

The Effect of Service Quality on Customer Satisfaction: A Case Study on Selected Private Banks in Bahir Dar; Ethiopia

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Abstract

The purpose of this study is to measure the service quality and its subsequent effect on customer satisfaction at Private Bank using a model that describes various dimensions of service quality. To this purpose the researcher has studied the service quality of private banks using SERVQUAL model. Convenience sampling technique was used in the study to take a sample from the infinite population. A total sample of 350 respondents who have Banking service were taken as a respondent. The relevant data was gathered using questionnaire which was designed based on the model to examine all the five factors of service quality in the model for bank industry. It was found that clients are not satisfied with assurance, reliability and empathy and they are satisfied with tangibles and responsiveness. It was recommended that managers should train their employees so as to improve visually attractive facilities and coordinate all people, departments and organizations involved with the services. Finally, managers should measure clients' satisfaction and service quality seasonally to keep the services corresponded with customers' opinions.

Keywords: Service quality, Service quality dimension/Tangibility, Assurance, Reliability, Empathy, Responsiveness and Customer satisfaction

1. Introduction

To remain competitive, service organizations must deliver quality service to their customers. Moreover, understanding and meeting customers' expectations and subsequently being different from competitors are important in order to survive in the today's globalized world. The banking industry is one of the world's most known service industries which is very important for economic progress. In an increasingly global community and market place, banking service makes possible the rapid circulation of money throughout the world instantly. Banks are becoming more and more customer oriented with innovative ideas and approaches.

It is imperative that service companies' measure and monitor service quality and satisfaction with a view of influencing the behavioral intentions of their customers (Saha and Theingi, 2009). The speed and intensity of change in service offerings has accelerated in recent years within the bank industry. Challenge in the banking market is becoming globally tough as the customers' needs and wants are growing in variety. In such an occasion, bank companies need to be aware of the latest shift and trend to be able to react on time. Thus, precise and timely information on a wide range of customer needs and expectations become critically important nowadays.

Bank services are made up of a very complex mix of intangibles (Gursoy et al., 2005). Thus, measuring customers' expectations, as well as their service quality is a real challenge because customer satisfaction is determined by many intangible factors such as neatness of the servers and their behaviors, etc. (Fitzsimmons and Fitzsimmons, 1994).

Service Quality is another and major area of competition. The end product of a bank is the banking services that it offers to its customers such as providing deposit and credit service, enabling customers to pay their bills, check their balance, make online payment and transfer money to other accounts and ATM (automated teller machine) or internet banking services. Thus the main performance indicator of a bank is its Service Quality. By Service Quality we meant all the chain of activities that must take place efficiently and effectively to provide all the banking service to the customers. A bank Service Quality is a key differentiator between the competing banks. It is especially very critical in a highly competitive environment. Therefore, Service Quality improvement is key issue that determines the very survival of the bank itself.

The gap-model of the SERVQUAL instrument (Parasuraman, Zeithaml and Berry, 1991), that compares the perception of performance (P) to expectation (E), has been widely used in past studies in a variety of industries. This study will attempt to replicate the SERVQUAL measurement of Parasuraman, Zeithaml, and Berry (1991) in determining the existence of 'service-gaps' in Dashen bank.

2 Theoretical Framework

Since the development of SERVQUAL by Parasuraman, Zeithaml, and Berry (1985), service quality has been widely researched and applied in different types of industries. SERVQUAL is 'a diagnostic tool that uncovers a firm's broad weaknesses and strengths' in service quality (Hoffman and Bateson, 2006)

SERVQUAL scale is a principal instrument in the services marketing literature for assessing quality (Parasuraman et al., 1991; Parasuraman et al., 1988). This instrument has been widely utilized by both managers

(Parasuraman et al., 1991) and academics (Babakus and Boller, 1992; Carman, 1990) to assess customer perceptions of service quality for a variety of services (e.g. Banks, credit card companies, repair and maintenance companies). The results of the initial published application of the SERVQUAL instrument indicated five dimensions of service quality emerged across a variety of services. These dimensions include tangibles, reliability, responsiveness, assurance and empathy (Zeithaml et al., 1990: 176; Brensinger and Lambert, 1990; Crompton and MacKay, 1989). Tangibles are the physical evidence of service, reliability involves consistency of performance and dependability, responsiveness concerns the willingness or readiness of employees to provide services, assurance corresponds to the knowledge and courtesy of employees and their ability to inspire trust and confidence, and finally, empathy pertains to caring, individualized attention that a firm provides its customers (Lassar et al., 2000: 245-46).

