# ST. MARY'S UNIVERSITY

## *BUSINESS FUCULTY*

## *DEPARTMENT OF ACCOUNTING*

ASSESMENT OF SERVICE QUALITY AND CUSTOMERS SATISFACTION IN COMMERCIAL BANK OF ETHIOPIA:- CASE STUDY ARADA GHIORGIES BRANCH

BY

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JULY 2014

ADDIS ABABA, ETHIOPIA

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## CHAPTER ONE

**CHAOTER TWO**

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# ACRONYMS

ACSI = America Customer Satisfaction Index

ATM = Automatic Teller Machine

CBE = Commercial Bank of Ethiopia

CMT = Common Measurement Tool

CS = Customer Satisfaction

CSI = Customer Satisfaction Index

ECSI = European Customer Satisfaction Index

NBE = National Bank of Ethiopian

NGO = Non Government Organization

SERVQUAL = Service Quality

ZOT = Zone of Tolerance

Abstract

Now a days most companies are adopting almost the same kind of technology and other resources. the only option the organizations have in differentiating their from their competitors in highly dependent on the given service. In addition to that differentiating is very difficult in a service giving industry like hotel, hospital, bank and so on. The main objective of this study is to evaluate the service quality and customer satisfaction in case of CBE arada ghiorgies branch: the study discuss the key aspects of service quality and customer satisfaction. Even if the bank provides different service, the research addressed loan account, saving account, current account, foreign remittance and card banking that is given by the bank as apart of methodology for collecting this information descriptive sampling techniques was conducted. The questioners has been distributed to the selected group of customers, among 160 customer quaternaries only 112 were collected and out of 30 employees questioner only 26 were returned. Based on this finding the conclusion is reached and recommendation was made based on area that the bank provides its services to the customer.

# CHAPTER ONE

## 1 INTRODUCTION

Banks play an important function in the economy of any country. They are the main intermediaries between those with excess money (depositors) and those individuals and businesses with viable projects but requiring money for their investment (creditors). Banks have at least the following functions: lending money, depositing others' money, transferring money locally or globally and working as paying agent. Commercial bank of Arada Ghiorgis branch was established 07/11/65G.C giving banking service.

## 2 Background of the Study

Banking is one of the oldest professions in human history, it also flourished with civilizations. Since humans started using money bank services were in use throughout history. Modern banking as we know it today was established in Italy and Greece in the 15th century. Today, banks are one of the most important institutions for a modern economy to work in any country (Gedey, 1990).

A broader definition of a bank is any financial institution that receives, collects, transfers, pays, exchanges, lends, invests, or safeguards money for its customers. This broader definition includes many other financial institutions that are not usually thought of as banks but which nevertheless provide one or more of these broadly defined banking services. These institutions include finance companies, investment companies, investment banks, insurance companies, pension funds, security brokers and dealers, mortgage companies, and real estate investment trusts (Encarta, 2009).

Banks play a very important role in the economic development of every nation. They have control over a large part of the supply of money circulation. Banks are the main stimulus of the economic progress of a country. The financial sectors contribution to growth lies in the central role it plays in mobilizing savings and allocating these resources efficiently to the most productive uses and investments in the real sector .

CBE has been playing a conspicuous role in economic development of the country for 68 year presence in all directions of the country. Despite the flourishing of private commercial banks, the CBE has remained in the lead in terms of assets, deposits, capital, and customer base and branch network.

## 2. Statement of the Problem

Even though, the Ethiopian financial institutions have a far reaching history, the use of money and coins in Ethiopia has a long history, and the introduction of modern banking is nearly a century old. Despite the long history, which precedes the advent of modern banking throughout most of Africa, the Ethiopian financial system has not progressed that much as one expects and the problems that commercial banks face in Ethiopia are many.

The Ethiopian economy has yet untapped large potential for commercial banking and private Banks in Ethiopia are in their infant stage. They are less in number and scope; however they are playing a decisive role in the Ethiopian economy at the same time challenges exist in their operations.

Since Ethiopia is a country which has no capital or stock markets more than 90 percent financial saving is done by banks. The National Bank of Ethiopia also raised the saving interest rate from 4 percent to 5 percent. (Biritu, 2011) and yet this is less than the rate of inflation , and these problems call for extensive research that aims at assessing the impacts of low level of saving rate which is lower than the rate of inflation on in banking sector .

But when we see the level of their development, the development of the financial sector was constrained by the government takeover of the existing private banks in 1975. In the period of a shift from a mixed to a state managed economy, the development of the financial sector was stunted. Although the financial sector of Ethiopia has grown in the 1990's, compared to its state during the preceding decades, it is still in its infancy (Ayalew, 2009).

Some of the problems for both qulity of serustomer satisfaction , use of weak like unstable internet and network connections, lack of trained manpower, the non - performing loans they carry, the dominance of the state owned banks in the market, sometimes the government uses them to implement its vice an cucrisis so on. The reason for the researcher to conduct this study

is the high level of problems related to commercial bank service quality and customer satisfaction in Arada Ghiorgis Branch

This research answers to the following questions:

- How the customer get satisfaction from the service?
- What are the factors that affect service quality & customer satisfaction?
- How employees treat their customers?

