, 2010). The service that the employees provide and the relationships they build are vital to success of customer satisfaction. The employees need to understand, believe in and be proud of the firm they are a part of. This will lead them to serving their customers promptly (Al-Rousan & Mohamed, 2010).

Moreover, 68.3 percent of the respondents agreed that indeed employees of the bank are ready to respond to customers' requests. It was also revealed that 68.3 percent of the respondents agreed on how employees of their banks will instil confidence in customers.

Majority of the respondents (67%) indicated that their bank is providing the service as promised. The same amount of respondents (72.8%) reported that they are satisfied with the dependability in handling customers' service problems. Here it doesn't mean that the whole service delivery is perfect. The response of 67% of respondents is about expectations. Under a circumstance in which the bank is fulfilling its promise customers could not complain. But they might not be satisfied. What is clear here is that the bank has not failed to fulfill what it promised. Similarly, close to 73% said they are happy with the way the bank is handling customers or customer care. Customer handling and/or care could not be equivalent to customer satisfaction. The bank could be doing well in handling its customers; yet some customers might not be satisfied with the service. They have witnessed that the bank is reliable with regard to addressing problems that customers face in the process of getting service.

Various previous researchers have underlined that most of dissatisfied customers with an organization prefer to stay away. Even they do not want to exchange views with employees of that organization. An organization that has faced dissatisfaction from its customers could learn that its performance is not in a good condition. Customer satisfaction assessment should be based on all use of services by the customer who does not have rejection experiences.

It was established that majority (70%) of the respondents indicated that the bank perform services right first time. Moreover, 89% of the respondents reported that they are satisfied with the way the bank providing services at the promised time. This means the bank is reliable in

respect to its service delivery on the appropriate time. Regarding recording of documents, majority of the respondents (75.8%) said that they are satisfied with the bank's capacity to maintain error free record. Generally, 75 percent of the respondents (customers) were satisfied with the reliability of Wegagen bank.

Saving customers time is one of the implications of prompt service. Some 30% of the respondents that did not respond positively about quick service might think that they are not comfortable with the punctuality of the service at the Wegagen Bank. Yet majority of the respondents confidently replied that they have no problem with respect to time factor. Again in terms of the confidentiality and issuance of documents most of the respondents said that they are content with it and that they have trust in the bank's recording culture.

On the whole about 75% of the informants have a stand that Wegagen Bank's service is dependable. In this about quarter of respondents might not believe that they are getting reliable service from the bank. Of course, it is practically unthinkable to please everyone but it should be noted that a grain of doubt is there among some of its customers. These segments of its customers might have fear or skepticism about the bank or its services. Most of the customers (respondents) are positive towards its products whereas some 25% did not testify for its service. The bank could not ignore this because losing customers in the midst of fierce competition has great implication in the banking industry.

Needless to mention, customer satisfaction is a frequently used term in academic affairs of business as it represents how products and services provided by an organization meet the needs of customers. It is the result of their needs and expectations which influence interaction with service providers and other customers. In turn, the quality of this interaction impacts customer decisions to come again for the service, their loyalty and the willingness of the customer to share to other potential customers and finally to impart useful information about the service quality and delivery.

With regard to availing crucial information for customers over 60% have witnessed that there is no information gap in the service delivery. Regular customers of the bank might not face problem to continuously get information and update themselves in getting the bank's service. Yet, compared to other dimensions of the bank's service, almost close to half are saying that they

do not have information about its service probably newly introduced service packages. Almost all commercial banks have employed internet banking service over the past decade or so. Presumably, customers who do not rely on mobile banking service have tended to respond that they are not keeping informed about service delivery. Even if it is not the bank's shortcoming in accessing information, when customers fail to update themselves about bank's service it could ultimately affect its performance. Thus, it could be advisable to consider giving adequate orientation about newly introduced services that might reach customers through the internet. Customers' failure to learn Wegagen Bank's latest services in the end affects the Bank itself because customers could shift to another bank by the time they come across strange thing in the service delivery.

The issue of customer satisfaction is a manifestation of Wegagen Bank's ability to attract and maintain relationship with customers and in building the relationship over time. It is equivalent to satisfaction with the bank's products and services. Some studies relate customer satisfaction to qualitative and quantitative elements of the service and consider it as a correlation between customer satisfaction, service performance, and perceived customer service performance expectations.