SERVQUAL model is the measurement scale, which is focused on the difference between performance and expectation through the five-dimensional structure (tangibles, reliability responsiveness, assurance, and empathy,), targeted on the five Gaps affecting the delivery of quality service. The study focuses on the five gaps to assess the difference between Dashin bank customers' expectation and its performance. Thus the SERVQUAL measurement scale is focused on five dimensions including Tangibility, Reliability, Responsiveness, Assurance and Empathy

Tangibility

Parasuraman et al. (1985) defined tangibility as the appearance of physical facilities, equipment, personnel, and written materials. Ananth et al. (2011) referred to tangibility as modern looking equipment, physical facility, employees are well dressed and materials are visually appealing.

Reliability

Reliability depends on handling customers' services problems; performing services right the first time; provide services at the promised time and maintaining error-free record. Furthermore, stated reliability is the most important factor in conventional service (Parasuraman et al., 1988). Reliability also consists of accurate order fulfillment; accurate record; accurate quote; accurate in billing; accurate calculation of commissions; keep services promise. He also mentioned that reliability is the most important factor in banking services (Yang *et al.*, 2004).

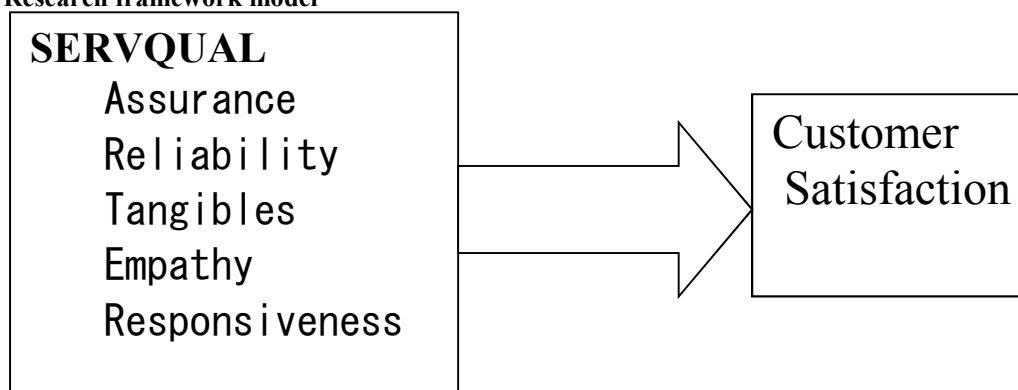
Responsiveness

Responsiveness defined as the willingness or readiness of employees to provide service. It involves timeliness of services (Parasuraman *et al.*, 1985). It is also involves understanding needs and wants of the customers, convenient operating hours, individual attention given by the staff, attention to problems and customers' safety in their transaction (Kumar *et al.*, 2009).

Empathy

Parasuraman et al. (1985) defined empathy as the caring and individual attention the firm provides its customers. It involves giving customers individual attention and employees who understand the needs of their customers and convenience business hours. Ananth et al. (2011) referred to empathy as giving individual attention; convenient operating hours; giving personal attention; best interest in heart and understand customers' specific needs.

Fig2.1 Research framework model



Source : Adopted from Parasuraman et al. (1985)

SERVQUAL is designed to measure service quality as perceived by the customer. Consumers in the focus groups discussed service quality in terms of the extent which service performance on the dimensions matched the level of performance that consumers thought a service should provide. A high quality service would perform at a level that matched the level that the consumer felt should be provided. The level of performance that a high quality service should provide was termed as consumer expectations. If performance was below expectations, consumers judged quality to be low. Parasuraman et al. (1985) basic model was that consumer perceptions of quality emerge from the gap between performance and expectations, as performance exceeds expectations, quality increases; and as performance decreases relative to expectations, quality decreases. Thus, performance-to-expectations "gaps" on attributes are used to evaluate the quality of a service from the theoretical foundation of SERVQUAL.

The SERVQUAL model concentrates on five gaps impairing the delivery of excellent service quality: this study focuses on gap 5: the difference between Dashed bank customers expectations and perceptions of service. Before intensive efforts can be successfully undertaken to level out service management problems that impede the delivery of truly excellent service quality, it is essential to know to what degree customer perceptions of existing service fail to meet expectations; this study focuses on that primary issue. There after it becomes important to know whether differences exist in management perceptions of customer expectations (Gap 1), a discrepancy in management perceptions and the service specifications that are enacted (Gap 2), etc. Thus this paper deals with gap 5 which focuses on the differences between consumer expectations and perceptions. This is the only gap that can be examined solely on the data from the consumer.