## .3.2. Specific Objectives

In order to achieve the general objective mentioned above, the following specific objectives have been set:

- To assess customer satisfaction level
- To identify factors that affect service quality.
- To assess the treatment of employees to their customers.

## 4. Significance of the Study

This study majorly focuses on the quality service on customer satisfaction the case of Commercial bank of Ethiopia Arada Ghiorgis Branch. As a result the findings of this study will be used:-

- By the bank management body to enhance quality of service
- Besides, it may also necessitate farther study on related issues.
- Academically, it were be a compliment on the existing knowledge of banking and customer satisfaction in commercial bank of Ethiopia

## 5. Scope/Delimitation/ of the Study

This study was focus conceptually or quality of service and customer satisfaction in Arada Ghiorgis branch of CBE. Specifically, saving account, credit facility (loan account), current account, foreign remittance, trade service internet banking and card banking services were being the area of interest. Accordingly the quality of these services and satisfaction of service user were being scencronaized. Quality of service specifically assessed from Intangibility, Perishable, Inseparability and Variability dimensions. Whereas customer satisfaction are measured using variables: Customer expectation, service standard and survive provision within the for maintained quality dimension.

## 6. Limitation of the Assessment

In preparing this study I may face some obstacles that make me not to do much more than what I have done. These limitations may arise from two sides that are limitations arise from the researcher and limitations arise from organizations. To start up from the organizational level the company employees can resist me to give some data to catch secrets of their organization hence the topic is related to banking industry which is competitive. More over the employee of the organization are busy enough so can't able to make interview and formal discusde of respondasion about the company as much as needed.

On other we have some personal problems in doing the research for instance because of money constraints I can't able to catch data from head office and other linked branches so that the sample group will be much more broaden. In addition to financial problem the researcher face time constraint that makes hard So to undertake detailed and wide study with respect to the case.

Other factors are
- Shortage of time as the side of respondants was a serious limitation of this study
- Lack of up-to-date literature in the area
- Lack of adequate recording system.
- The respondants was not interested to fill and return the quationary

Despite the limitations the researcher faces the above stated problems the study has been conducted by using the second alternative possible, while maintain the quality of research kept good.

## 7. Research Deign and Methodology

### 1.7.1. Research Design

One of the objectives of this research is describing the general feature of service quality and customer satisfaction in CBE. For this reason the researcher was use descriptive type of research. The objective of descriptive research is "to portray an acurate profile of persons events or situation" .

### Sample Size

The populations of this study are the customers using the bank and employees of the CBE Arada Ghiorgis branch. Hence it's impossible to address all of the population because of time and cost constraint, its necessary to build sample group that represent the population. Accordingly researcher has used judgmental sampling that represents the population because judgmental Sampling enables the researcher to pick out respondent that have close information and knowhow with regard to service delivery. By way of selecting sample group respondents is selected from the organizations which have different level of experience, understanding and position. Based on these, 160 questionnaires were distributed to employees and customers. The study were incorporated 130 samfple respondents from customers, from these, 35 of the customers are government customers, 32 of respondent were trader customers, 38 of respondent were NGO customers and 25 of respondent were other types of customers.

### 1.7.3. Data collection method

The study has used both qualitative and quantitative data as well as primary and secondary data in gathering data for analysis

**1. Primary data source**: It was being the main type of data collection source. The researcher interviewed and distributed questioner to staffs customers. Observation also the other sources of data to collect the necessary information from the area.

**2. Secondary data source:** this data included sources like books, literatures related with the topic and also some web pages that are associated with the study.

1.7.4 Data collection methods

Questionary the researcher use both open ended and close ended methods

**1.7.5 Method of data analyses and Presentation**

The data collected from primary and secondary sources first assessed for their quality, reliability and accuracy using bench marks selected. After the researcher satisfied him selves on the quality of data collected the data will be tabulated, arranged and analyzed. Accordingly strength noticed appreciated, weakness discovered commented, and opportunities seen directed.

Based on the fining on discussion of the problems discovered the researcher will make and point out possible suggestion and recommendations

## 8. Organization of the Study

The study was incorporated four major chapters. The first chapter dealt with background of the study and company, Statement of the problem, objective, significance, delimitation, methodology, and organization of the chapters. The second chapter discussed the different literatures written on the subject matter. The third tried to present major analysis and interpretation of the data. Finally, the paper drew the conclusion and recommendation of the study that relay on finding analysis and interpretation.

# CHAPTER TWO

## 2. LITERATURE REVIEW

This chapter presents an overview and critical analysis of relevant literature on the topic. It covers customer satisfaction concepts, theories and models, service quality concepts and models and customer behavioral intentions referral concepts and models.

## 2.1 Definitions of Service

Different scholars define service and its feature in different ways some of these are:

**Services:** are deeds, performances and processes provided or coproduced by one entity or person for and with another entity or person (Zeithaml , 2009).

- Service includes core service, products and product-service bundles provided a more inclusive definition of service with the derived service perspective, suggesting that all products and physical goods are valued for the inherent service (value derived) they provide not the goods itself. Services differ from product due to their intangibility, heterogeneity, simultaneous production and consumption and perish ability (Zeithaml , 2009), (Vargo and Lusch, 2004).