Higher number of the respondents (78.7%) said that they are satisfied with making customers feel safe in their transactions. The same amount of respondents reported that employees of the bank are consistently courteous. Seventy five percent of them also said that employees of the bank have the knowledge to answer customers' questions. Generally, around three fourth of the customers are satisfied with the accuracy of the bank's service delivery.

Though Wegagen Bank is a private commercial bank most of its customers are confident that they are comfortable with the safety of their transactions. This could be an indicator of sense of ownership or belongingness. If they do not have fear as regards the transaction they conduct with Wegagen there is no reason for the customers to look for another banking service. There is high possibility that such customers could stay with the bank for long. Loyalty is highly linked with safety of transaction. If they feel that they are safe they are willing to maintain their relationship with the bank. The issue of trust is not questionable here. Further, about 75% who responded that the bank's service delivery is flawless are those who could not be insecure about their transaction.

In similar fashion, sizable number of the respondents underscored that the bank's employees are treating them well and that they have the necessary skill and knowledge to answer the queries of their customers. Apparently, one of the strengths of commercial banks is their ability to treat their customers with care. In such atmosphere high degree of humbleness is expected from bank's employees because it is sensitive in the industry. Customers who felt mistreated could easily and quickly halt relationship with the bank. Here, over 75% of the respondents have stressed that they are enjoying fair treatment in the service delivery with Wegagen Bank. With respect to customer care it means that the bank is performing well as the results showed.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

Introduction

This chapter presents the discussion of key data findings, conclusion drawn from the findings and makes appropriate recommendations. The conclusions and recommendations drawn were focused on addressing the objectives which was to evaluate the impact of service quality on customer satisfaction of Wegagen bank S.C.

5.1. Summary of Findings and Interpretations

The main objective of this study was to examine the impact of service quality on customer satisfaction. One hundred and thirty six customers of Wegagen Bank were successfully provided data that is useful for this study.

In any business-to-customer type of environment, satisfying a customer is the ultimate goal and objective. More often than not, it can be quite an issue. This is perhaps due to the fact that organizations sometimes do not really understand of what actually goes on in a customer's mind. As such, this predicament has provided as a challenging task to most business corporations that places strong emphasis on customer relations.

According to them, most of the customers who use Wegagen bank services are satisfied or find these services 'average'. The mean score of service quality that is an average of overall service quality dimensions indicates that customers somewhat agree that their bank deliver premium quality services to satisfy their diversified needs in order to enhance their satisfaction level. The standard deviation of service quality is also quite low which means variability of the responses on service quality is less and overall reliability of the score is better. Moreover, responsiveness and assurance service quality dimensions were found to be higher compared to other dimensions in Wegagen Bank.

The study revealed that there was a positive significant relationship between bank responsiveness to customers and customer satisfaction with a beta of 3.43 and a p value of 0. Similarly descriptive results revealed that 64 percent of the respondents agree that indeed employees of the

bank tell customers exactly when services will be performed. Additionally 66.2 percent of the respondents agreed that employees of the bank give prompt services to customers. In the same regard 70.6 percent of the respondents agreed that indeed employees of the bank are always willing to help customers. Moreover, 68.3 percent of the respondents agreed that indeed employees of the bank are ready to respond to customers' requests. It was also revealed that 68.3 percent of the respondents agreed on how employees of their banks will instil confidence in customers.

The study revealed that there was a positive relationship between assurance and customer satisfaction with beta value of 2.02 and the p value 0.000 which was less than 0.05. Additionally it was revealed that majority of the respondents had high perception for the assurance dimension of the bank's service quality. Higher number of the respondents (78.7%) said that they are satisfied with making customers feel safe in their transactions. The same amount of respondents reported that employees of the bank are consistently courteous. Seventy five percent of them also said that employees of the bank have the knowledge to answer customers' questions. Generally, around three fourth of the customers are satisfied with the accuracy of the bank's service delivery.

5.2. Conclusion

Evidences entail that service quality is an excellent technique for enhancing customers' satisfaction level to the organization in today's competitive environment. This study examined the perception of service quality of banking services provided to customers in Wegagen Bank and the relative contrasts connected with the different determinants of service quality utilizing the SERVQUAL model.