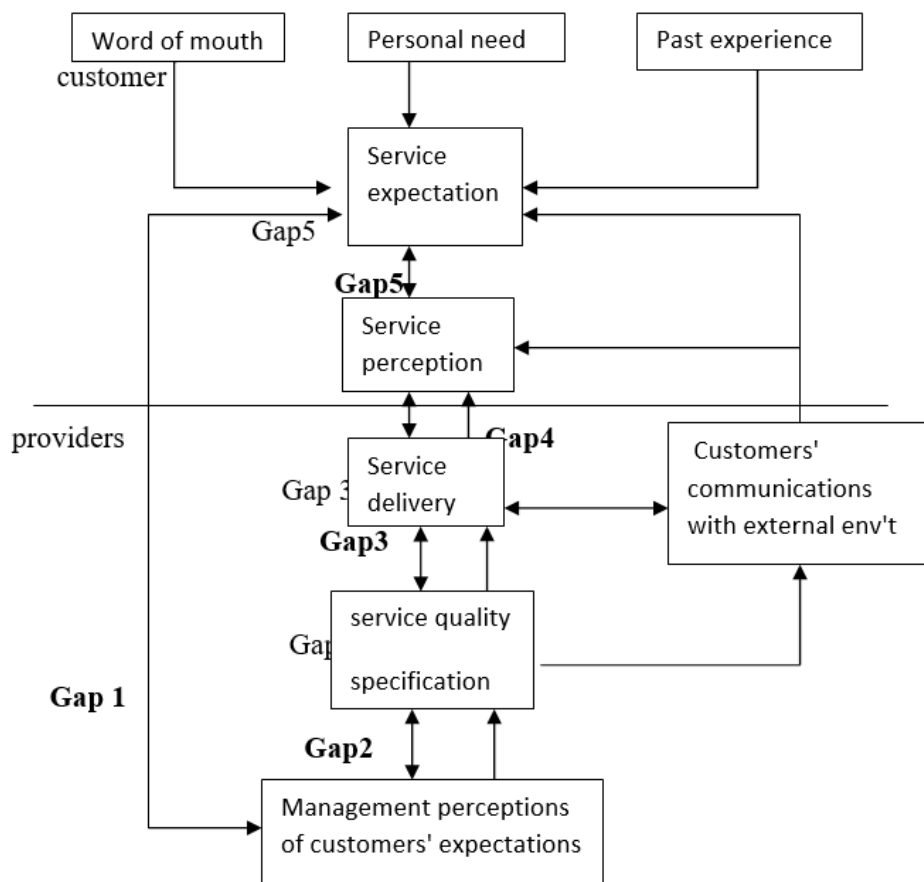


Figure 2.2 SERVQUAL Model / the Gap model

2.1 Service Quality

Service quality has been defined in services marketing literature as an overall assessment of service by the customers. Perceived service quality is believed to be resulting from comparison between customers' prior expectations about the service and their perceptions after actual experience of service performance (Asubonteng et al., 1996; Parasuraman et al., 1985).

Service quality has been defined by the practitioners in terms of key dimensions that customers use while evaluating the services (Lewis and Booms, 1983). Conceptualization of service quality should include both the service delivery process (Parasuraman et al., 1985) as well as the service outcomes (Lehtinen and Lehtinen, 1991). Gronroos (1984) offered a service quality model with dimensions of technical quality (what consumer gets), functional quality (how consumer gets the service) and corporate image (how consumers perceive the firm and its services).

Similarly, Lehtinen (1991) offered another model with three dimensions of service quality: physical, interactive and corporate. Physical quality is about the quality of physical products involved in service delivery and consumption. Interactive dimension refers to the interaction between the customers and the service organization employees. Corporate quality refers to the corporate image as perceived by the customers. The service quality literature has also highlighted that service quality can also be treated as a second order construct consisting of interaction, physical environment and outcome quality (Brady and Cronin, 2001).

Parasuraman *et al.* (1985) argue that service quality can be defined as the difference between predicted, or expected, service (customer expectations) and perceived service (customer perceptions). If expectations are greater

than performance, then perceived quality is less than satisfactory and a service quality gap materializes. This does not necessarily mean that the service is of low quality but rather that customer expectations have not been met hence customer dissatisfaction occurs and opportunities arise for better meeting customer expectations. Service quality is defined as a form of attitude that results from the comparison of expectations with perceptions of performance over time (Parasuraman et al, 1988).

Parasuraman, Berry and Zeithaml (1991) demonstrate perceived service quality as the customer based performance measure. Headley and Bowen (1997) inform that service quality is the difference between what customers' needs and what they certainly perceive as outcome. Service quality can be defined in the marketing literature as a post consumption assessment of services by customers. Holdford & Reinders (2001).

Perceived service quality is also seen in the customer's global point of view or judgment of the overall excellence or superiority of the service Ugboma, et al. (2004). According to Mostafa (2005), service quality has become a famous research topic because of its important relationship to costs, profitability, customer satisfaction, customer retention, service guarantees, and financial performance. The increasing competition and uncertain economic conditions have generated an increasing demand of expectation for quality services. In the same vein, a decreasing tolerance for poor service quality is observed (Hart et al, 1990).