- It should precisely distinguish them on the basis of their attributes a good is a tangible physical object or product that can be created and transferred; it has existence over time and thus can be created and used later. A service is intangible and perishable. It is an occurrence or process that is created and used simultaneously while the customer can't retain. (Earl ,Poul , and Daryl WyCkoff, 1978).

But, majority of them are agreed that service is a serious of activities of more or less intangible nature that normally but not necessarily take place in interaction between customers and service employees and, or physical resource or goods and, or system of the service provider which are provided as solution to customer problems "most authorities consider the services sector to include all economic activities whose output is not physical product or construction is generally consumed at the time it is produced and provides added value in the form of continence, amusement, timelines, comfort which are basically intangible concerns of its purchaser."(James Brain. Quinn, Jordan . Bruch, Penny, Cushma1987**).**

## 2.2. Service Quality

Service quality is made during the service delivery process. Each customer contact is referred to as a moment of truth, an opportunity to satisfy or dissatisfy the customer. Customer satisfaction with a service can be defined by comparing perception of service perceived with expectations of service desired. When expectations are exceeded, service is perceived to be of expectations are confirmed by perceived service, quality is satisfactory (Powell, 1995).

## 2.3. Definition of Customer Satisfaction

Several definitions have been offered for customer satisfaction over the past three decades. (Anderson, (1994) suggested two definitions of customer satisfaction, in accordance with the two broad classes of customer experiences identified by the literature - transaction specific experiences and cumulative experiences (Mittal , 1999 cited in Zeithaml , 2009).

With a transaction-specific experience, customer satisfaction is defined as the post-choice evaluative judgment of a specific purchase occasion. Whereas a cumulative experience, customer satisfaction is determined as a result of a customer's evaluation of his or her total purchase and consumption experience over time. Oliver (1997) cited in (Zeithaml , 2009) defined satisfaction as

> *"...the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption relatedfulfillment".*

It is the ability of the service or product to meet the customer's needs and expectations in their CSI model defined customer satisfaction as a function of customer expectations, perceived quality, and perceived value Fornell, (1996).

## 2.4  Satisfaction and Quality

Customer satisfaction is the outcome felt by buyers who have experienced a company performance that has fulfilled expectations are met and delighted when their expectations are exceeded "recently, discussion arose regarding whether satisfaction leads to quality or, whether quality results in satisfaction. Many authors posit very clearly that service quality is as antecedent of satisfaction. So, the satisfaction judgment is base on service quality. Others conclude that the two concepts resemble each other quiet closely. Service quality is the key

driver of usage rates and customer retention. Superior service quality leads to more favorable behavioral intentions by customer to stay/remain which results in ongoing revenues increased spending and referred customers. On the on the other hand, inferior services quality will lead to unfavorable behavioral intentions by customers leading to deceased spending, lost customers and additional costs to attract new customers (Kottler,1998).

## 2.5. Models and Theories of Customer Satisfaction

**The principal models for services quality**

The debate about service quality, which dates back to the late seventies, has resulted in a large body of research representing a multiplicity of approaches.

The concept of service quality was proposed by the Nordic school in the nineteen eighties (Gummesson, 1979, Gronross, 1982) and picked up in North America (Parasuraman, Zeithaml, Berry, 1985; Berry, Parasuraman, Zeithaml, 1988). Based on customer perceptions, the concept of service quality took on the role of a *tout court* paradigm. The idea of quality involving a customer satisfaction formula, spread from services to manufacturing and even to relationships between governmental services and the citizen. From this initial background a number of modelsfor quality in services were developed by academics and consultants. A model is in this sense a logical construct used in an effort to interpret and predict a real phenomenon (Simon, 1957) by breaking it down into a small number of variables that make it possible to simplify, unravel and dismantle the phenomenon so its component parts are visible for examination (Baccarani, 2010).

**Quality**: is defined as "degree and direction of discrepancy between customers' service perception and expectations" (Parasuraman, Zeithaml, Berry, 1985).

The first service quality analysis model was produced in the eighties being the *total perceived quality model,* based on the individual's perception of the quality of a service. The customer compares his expectations with his experience of the service, i.e. technical quality (that obtained by the user) and functional quality (how the service is provided), perceived through the filter of the company's image. (Gronross, 1983; Gronross, 1984)

This was followed by the *Gap Analysis Model,* developed from exploratory investigations conducted by the North American scholars Parasuraman, Zeithaml and Berry (1985), starting out

from the supposition that the quality of a service is expressed according to a disconfirmation paradigm (Oliver, 1980; Churchill, Surprenant, 1982), that is to say the discrepancy between the customer's expectation and the customer's perception of the service.

### 2.5.1Customer Satisfaction Model

Zeithaml , (2009) suggested a customer satisfaction model. This model has five factors that drive customer satisfaction; they are service quality (SERVQUAL), product quality, and price, situational and personal factors (such as emotions and moods).