Majority of the respondents were satisfied with the service provided by the bank. The mean score of service quality that is an average of overall service quality dimensions indicates that customers somewhat agree that their bank deliver premium quality services to satisfy their diversified needs in order to enhance their satisfaction level. Moreover, responsiveness and assurance service quality dimensions were found to be higher compared to other dimensions in Wegagen Bank.

Generally, responsiveness for customer's needs and assurance has the most critical effect on customer satisfaction towards banking services. Responsiveness has the slightest noteworthy effect on banking services; reliability, empathy and tangibles are not altogether impact on customer satisfaction. Efficient responsiveness has enabled banks to be aware of customer's needs for new services and plan to make them available. The study concludes that indeed there is a strong relationship between bank responsiveness and customer satisfaction, meaning that bank responsiveness is also a key contributor to customer satisfaction the banking industry in Ethiopia. There is prove that responsiveness allows customers to save on time and avoid lengthy procedures which creates dissatisfaction.

From the study findings, assurance is the other contributing factor for customer satisfaction. From the study findings it was found out that making customer feel safe in their transactions, employees who are consistently courteous and employees who have the knowledge to answer customers' questions have a high return on customer satisfaction and are able to attract a large pool of potential customers.

5.3. Recommendations

Based on the findings of the study, the following recommendations were forwarded:

- ✓ The result suggests that there is positive role on bank performance when there is a high rate of responsiveness for customer's needs, thus the study advocates for better and efficient ways of addressing their needs in order to increase customer satisfaction. To solve this problem, the branches of the selected bank should also improve responsiveness of the employees in line with customer's need through training.
- ✓ The number of service delivery channels has a significant effect on responsiveness and bank performance. Therefore, the bank sector should adopt advanced technological methods such as self-inquiry facility for inquiries and view of transactions in the account. Also remote banking should be adopted to enable customers to make inquiries regarding their account on-line, without having to move. This will in turn lead to solve problems related to responsiveness. Developing a culture which fosters customer satisfaction can provide a competitive advantage to the organization. It is thus critical for organizational

agents not only to have a clear view of the existing culture but also to shape it in such a way that emphasizes customer needs and priorities.

- ✓ In conclusion communication is increased by policies that provide times and places for social interaction which encourages utilization of such opportunities by a wide array of groups and individuals within the bank sector to exchange ideas on how to effectively enhance bank performance. The limitation of this study is only Wegagen bank. Other banks in the country were not included in the sample. Thus, for future research, the researchers should try to include other banks and extend the research by investigating other factors that affect bank performance. Further the study should also put into consideration monetary policies by the central bank on the relationship between customer service delivery and performance of the banking sector
- ✓ The marketers must understand and determine the factors i.e. premium service quality that enhances the customer satisfaction in banking sector. Frequent surveys must be conducted to obtain the data from the customers regarding their perceptions, expectations and recommendations to improve the service quality.
- ✓ Traditional predictors of the customer satisfaction such like service quality (i.e. responsiveness, and assurance) still have a strong impact on the customer satisfaction so these factors must be the core of the strategy that is aiming at enhancing customer satisfaction.

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APPENDIX

Appendix I: Questionnaire for customers (English version)

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Questionnaire for customers

The objective of the study is to measure the effect of service delivery on customer satisfaction in Wegagen bank S.C. The researcher assures you that the information you provide will be used only for academic research purpose and anonymity of the respondent will be maintained throughout the research process. The answers to the questions will be treated strictly confidential. Do not provide your name. Please complete the questions honestly.

Thank you in advance!

Amanuel Berhane

Phone: 0918-238698

I. Profiles of respondents

1. Branch name_____

2. Sex A. Male ☐ B. Female ☐

3. Age_____

4. What is your educational qualification?

A. Illiterate ☐ B. Elementary school ☐ C. High school ☐

D. Diploma ☐ E. First degree ☐ F. Masters Degree ☐

F. Others (please specify)_____

5. Marital Status

A. Married ☐ B. Single ☐ C. widowed ☐ D. Divorced ☐

6. Profession

A. Govt. Employee B. Private Employee C. Business
D. Self Employee ☐ E. Student ☐ Others (please specify) _____

7. How much is your monthly income? _____

8. Status of usage _____

II. Services Quality

This section is intended to know the respondents' perception of the perceived level of service and products delivered by the bank. At what level you're satisfied with the following service quality dimensions of Wegagen Bank? Please tick (✓) at any option that represents your answer.