Customer perceptions on the other hand are also influenced by the indirect influence of the service providers' organizational structure, philosophy and corporate culture (Heskett 1987). Customers' expectations are diverse and constantly evolving and are formed by their experience with the companies at the time of the service delivery (Davidow et al, 1989; Zeithaml et al 1990). However, the perceived quality is the discrepancy between the customers' expectations and their perceptions of the actual performance (Zeithaml et al, 1990). The measurement of services has to be based on perceived quality rather than objective quality because services are intangible, heterogeneous and their consumption and production occurs simultaneously (Brensing, 1993).

2.3 The Importance of Service Quality in Banking Services

Quality has become a significant concern for those in the service industry, specifically the banking industry. Although people primarily use banking to service satisfy their need to finance their money, other issue like employees approach, neatness, appearance, grooming, empathy, courteous etc. can also deeply influence customers' attitudes to the services provided by banks and their satisfaction with those services. Hence, Dashen bank customers can experience many service encounters with front-line employees, and this is called 'moment of truth'. Customers may judge or evaluate banks service quality through a comparison between their experiences and expectations.

2.4 Bank Service Quality

First, we perceive banks as service retailers. Although banks offer varying degrees of tangibility, banks predominantly sell services. It is the quality of service given to the customers that will differentiate the competitors, determine market share and ultimately profitability (Ayling 1991, Ott 1993). Second, the expectation a customer from a bank is mainly service related. Banks must surpass customers' expectation of timeliness, convenience and comfort (Ott, 1993).

Most of the literature suggests that customers look at service quality as a multidimensional variable, which is consistent with the Parasuraman's et al. (1988) conception of service quality popularly known as SERVQUAL. SERVQUAL measures service quality based on five dimensions namely reliability, assurance, tangibles, empathy, and responsiveness. The instrument is based on the premise that customers' assessments of overall service quality are determined by the "gap" between their level of expectations and their perceptions of actual performance. In general, service quality literature recognizes expectations as an instrumental influence in consumer evaluations of service quality (Parasuraman et al., 1985 as cited in Sultan & Simpson, 2000).

According to Atilgan et al. (2008), in most of the service settings customers may not received the level of service they expected before the actual service experience. The performance of the service falls either under customers' expectations or above expectation. When expectations are exceeded, service is perceived to be of high quality and also to be a surprise. When expectations are not met, service quality is deemed unacceptable. When expectations are confirmed by perceived service, quality is satisfactory. However, quality, which falls short of expectations, has a greater effect on customer satisfaction than quality which exceeds satisfaction (Zeithal and Bitner, 2000). The notion that service quality and customer satisfaction are distinctive variables has achieved some degree of consensus among researchers (Saha and Theingi, 2009). The construct of service quality is evaluated by the actual service performance in terms of particular service attributes in the specific context; whereas satisfaction is measured by the customers' overall service experiences. Customer satisfaction depends on a variety of factors, including perceived service quality, customers' mood, emotions, social interactions, and other experience-specific subjective factors (Rust and Oliver, 1994). According to Crompton and Love (1995), the two constructs are likely to be positively correlated, but unlikely to be linear.

Although researchers have generally agreed on the conceptions and distinctiveness of service quality and

satisfaction, their causal relationship is yet to be resolved including in the bank service consumption.

2.5 Customer Satisfaction

Wirtz & Bateson, 1999; Wirtz, Mattila, & Tan, 2000; Jun, Hyun, Gentry, & Song, 2001) defines customer satisfaction as a conceptualized consumer judgment incorporating cognitive and affective evaluations after their use or consumption experience. They also indicates that, the customer expectations, as an antecedent frequently proposed in marketing literature is analyzed with reference to consumer satisfaction and future behavior. An analysis of the expectation–satisfaction relationship first requires a review of the function of expectations in consumer satisfaction judgments (Oliver, 1997).

According to assimilation theory (Sherif & Hovland, 1961), consumers experience a psychological conflict if they perceive a discrepancy between their expectations and their perception of the consumption experience. Subsequently, consumers will adjust their perception to become more consistent with their expectations and minimize the psychological tension (Anderson, 1973). Consequently, post-consumption evaluations are a function of consumer expectations (Oliver, 1977, 1997; Pieters, Koelemeijer, & Roest, 1995).

In addition the nature of the expectation–satisfaction relationship may depend on several contextual and behavioral factors. So, user expectations may have different impact on the formation of satisfaction within particular contexts. Expectations may be more important when they are unambiguous (Nyer, 1996), the product performance is ambiguous (Yi, 1993; Oliver, 1997) and/or the consumer is well experienced (Soerdelund, 2002).

The most common interpretations obtained from various authors reflect the notion that satisfaction is a feeling which results from a process of evaluating what has been received against what was expected, including the purchase decision itself and the needs and wants associated with the purchase (Armstrong & Kotler, 1996). Bitner & Zeithaml (2003) stated that satisfaction is the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations.