The concept of product quality is similar to other models presented above. Personal factors such as customer emotions affect satisfaction either in a positive or negative way advised businesses to view customer emotions as a major differentiation factor contributing to customer satisfaction, especially where customers are actively involved in the service delivery (et al, 1995; Gremler , 2006; Liljander and Strandvik, 1997), Shaw and Ivenple, Price s (2002).

### 2.5.2 The Gap Analysis Model

Suggests a number of certain key factors (word of mouth communication, personal needs, past experience and external communications) which influence customer expectations, Identifies the determinants of service quality (reliability, response capacity, competence, accessibility, courtesy, communication, credibility, security, understanding the customer and tangible aspects), which are evaluated by the customer, Identifies failings in quality perceived by the customer and the service provider's internal gaps, to find an approach capable of removing or at least reducing these failings. On the basis of these models, the nineties saw the development of the synthetic model of perceived *service quality* (Brogowicz, Delene, Lyth, 1990).

According to which perceived quality derives from the total service quality gap, i.e. the technical quality gap and the functional quality gap, each of which is strictly connected to the respective quality expectations.

The *4 Q model of offering quality* (Gummesson, 1993) considers both goods and services. This model compares customer expectations, experiences and company's image and brand to customer perceived quality. Perceived quality has two sources: design quality and production and delivery quality. The results of production and delivery quality are relational quality and technical quality.

The Gap Analysis Model is in its turn revisited and extended to embrace seven gaps (of knowledge, of standards, of delivery, of internal communications, of perception, of interpretation and of service), each of which can occur at any moment or stage in service planning and performance (Lovelock, 1994).

If all of the models considered up to this point are characterized by their static nature, in (1993 Gronross) highlighted the need to construct dynamic models to be able to come to a real understanding of perceived service quality and, thanks also to the work of (Gummesson 1987; 1993), the approach which emerges is that of *relational quality analysis,* by which the service company sets out to create value for the customer by collaborating with the customer himself.

An early relational quality modelcarried out an analysis of the interactions in actions and episodes between Service Company and customers By way of a comparative parameter, the customer compares company performance over a series of episodes to determine the relational quality (Liljander, Strandvik, 1995).

Following these studies, a relational grid was drawn up that also shows the sequences (Holmlund, 1997) involved in the formation of the relationship itself. Communication plays a particularly important role in this regard, not so much as a unilateral tool but rather as interaction and dialogue between link together to solve any problems provider and customer Ballantyne (1999-2000).This communication is based on the participation of both parties Bohm (1996), and on their desire to establish and maintain reciprocal understanding Dichter (1996) and to that arise (Gronross, 2007).

Finding that customer expectations of the service may change over time Reeves and Bandar (1994) construct a *dynamic expectations model,* which broke down expectations into indefinite, explicit and implicit expectations (Ojasalo, 1999). The service company must always satisfy implicit expectations and understand the indefinite expectations so that they can be made to emerge as explicit expectations. The provider of the service can then be sure of having performed a service that satisfies the customer, also by transforming explicit but unrealistic expectations into realistic expectations. For their part, over time the customers learn to carry out the same conversions (dynamic non intentional effect). Where the changing expectations are not satisfied, there is on the one hand a failure of the service provision and on the other hand the

customer may switch to another provider who will satisfy his expectations (Nyquist, Bitner, Booms, 1985)

### 2.5.3 The Gaps model of service quality

Identified five service quality gaps that lead to poor quality of services delivered by an organization the model suggests that service quality is the difference between customers' expectations and customer perceptions of the actual service delivery, referring to this difference as gaps - an obstacle to achieving quality (Zeithaml , 1985).

**Gap 1** - The Listening Gap: difference between customer expectations and company perception of customers' expectations

**Gap 2 -** The Service Design and Standards Gap: difference between the company perception of customers' expectations and the customer-driven service designs and standards

**Gap 3 -** The Performance Gap: difference between customer-driven service designs and standards and the service delivery

**Gap 4 -** The Communication Gap: difference between the service delivery and the external communication to customers

**Gap 5 -** The Customer Gap: the difference between customer's expectations and perceptions of services provided by an organization.

The first four are known as the provider's gaps which give rise to the customer gap (5). To close the customer gap, providers must first close the first four gaps in the order presented above. The understanding of this will enable service businesses to deliver a consistent level of service that meets or exceeds customer expectation leading to customer repeat business and profitability.

Researchers (Dabholkar , 2000; Gronroose, 1990; Teas, 1993) have raised concerns about the definition and measurement of expectation in the gaps model. They stated that while customer perceptions can be defined and measured in a straightforward fashion - as customer's experience the service, expectations on the other hand is subject to different definitions and interpretations by different authors. The meaning of perceived service is similar to the ones offered above. (Zeithaml 2009,) described customer perceptions as "...subjective assessment of actual service

experience". Customer expectation will be discussed further as the *models* above did not offer enough explanation