1 = Extremely Dissatisfied, 2 = Dissatisfied 3 = neutral, 4 = satisfied,

5 = extremely satisfied,

No	Service Quality	1	2	3	4	5
	Reliability					
1.	Providing service as promised					
2.	Dependability in handling customers' service problems					
3.	Performing services right first time					
4.	Providing services at the promised time					
5.	Maintaining error-free record					
	Responsiveness					
1.	Keeping customer informed as to when service will be performed					
2.	Prompt service to customers					
3.	Willingness to help customers					
4.	Readiness to respond to customers' requests					
5.	Employees will instill confidence in customers					

	Assurance					
1.	Making customers feel safe in their transactions					
2.	Employees who are consistently courteous					
3.	Employees who have the knowledge to answer customers' questions					
	Empathy					
1.	Giving customers individual attention					
2.	Employees who deal with customers in a caring fashion					
3.	Having the customer's best interests at heart					
4.	Employees who understand the needs of their customers					
5.	Convenience business hour					
	Tangibles					
1.	Availability of Modern equipment					
2.	Visually appealing facilities					
3.	Employees who have a neat, professional appearance					
4.	Visually appealing materials associated with the service					

Appendix II: Questionnaire for customers (Amharic version)

በአዲስ አበባ ዩኒቨርሲቲ

**የቢዝነስና ኢኮኖሚክስ ኮሌጅ
ማኔጅመንት ዲፓርትመንት**



የጽሑፍ መጠይቅ

ይህ መጠይቅ የተዘጋጀው እኔ አማካኝነት ብርሃኔ በአዲስ አበባ ዩኒቨርሲቲ ቢዝነስና ኢኮኖሚክስ ኮሌጅ የማኔጅመንት ዲፓርትመንት ለማድረግ የሁለተኛ ዲግሪ ትምህርት ማሟያ ጥናት ይሆን ዘንድ ነው። የጥናቱ ጥቅል ዓላማ የደንበኞች እርካታ በባንክ ውጤታማነት (የአፈፃፀም ብቃት) ላይ የሚኖረውን አስተዋፅኦ ለመለካት ነው። በዚህም መሰረት ወጋገን ባንክ ለጥናቱ ተመርጦታል። እርስዎም በዚህ ጥናት እንዲሳተፉ ሲመረጡ የሚሰጡት ትክክለኛውን መረጃ ለጥናቱ ውጤታማነት በጣም አስፈላጊ መሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞሉ በአክብሮት እጠይቃለሁ። ተሳትፎዎ በእርስዎ በጎ ፈቃደኝነት ላይ የተመሰረተ ነው። በመጨረሻም የሚሰጡት መረጃ ሚስጥራዊነቱ የተጠበቀና እናደሚሆንና ለዚህ ጥናት ዓላማ ብቻ እንደሚውል አረጋግጣለሁ። የማንኛውም መልስ ሰጪ ማንነት በማንኛውም መልኩ የማይታተምና የማይሰራጭ ይሆናል። ሁሉም መረጃዎች ለትምህርታዊ ዓላማ ብቻ ይውላሉ። ጊዜዎን ሰውተው ስለሚያደርጉልኝ ትብብር በቅድሚያ አመሰግናለሁ።

አማካኝነት ብርሃኔ

ስልክ:- 0918 23 86 98

ማሳሰቢያ፡-

- በመጠይቁ ላይ ስም መፃፍ አያስፈልግም።

- ትክክለኛ መልስ የያዘው አማራጭ ሳጥን ውስጥ የ ✓ ምልክት በማድረግ ይመልሱ።

ክፍል 1፡ የግል መረጃ

1. መጠይቁን የሞሉበት ቅርንጫፍ_____
2. ፆታ፡ _____ ሀ. ወንድ ☐ ለ. ሴት ☐
3. እድሜ፡_____
4. የትምህርት ደረጃዎ ምን ይመስላል?
ሀ. አልተማርኩም ☐ ለ. የመጀመሪያ ደረጃ አጠናቅቄያለሁ ☐
ሐ. ሁለተኛ ደረጃ አጠናቅቄያለሁ ☐ መ. ኮሌጅ ዲፕሎማ ☐
ሠ. ዲግሪ ☐ ረ. ማስተርስ ዲግሪ ☐ ሰ. ሌላ ☐
5. የጋብቻ ሁኔታ፡
ሀ. ያለ ☐ ለ. ያለገባ ☐ ሐ. የተፋታ ☐ መ. የሞተበት ☐
6. የስራ ሁኔታ
ሀ. የመንግስት ሰራተኛ ☐ ለ. የግል ጠቀላላ ☐ ሐ. ንግድ ☐
መ. የግል ስራ ☐ ሠ. ተማሪ ☐ ረ. ሌላ (ይጥቀሱ)_____
7. ወርሃዊ ገቢዎ ስንት ነው?_____
8. በባንኩ ለስንት አመታት ተጠቅመዋል?_____