According to Boselie, Hesselink, and Wiele (2002) satisfaction is a positive, affective state resulting from the appraisal of all aspects of a party's working relationship with another.

Investigating all these theories and providing an extensive review of the customer satisfaction is well beyond the scope of this study, instead this study defines customer satisfaction and relates it to repurchase and word-of-mouth (WOM) intentions. When customers praise the firm and express preference for the company over others, it means that they are likely to increase the volume of their purchases (Zeithaml et al., 1996). In the present study, repurchase intention refers to the Dashen Bank customers' plans to save and invest with Dashen Bank company in their next activities.

There is overwhelming evidence in both service quality and customer satisfaction literatures that repurchase intention is an outcome of service quality perceptions as well as satisfaction obtained from purchase episode (Carman, 1990; Singh, 1988; Smith et al., 1999; Zeithaml and Bitner, 2000). On the other hand, WOM also received considerable research attention. Kau and Loh (2006, p. 103) delineated WOM as "... the informal communication between consumers about the characteristics of a business or a product". Schiffman and Kanuk (2004) argued that WOM communications tend to be highly persuasive and extremely effective in nature; thus companies need to understand factors creating WOM intention and to invest heavily in creating a positive one.

Customer satisfaction has become a key intermediary objective in service operations due to the benefits it brings to organizations (Saha and Theingi, 2009). The importance of customer satisfaction is derived from the generally accepted philosophy that for a business to be successful and profitable, it must satisfy customers (Bitner and Hubbert, 1994). Previous research has demonstrated that satisfaction is strongly associated with re-purchase intentions (Cronin and Taylor, 1992; Fornell, 1992). Customer satisfaction also serves as an exit barrier, helping a firm to retain its customers (Fornell, 1992; Halstead and Page, 1992). Several studies have concluded that it costs more to gain a new customer than it does to retain an existing one. In addition, customer satisfaction also leads to favorable word-of-mouth publicity that provides valuable indirect advertising for an organization (Halstead and Page, 1992; Fornell, 1992).

In many industries, having satisfied customers also means that organization receives fewer complaints (Fornell, 1992), hence reducing costs in handling failures. Researchers also maintain that satisfied customers are willing to pay more for the benefits they receive and are more likely to be tolerant of an increase in price (Fornell, 1992). Bitner and Hubbert (1994) concluded that, through satisfying customers, organizations could improve profitability by expanding their business and gaining a higher market share as well as repeat and referral business.

2.6 The Relationship between Satisfaction and Service Quality

Sureshchandar et al. (2003) identified that strong relationships exist between service quality and customer satisfaction while emphasizing that these two are conceptually distinct constructs from the customers' point of view. Spreng and Mackoy (1996) also showed that service quality leads to customer satisfaction.

Customer satisfaction and service quality are inter-related. The higher the service quality, the higher is the customer satisfaction. Many agree that in the banking sector, there are no recognized standard scales to measure

the perceived quality of a bank service. Thus, competitive advantage through high quality service is an increasingly important weapon to survive.

Bitner and Hubbert (1994) determined that service encounter satisfaction was quite distinct from overall satisfaction and perceived quality. They concluded that the constructs exhibited independence. Customer satisfaction has also been operationalized as a multidimensional construct along the same dimensions that constitute service quality (Sureshchandar, Rajendran, and Anantharaman, 2002). Despite strong correlations between service quality and customer satisfaction in their study, the authors determined that the two constructs exhibited independence and concluded that they were in fact different constructs, at least from the customer's point of view.

Brady and Cronin (1992) had endeavored to clarify the specification and nature of the service quality and satisfaction constructs and found empirical support for the conceptualization that service quality was an antecedent of the super ordinate satisfaction construct. In addition, the authors found that explained a greater portion of the variance in consumers' purchase intentions than service quality. A reverse casual relationship has also been hypothesized between the two constructs. Rust and Oliver (1994) maintained that while quality was only one of many dimensions on which satisfaction was based, satisfaction was also one potential influence on future quality perceptions. Having all the above theoretical framework descriptions for working variables researchers developed the following hypothesis.

- H1. Assurance is positively related with customer satisfaction.
- H2. Reliability is positively related with customer satisfaction.
- H3. Tangibility is positively related with customer satisfaction.
- H4. Empathy is positively related with customer satisfaction.
- H5. Responsiveness is positively related with customer satisfaction.

The purpose of this paper is to measure the level of service quality on selected private banks found in Bahir Dar in relation with clients satisfaction. Whatever the reasons may be, once the customer is dissatisfied, it would be very difficult to gain their trust back. In this regard, these paper will identify and assess the root causes of the problem and provide ways to get the problem rectified.

3. Methodology

3.1 Description of the Study Area

The study was conducted in Bahir Dar district of private banks located at ,North west Ethiopia, west Gojjam Zone of Amhara Region which is found 564km far from Addis Ababa and capital city of Amhara region.