**Fig. 2.1: A conceptual service quality framework model**

**SERVICE DELIVERY PROCESS**

Past service
experience

Client

Expectations

Importance

$\frac{1}{r}$

Level of
satisfaction

Service
provider

Perception of experience

Delivery
of service

Priorities for improvement

V

t

Source: Authors' elaboration on various models
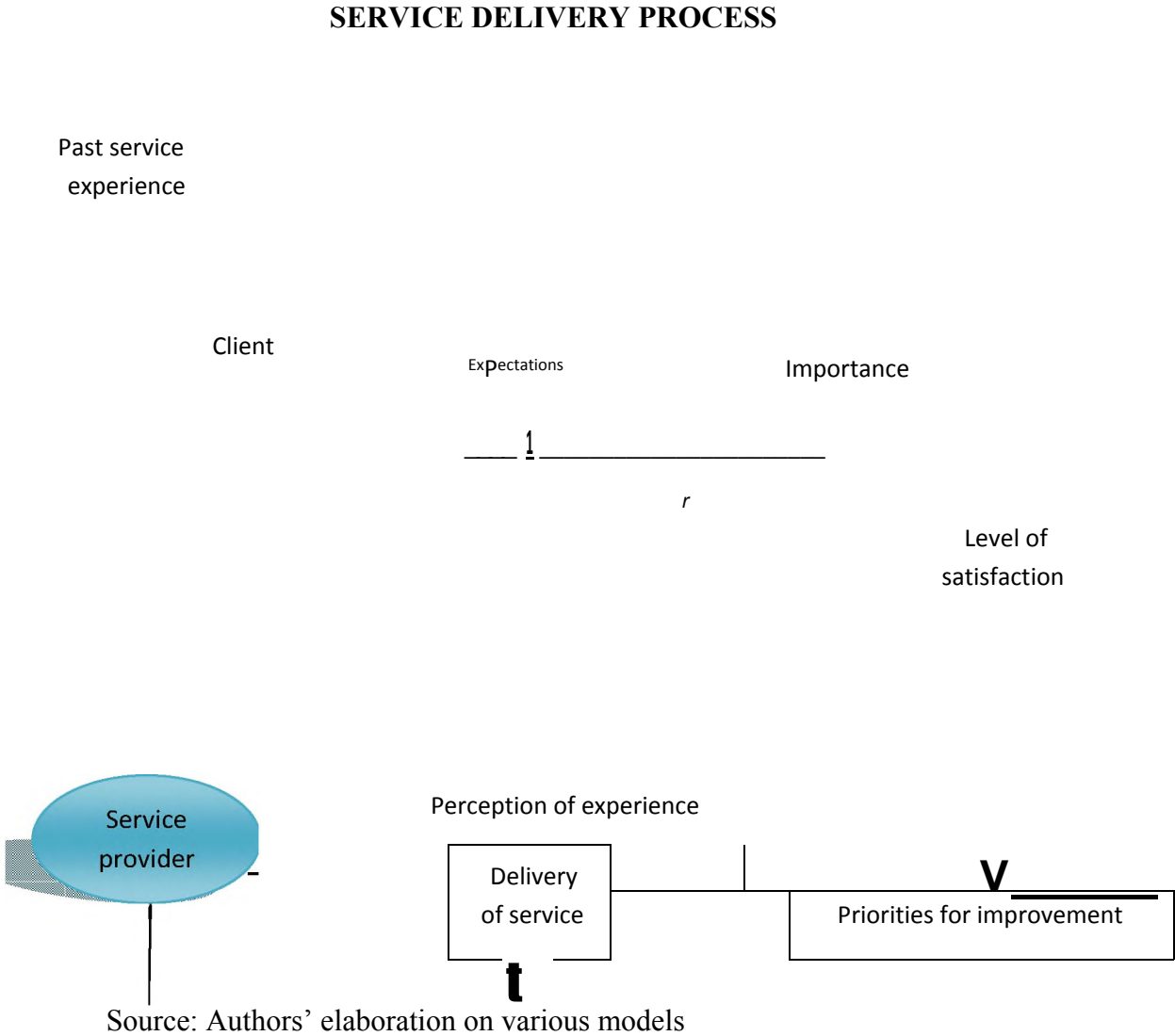
**Client Expectations**

When clients approach a service provider on either a voluntary or involuntary basis they do so with a variety of expectations that originate from many sources. A service gap is defined as the disparity between a client's expectations of a service and their perception of the service

experience. It is logical to infer that the existence of a negative service gap (i.e. when expectations exceed actual service delivery levels) leads to a less than satisfactory service experience. Conversely, when expectations are lower than the level of service delivery, a satisfactory service experience is realized. Thus, understanding the client expectations at the onset of the service experience is crucial to addressing service satisfaction.

Zeithaml's model of Customer Assessment of Service Quality identifies four key factors affecting a customer's (client's) expectations that are important for an organization to consider in relation to service quality: word of mouth, personal needs, past experience, and external communications by the service provider. For example, recent work on the creation and communication of service standards by many public organizations will likely influence expectations to a great degree. A thorough understanding of the expectations that clients bring to the service experience will provide an organization with vital information to plan for either managing expectations or targeting areas of improvement.