ክፍል 2፡ በተለያዩ የአገልግሎት ጥራት ዘርፎች ዙሪያ የደንበኞች እርካታ

ይህ የመጠይቅ ክፍል ደንበኞች በወጋገን ባንክ የአገልግሎት አሰጣጥ ሁኔታ ለማወቅ የተዘጋጀ ነው። እባክዎ ለሚከተሉት ጥያቄዎች በተሰጡት የእርካታ መለኪያ መጠን በመጠቀም የ✓ ምልክት በማስቀመጥ ያመልክቱ።

1 = ምንም አልረካሁም

2 = አልረካሁም

3 = መካከለኛ

4 = ረክቻለሁ

5 = በጣም ረክቻለሁ

ተ.ቁ	የአገልግሎት ጥራት ዘርፍ	1	2	3	4	5
	ታማኝነት (Reliability)					
1.	በሚጠበቀው (ቃል በተገባው) መሠረት አልግሎቱን ማቅረብ					
2.	የደንበኞችን አገልግሎት የሚያስተንጉሉ ችግሮችን ለመፍታት የሚያደርጉት ጥረት					
3.	ደንበኞችን በተደጋጋሚ ሳያመለክቱ (ሳያጉላሉ) አገልግሎቶችን በመጀመሪያው ጉብኝታቸው ማቅረብ					
4.	አገልግሎቶችን በሚጠበቀው (በሚፈለገው) ጊዜ ማቅረብ					
5.	ከስህተት የፀዳ የሪከርድ አያያዝ (ለምሳሌ ደረሰኞች፣ የወጪ ገቢ አመዘጋገብ)					
	ምላሽ አሰጣጥ (Responsiveness)					
1.	ለደንበኞች አገልግሎቶች መቼ መቼ እንደሚሰጡ (እንደሚገኙ) መረጃ አሰጣጥ					
2.	የአገልግሎት አሰጣጥ ፍጥነት					
3.	ደንበኞችን ለመርዳት ያላቸው ፈቃደኝነት (ፍላጎት)					
4.	ለደንበኞች ጥያቄዎች ምላሽ ለመስጠት ያላቸው ዝግጁነት					
5.	የባንኩ ሰራተኞች በደንበኞች ላይ የራስ መተማመን ስሜት ይፈጥራሉ					
	ማረጋገጫ (Assurance)					
1.	የባንኩ የዝውውር (transaction) ሂደት በደንበኞች ላይ የእርግጠኝነት ስሜት ይፈጥራል					
2.	የባንኩ ሰራተኞች ሁልጊዜ ትሁት ናቸው					
3.	የባንኩ ሰራተኞች ለደንበኞች ምላሽ የመስጠት አቅም አላቸው					

	የደንበኞችን ችግር መረዳት (Empathy)					
1.	ለእያንዳንዱ ደንበኛ ትኩረት መስጠት					
2.	ለደንበኞች እንክብካቤ መስጠት					
3.	የደንበኞችን ፍላጎት ለማሟላት ክልብ መሻት					
4.	የሰራተኞች የደንበኞቻቸውን ፍላጎት መረዳት					
5.	የባንኩ የስራ ሰዓት አመችነት					
	ገጽታ (Tangibles)					
1.	ባንኩ በዘመናዊ መሳሪያዎች የተደራጀ ነው					
2.	ባንኩ ለዕይታ የሚማርክ አደረጃጀትና ገጽታ አለው					
3.	የባንኩ ሰራተኞች ንፁህ እና የባለሙያ ገጽታ አላቸው					
4.	በአገልግሎት አሰጣጡ ሂደት ጥቅም ላይ የሚውሉት መገልገያ መሳሪያዎች ሳቢ ናቸው					