3.2 Research Design

To answer the problem statement and pertaining research objectives carefully, descriptive research design was conducted to collect detail description on the existing phenomena and draw conclusion for the observed facts. In answering the research objectives, this paper proposed an integrated conceptual framework for measuring customers' satisfaction as a perceived service. The SERVQUAL framework models and analyzes the customers gap between expected and perceived service with respective to private banks' service attributes as indicator of the perceived service quality and satisfaction. In this paper the five dimensions and their respective attributes of the model was expressed using a five point Likert scale in such a way: much worse than expected, worse than expected, equal to expected, better than expected and much better than expected. Five different scores were assigned: 1, 2, 3, 4, 5, to represent this five-point scale. Hence satisfied clients must have received perceptions equal to or more than expectations.

3.3 Sampling technique and sample size

The purpose of the paper was to investigate the effect of service quality on customer satisfaction in private banks Bahir Dar. In doing so, the researcher selected representative sample from the total population due to time, financial and management difficulties to address the whole population. Thus the sample for this study was selected from customers of selected private bank in Bahir Dar. Saving account customers were selected as a target group from the whole customers since they are regular customers and can better sense the bank service than others. Therefore all saving account customers are the total population of the study. The researcher preferred to use non probability sampling design which is convenience sampling technique. The justification behind using this sampling method is due to easily accessibility and availability of respondents, as well as less time consuming and inexpensiveness of the method to gather the required data. Through this method 395 customers were selected to fill the questionnaire.

3.4 Data sources and data Collection Instruments

Researchers used both primary and secondary data. Primary data were collected from the respondents of the study using survey questionnaire where as secondary data were collected from company records , industry trends,

journals ,books etc. Therefore the researchers used survey questionnaire to gather the relevant quantitative data from the target respondents.

3.5 Methods of Data Analysis

After collecting the relevant data the researcher edited, coded, classified and analyzed it using a descriptive method in the form of mean. A descriptive statistics, Pearson correlation is used over the Statistical Package for Social Science (SPSS) version 20 to analyze the five dimensions of the service quality and each respective attribute, in relation with customer satisfaction. The interpretation is made based on the result. finally conclusion and recommendation is made based on the information obtained from the result.

4. Result and Discussion

In this section of the project, the data collected from primary sources using survey questioner is analyzed and presented using linear regression analysis of a statistical package for social science (SPSS) simple and understandable manner. For simplicity and clarity purpose, both the results and discussions are presented side by side. As explained in the methodology part, questionnaire was distributed for saving account customers of selected private banks in the study area.

4.1 Data Sample Information

A total of 395 questionnaires were distributed at Dashin, Birhan international, Buna international and Nib international Banks of Bahir Dar district. Out of which 350 were returned, which were used as an input for analysis to present the findings and draw conclusion. Further the data analysis is performed to reach the findings.

Table 4.1 Distribution of Demographic Variables (N = 350)

No	Variable	Frequency	Percent
1	Gender		
	Female	149	42.6%
	Male	201	57.4%
	Total	350	100%
2	Age		
	Below 20 yrs	31	8.9%
	B/n 21-30yrs	184	52.6%
	B/n 31-40yrs	108	30.9%
	Above 40yrs	27	7.7%
	Total	350	100%
3	Educational level		
	Less than grade 12	14	4%
	Complete grade 12	37	10.6%
	Diploma and/or degree	199	56.9%
	Master and/or PhD	100	28.6%
	Total	350	100%

Source: Questionnaire analysis, 2007E.C.

Table 1 reveals the demographic information of the respondents. When we see the first demographic variable that is gender division of the respondents, majority of the respondents were males, i.e. 57.4% representing a bigger part of the sample group. However, 42.6% of the respondents were females.

Regarding the distribution of the second demographic variable which is age level of the respondents, most of the respondents are in between 21 and 30 which is 52.6% of the respondents followed by the range of 31 and 40, 30.9% the remaining are below 20 and above 40 which are 8.9% and 7.7% respectively.

The other demographic variable is an educational level of the respondents distributed as 56.9% are diploma and/or degree holder, 28.6% are master and/or PhD holders, 10.6% Completed grade 12 and 4% are below grade 12. Thus most of the respondents are in between diploma and PhD.

4.3 Analysis of Service Quality and Clients' Satisfaction Customer satisfaction:

Table 4.2 Satisfaction analysis (N=350)

	N	Mean
Tangibility	350	3.02
Reliability	350	2.52
Responsiveness	350	3.05
Assurance	350	2.50
Empathy	350	2.55
Valid N (listwise)	350	

Source: Questionnaire analysis may 2007 E.C binary logistic regression

Table 4.2 was aimed the first research question (**What is the level of customers satisfaction with the quality of service in Dashen bank?**). As stated above in the methodology part customers are said to be satisfied if they have mean score of equal to or greater than three in every variable unless otherwise they are dissatisfied. The researcher has been computed the mean value of independent variables/service quality dimensions (Tangibility, Reliability, Responsiveness, Assurance and Empathy). Thus table 4.2 shows that client are satisfied with tangibility and responsiveness attributes but they are dissatisfied with reliability, assurance and empathy attributes. Therefore customers are dissatisfied with most of the quality attributes.