**Perceptions of Experience: The Service Gap**

It is important for the service provider to understand client perceptions of the experience in order to identify potential areas of improvement. For example, the client views the service staff as being unhelpful because they redirect them to another counter. The service staffs perceive this response as helpful since the client has been redirected to the appropriate service personnel. On one level, the problem in this situation is a difference in perception of the same service experience. On another level, the problem may be with the actual service delivery. By identifying client perceptions, the problem may be addressed by the service agency. The organization may choose to clarify points of contact through communications or they may redesign their service delivery process to decrease the number of contact through communications or they may redesign their service delivery process to decrease the number of contacts required by the client in order to receive the service needed. The disparity between client expectations and the perceived experience will result in what Zeithaml .have described as a service gap. Service gaps are directly related to the level of satisfaction experienced by a client.

**Level of Importance**

The perceived importance of a service (or its elements) is an essential service variable on two levels: as an antecedent of satisfaction and for planning purposes. As an antecedent of

satisfaction, the client brings the level of importance to the service experience. As the client experiences service delivery, levels of importance that ultimately results in a level of satisfaction filter his or her perceptions of the experience. Frequency of use is also considered to be a factor that influences the level of importance. The following example may illustrate this logic.

A client visits a hospital to have a minor procedure conducted. The experience is perceived as negative by the client due to the following factors: excessive wait time cold impersonal staff, numerous forms to fill out that are redundant and confusing, and a medical procedure which, by nature, is unpleasant. The client will never have to use this service again and sees this experience as negative but unimportant. The satisfaction level is rated as "poor" and the client is relieved the experience will never need to be repeated. Conversely, a client is rushed to the hospital with an unexpected medical problem and finds all of the above variables to be the same except that the level of importance and frequency differ. The client's condition is serious and time is of the essence. The client, after having this negative experience, is informed that she/he will require a similar procedure at the same facility every six months for the rest of her/his life. The client rates the satisfaction level as "extremely poor" and she/he dreads the prospect of reusing the service. Service variables recognized by the client in this example (timeliness, service staff Interactions and communication) were perceived as negative, but the level o Importance can be isolated as specifically exacerbating the poor service satisfaction rating.

**Level of Satisfaction**

Clients react to a combination of their expectations: the importance of the service to them, and the actual service experience, resulting in an internalized response or Perception. Satisfaction levels are a result of this perception and an internalized Assessment process. Perception is an initial response and satisfaction is a judgment of that response in relation to one's needs.

**Priorities for Improvement**

Measurement of service quality must go beyond exploring satisfaction levels in order to
Be useful for planning purposes. Information on how important the overall service and
Individual service items are to the client will promote well-informed planning decisions. Cross-analysis of satisfaction and importance variables will identify priorities for improvements and thus promote efficient allocation of resources .However, frequently when clients are asked to stipulate levels of importance they indicate that all or most service elements are important which

is unmanageable for planning purposes. By requesting that clients select the top three (approximately) service priorities, a manageable portfolio can be provided for planning purposes .Customer satisfaction refers to how satisfied customers are with the products or services they receive from your agency. This satisfaction is determined by the quality and type of customer experience and by their expectations. Regardless of the type of public service provided, there are some common 'drivers' that influence levels of customer satisfaction. Drivers are those elements of service that account for a large proportion of satisfaction. Not only it is possible to measure these and other drivers, but also such measurements can be instrumental in assessing and improving overall levels of satisfaction. There are a number of drivers that influence customer satisfaction, but some researchers have identified the following eight drivers as being of key importance for customers. These are: overall satisfaction, accessibility, timeliness, information, outcome, knowledge, extra mile/courtesy and fairness which are measured by the eight core questions of common measurement tool (CMT).We all know customer satisfaction is essential to the survival of our businesses. How do we find out whether our customers are satisfied? The best way to find out whether your customers are satisfied is to ask them. When you conduct a customer satisfaction survey, what you ask the customers is important. How, when, and how often you ask these questions are also important. However, the most important thing about conducting a customer satisfaction survey is what you do with their answers.

### 2.5.4 SERVQUAL Scale of Measuring Service Quality

The SERVQUAL model was developed by Zeithaml (1988) to measures the quality of service on five identified quality dimension. This scale is designed to measure the difference between customers' expectations and perception (gap 5) on a 22-item scale, representing five service quality dimensions, explained below.

**Reliability:** how well can the company deliver on its promises dependably and accurately?

**Assurance:** knowledgeable and courtesy of employees and their ability to inspire trust and confidence

**Responsiveness:** willingness to help customers and provides prompt service

**Empathy:** caring, individualized attention the firm provides its customers

**Tangibles:** appearance of physical facility, equipment and staff

Brady and Cronin (2001) classified service dimensions into: interaction (attitude, behavior and expertise), physical environment (ambient, design and social factors) and outcome quality (waiting time, tangible and valence).

The model is can be referred to as a diagnostic tool for identifying broad areas of a company's service quality strengths and weaknesses (Tan and Pawitra, 2001).Some of benefits of the SERVQUAL methodology are summarized below. It gives customers the opportunity to offer their views regarding service encounters. It enables management to look at the perceptions from both business and customers' perspective. By closing the gaps, businesses can use the information generated to formulate strategies to ensure customer expectations are fulfilled on a consisted basis (Tan and Pawitra, 2001).