4.4 Analysis of SERVQUAL Dimension:

Analysis of SERVQUAL Dimension is targeted on examining whether service quality attributes have significant relationship with satisfaction concerned with measuring the relationship between service quality dimensions and customer satisfaction.

1. Tangibility- Satisfaction analysis

Table 4.3 Tangibility- Satisfaction regression (N=350)

	B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1 ^a Tangibility	1.604	.272	34.863	1	.000	4.975
Constant	-1.952	.218	80.063	1	.000	.142

Source: questionnaire analysis may 2007E.C

As table 4.3 reveals tangibility and customer satisfaction has significant relationship with p- value of .000, the exponent of the coefficient (B/1.604) shows that tangibility and customer satisfaction have positive relationship that any change in equipment, physical facility, employees dressing style and visually appealing materials (Ananth et al. (2011)) will result a parallel change in satisfaction with similar direction. Thus a change in tangibility will result in 4.975 times change in customer satisfaction on the same direction.

2. Reliability - Satisfaction Analysis

Table 4. 4 Reliability- satisfaction regression (N=350)

	B	S.E.	Wald	Df	Sig.	Exp(B)
Step Reliability	1.792	.298	36.273	1	.000	6.000
1 ^a Constant	-2.197	.256	73.865	1	.000	.111

Source: questionnaire analysis may 2007E.C

Table 4.4 implies that reliability has significant influence on customer satisfaction with p- value 0.000. The coefficient of (B) 1.792 indicates that reliability and customer satisfaction have positive relationship. Any change in accuracy of service performance, order fulfillment, record, quote, billing, calculation of commissions and keep services promise has a parallel change in satisfaction. Therefore a change in reliability has a chance of 6 times change in customer satisfaction similar direction.

3. Responsiveness - Satisfaction Analysis

Table 4.5 Responsiveness. satisfaction Regression (N=350)

	B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1 ^a Responsiveness	1.729	.297	33.832	1	.000	5.634
Constant	-2.171	.256	71.902	1	.000	.114

Source questionnaire analysis may 2007E.C

Table 4.4 shows that responsiveness relates significantly with satisfaction at P- value of 0.000. On the other hand responsiveness and satisfaction have positive relationship as indicated by the value of coefficient (B) **1.729** on the table 4.5. A change in the servers understanding the needs and wants of clients, convenient operating hour, individualized attention to solve client's problem and safety(Parasuraman *et al.*, 1985) will change customers satisfaction. That is a change in responsiveness has a probability to cause 5.634 change in customers satisfaction.

4. Assurance -Satisfaction Analysis

Table 4.6 Assurance - Satisfaction Regression (N=350)

	B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1 ^a Assurance	2.419	.346	48.806	1	.000	11.233
Constant	-2.677	.312	73.774	1	.000	.069

Source Questionnaire analysis may 2007E.C

Table 4.6 portrays that assurance has significant effect on customer satisfaction as P- value .000. The coefficient (B) value **2.419** also shows that assurance and satisfaction have positive relationship which means every change in polite, friendly staff provision of financial advice, interior comfort, easiness of access to account information, knowledgeable and experienced management team (Parasuraman et al. (1985)) will cause change in customer satisfaction in the same direction. Which is every change in assurance will reveal 11.233 times change in customer satisfaction.

5. Empathy-Satisfaction Analysis

Table 4.7 Empathy -satisfaction regression (N=350)

	B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1 ^a Empathy	4.209	.603	48.759	1	.000	67.256
Constant	-4.111	.582	49.880	1	.000	.016

Source:Questionnaire analysis may 2007E.C

Table 4.7 shows that empathy affects customer satisfaction significantly with P-value 0.000. It also indicates that they have positive relationship as the coefficient (B) value is 4.209. A change employees' individual attention, convenient operating hours and giving personal attention for clients (Ananth et al. (2011)) will cause change in customer satisfaction. That means a change in empathy has the probability to result 67.26 times change in customer satisfaction.

Table 4.8 correlation matrix (N=350)

		Tangibility	Reliability	Responsiveness	Assurance	Empathy	Satisfaction
Tangibility	Pearson Correlation Sig. (2-tailed)						
Reliability	Pearson Correlation Sig. (2-tailed)	.543** .000					
Responsiveness	Pearson Correlation Sig. (2-tailed)	.558** .000	.565** .000				
Assurance	Pearson Correlation Sig. (2-tailed)	.560** .000	.651** .000	.640** .000			
Empathy	Pearson Correlation Sig. (2-tailed)	.477** .000	.466** .000	.525** .000	.700** .000		
Satisfaction	Pearson Correlation Sig. (2-tailed)	.331** .000	.344** .000	.331** .000	.426** .000	.582** .000	

Source: Questionnaire analysis on may 2007 E.C.(correlation is significant at 0.01level (2-tailed)

Correlation analysis

Table 4.8. reveals that there is significant relationship between each SERVQUAL dimension and the customer satisfaction with P-value of 0.01 which is less than 0.05. The value of R indicates the size/similarity of the relationship with in service quality dimensions and customer satisfaction. It lies between +1 and -1, the value of R near to +1 show that there is perfect relationship between two variables and R near -1 to shows that there is imperfect/ relationship between the variables. Thus the result of table 4.9 reveals that there is significant and positive relationship between service quality dimensions and customer satisfaction that is

- Tangibility - customer satisfaction.....(r=0.331, p=0.000)
- Reliability - customer satisfaction.....(r=0.344, p=0.000)
- Responsiveness - customer satisfaction.....(r=0.331, p=0.000)
- Assurance - customer satisfaction.....(r=0.426, p=0.000)
- Empathy - customer satisfaction.....(r=0.582, p=0.000)

Therefore empathy(r=0.582) and assurance(r=0.426) have perfect almost similar relationship with satisfaction whereas responsiveness(r=0.331), reliability(r=0.344) and tangibility(r=0.331) have medium relationship on satisfaction.

5. Conclusions and Recommendations

5.1 Conclusions

This study used SERVQUAL framework to model and analyze the clients' gap between expected and perceived service with respective to selected private banks service attributes as indicator of the perceived service quality and satisfaction. In this paper the five dimensions and their respective attributes of the model are expressed using a five point Likert scale in the following manner: much worse than expected, worse than expected, equal to expected, better than expected and much better than expected. Hence satisfied client must have received perceptions equal to or more than expectations and vice versa.

Satisfaction level of customers in private Banks was measured and it was found that clients were satisfied in equipment, physical facility, employees dressing style, visually appealing materials(tangibility), servers understanding towards the needs and wants of clients, convenient operating hour, individualized attention to solve client's problem and safety that the company has for its customers(responsiveness). On the other hand customers are dissatisfied with accuracy of service performance, order fulfillment, record, keep services promise, polite, friendly staff provision of financial advice, interior comfort, easiness of access to account information, knowledgeable, experienced management team, employees' individual attention, convenient operating hours and giving personal attention for clients that the company offer for its customers.

The relationship between the service quality dimensions and customer satisfaction was measured and positive relationship was found between tangibility, reliability, responsiveness, assurance, empathy and client satisfactions.

The degree/extent of service quality dimensions' influence on clients' satisfaction was measured and it is found that assurance and empathy have highest influence on customer satisfaction whereas reliability, responsiveness and tangibility have medium influence on customer satisfaction respectively.

Based on the regression analysis, empathy had strong significant relationship in explaining satisfaction on the total of service quality dimensions. This indicates that customers need the provision of caring and individualized attention. employee need to make customers feel comfort when dealing with them. They should also be polite and well trained to grab attentions of customers while approaching them. The regression result shows that Dashen Bank clients are dissatisfied with most existing service quality indicators of the company.

pearson's correlation showed that there is significant positive correlation between the five service quality dimensions and customer satisfaction at $p < 0.01$ level (2-tailed). It also reveals that empathy (0.582) is the great determinant of customer satisfaction in private Banks found in Bahir Dar followed by assurance (0.426), reliability(0.344), responsiveness(0.331) and tangibility(0.331).

5.2 Recommendation

Based on the finding and conclusion the researcher recommend the company as follows so as to improve service quality and boost its customer satisfaction.

- Customers are dissatisfied with the company's reliability, assurance and empathy of the quality dimensions. Thus the company managers should take quick action towards improving accuracy of service performance, order fulfillment, record, keep services promise, polite, friendly staff provision of financial advice, interior comfort, easiness of access to account information, knowledgeable, employees' individual attention, convenient operating hours and giving personal attention for the clients, so as to save the existing customers and attract the new comers.
- Because all dimensions of service quality are positively related with customer satisfaction, the company should focus on increasing this quality attributes so as to improve service quality and increase clients satisfaction.
- Empathy and assurance showed the highest influence on customer satisfaction in this study. Thus the manager should pay great attention on them.
- The core concept of empathy is employee-customer interaction to mean that as employee and customer interaction increase, customer satisfaction also increases. Therefore, the company is advised to focus on employee training program so that they can offer customized service for each client and assure long-term relationship with them.
- It is also important to evaluate the level of its service quality frequently which will allow the company to measure its effectiveness on quality provision of service in the eye of customer so as to determine their satisfaction level.

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