According to (Tan and Pawitra 2001), SERVQUAL is limited as it addresses only continuous improvement in a fast moving world where continuous improvement alone may not ensure business success unless blended with service and product innovation. (Shen , (2000) emphasis the need for innovation as the key to becoming competitive in the global economy (Brito , (2007) also suggested that the use of dimensions unlike the attribute they are limited in giving "...specific guidance on where to act in the design or improvement of service operation".

### 2.5.5  SERVPERF Scale/ performance only" model

The SERVPERF scale, also known as "performance only" model, was developed by Cronin and Taylor (1992) to address the issue with the measurability and definition challenges of the SERVQUAL scale (as explained above) by eliminating the expectation construct of the SERVQUAL scale and using only performance. It assumes that respondents providing their ratings have already unconsciously compared performance perceptions with expectations and measuring expectation again is redundancy. Evidence was gathered across four industries (fast food, banks, pest control, and dry cleaning) to support the model. Although the SERVQUAL has enjoyed wide application across different industries and countries than this model, studies (Brady , 2002; Babakus and Boller, 1992) have suggested that the SERVPERF scale showed superior results when applied in conjunction with the SERVQUAL scale through the use of its single-item scale. On the other hand, research conducted by (Quester and Romaniuk 1997) suggested that the

SERVQUAL is a better predictor of service quality than SERVPERF. (Carrillat , 2007) in their bid to end the years long debate between the two models, suggested that both model are adequate and equally valid predictors of overall service quality with the use of meta-analysis. This can be viewed as the final stopper (hopefully) to more than a decade long debate.

It must however be emphasized that the two models are more complementary than competing and that the key is adopting a particular model to the business needs. This study would adopt the SERVQUAL methodology because of it wide usage. This would enable the researcher to compare the results of this study to other researchers.

## 2.6. Classification of Services

Classified products into three categories using the works of economists;

**Search qualities:** attributes that consumers can determine before purchasing the product. Search qualities include color, style, price, fit, feel, hardness and smell. Example of products is clothing, automobile, furniture and jeweler.

**Experience qualities:** attributes that can be determined only after purchase or during consumption. Examples include taste and wear ability and examples include vacation packages and restaurant services.

**Credence qualities:** attributes that consumer may find very difficult to evaluate (mainly due to insufficient technical knowledge) even after purchase and consumption. Examples include wheel alignment (auto repair), medical operation, etc (Zeithaml, 2009).

## 2.7. Customer Satisfaction (CS)

Customer satisfaction emerged as a distinct area of inquiry in the 1970s (Churchill &Surprenant, 1982), and companies both big and small have realized the strategic benefits of service quality and customer satisfaction as competition become more intense and global. The achievement of customer satisfaction has become a good business practice that businesses strive to achieve.

## 2.8. Customer satisfaction

Customer satisfaction in general is the outcome of the evaluation the customer makes of any specific transaction or experience. But quality is more generally conceptualized as an attitude,

the customer's global evaluation of service offering. Quality is built up from a series of evaluated experiences and, hence, is much less dynamic than satisfaction. More importantly perhaps, quality is generally viewed as an attribute in consumer's choice process (Kottler, 1998).

### 2.8.1. Why is Customer Satisfaction Important to Businesses?

Customer satisfaction helps companies in many ways, some of which include: Customer satisfaction information helps companies to evaluate their ability in meeting customers' needs and expectations effectively (Zeithaml, 2009).

It also helps companies to analyses the performance of an offering to customers in order to identify areas for improvements as well as what areas customers consider to be very important to them (Zeithaml, 2009).

Companies can predict customer retention and loyalty as well as organizational profitability through satisfaction surveys. Research has suggested that customer satisfaction leads to company profitability (Bei&Chiao, 2001; Heskett, 1997). Studies have shown a positive correlation between customer satisfaction and customer retention and loyalty (Zeithaml., 1996; Heskett, 1997). Reichheld (1990) asserted that customer satisfaction accounted for about 40% of customer retention. In the automotive service industry, customers who are satisfied with a dealer might buy multiple vehicles as their income and status increase (especially high value vehicles) and also keep going back to that dealer for every service throughout their lifetime.

Customers who are satisfied with a company's offering may tell others about it - positive word-of-moth, just as dissatisfied customer also bad mouth the company to other. Suggested that dissatisfied customers tell on average ten people about the company as against people by satisfied customer also asserted that it cost five times to attract a new customer than to maintain a current customer Therefore it is imperative for service businesses to satisfied customer on a consisted basis (Goodman, 2009).

### 2.8.2. Determinants of Customer Satisfaction

Several studies have identified the factors that influence customer satisfaction over the years These factors are mostly similar in what aspect of customer satisfaction they are measuring; some of them include customer's expectation, perceived service quality, product quality,

perceived value, price, among others. Some of these studies will be looked at in detail, examining their merits and demerits (Fornell., 1996; Yu et al 2005; Zeithaml ,2009)

### 2.8.3 Determinants of CS using CS indexes

Fornell ,(1996) developed the American Customer Satisfaction Index (ACSI) based on the Swedish Customer Barometer. The ACSI is an economic indicator based on modeling of customer evaluations of the quality of goods and services produced and purchased in the United States. Its main purpose according to Te-King Chein ,(2003) is to gain an insight into the interaction between the customers and businesses, to enable better planning and decision making. The ACSI is a cause-and-effect model showing drivers of satisfaction on the left side (customer expectations, perceived quality, and perceived value), satisfaction in the centre, and outcomes of satisfaction on the right side (customer complaints and customer loyalty, including customer retention and price tolerance).Each of these factors is explained below in accordance with (Fornell, 1996).

Customer Expectations are customers' anticipation of the level of quality they are to receive from a company. They emphasis that the"...market's expectations represent both the served market's prior consumption experience with the firm's offering - including non-experiential information available through sources such as advertising and word-of-mouth - and a forecast of the supplier's ability to deliver quality in the future". Perceived they postulated that customer expectations have a direct and positive influence on overall customer satisfaction with an organization because of the on-going relationship with customer. It also influences both perceived quality and perceived value as Quality is a customers' measure of the recent service interaction with the company. They stated that quality could be measured in terms of how the product meets customer's individual needs and error-free service delivery - reliability. This is also said to have a direct and positive impact on overall satisfaction. Perceived Value is a measure of quality relative to price paid - value for money (Anderson, 1994).

They asserted that price has more impact on satisfaction in a customer's first purchase experience but a lesser impact on satisfaction for repeat purchases. Customer Complaints are customers who have talked to the service provider about a service that they were not happy within a specific time. They stated that satisfaction is negatively correlated to customer complaints - the more satisfied the customers, the less likely they are to complain. Customer

Loyalty is customers' likelihood to purchase their next service with the same organization at a given price (price tolerance). Customer loyalty is the critical component of the model because it equals profitability (Heskett., 1997; Reichheld and Sasser, 1990).

The European Consumer Satisfaction Index (ECSI) is also an adapted version of the Swedish Customer Satisfaction Barometer and very similar to the ACSI. Unlike the ACSI with six variables, the ECSI has seven variables with "corporate image" being the seventh and optional variable (ECSI Technical Committee, 1998). It refers to the brand name and what kind of associations the customers get from the product/company. Eklof (2000) suggested that perceived quality can be distinguished into perceived product quality and perceived service quality; where perceived service quality is the assessment of recent consumption experience of associated services like customer service, range of services and products, conditions of product display while perceived products quality relates to the attributes of the core product and product (ECSI Technical Committee, 1998).

### 2.8.4. Source of Information

There are several sources for obtaining information about customer's satisfaction. The following list includes some possible sources:

*Informalsurveys:* - Informal surveys can provide insights about what customers like and dislike. May not e statistically measurable, but they can help businesses to better know their customer.

*Comment card:* - The use of comment cards is one of the most popular methods of determining a customer satisfaction they are easy to create and are frequently available for company home office.

*Verbal comments:* - verbal comments are easy to collect, but they are often ignored. By asking customers about their experiences, information can be obtained. To collect information from verbal comments accurately, employees must be encouraged to document comments on a customer log so that the comment are not lost or become hearsay.

*Historical data:* - With the use of computer I most work places; kit is easy to collect historical data.

*Discussions with internal customers:* -internal customers frequently have information about what customers like, don't like and are interested in.

*Toll-free telephone numbers:* - By providing our customers with toll free telephone numbers to reach our company or department easily, we can encourage them to contact us when a question or problem arise. Toll-free numbers should be answered promptly by knowledgeable employees who are well trained in answering customer questions and in responding to customer concerns.

*Corporate-generated surveys:* -many corporations will generate surveys that are sent to their customers. Corporate- generated surveys are usually more detailed than informal surveys and the data that they reflect is usually statistically measurable (K. Harris, 1996).

## 2.8.5.  Service Quality as a Determinant of Customer Satisfaction

The service quality models (both the gaps model and SERVQUAL) assume that customers come into a service encounter with a prior expectation, this expectation is then matched with the actual service experience to determine the service quality of that organization (Zeithaml ,1985; Gronroos 1990).

The customer is satisfied if actual service experience meets expected service, he/she is dissatisfied if actual service falls below expected service and delighted if actual service exceeds expected service. Studies have agreed that service quality is an antecedent to customer satisfaction, therefore adequate discussion of this topic is done here. For example Rust and Oliver, 1994; Zeithaml, 1988; Boulding., 1993; Anderson and(Sullivan, 1993; Fornell, 1996).

## 2.9  Customer Satisfaction in Banking Practice

Customer satisfaction is about consumer satisfaction (that is, user satisfaction), rather than about buyer satisfaction (which may include non-users).

Second, satisfaction is a feeling. It is a short-term attitude that can readily change given a constellation of circumstances. It resides in the user's mind and is different from observable behaviors such as product choice, complaining, and repurchase.

Third, satisfaction commonly has thresholds at both a lower level (insufficiency or under fulfillment) and an upper level (excess or over-fulfillment). This means that a consumer's

Satisfaction may drop if she/he "gets too much of a good thing." Many people focus upon the Lower threshold and neglect the potential for an upper threshold.

With this definition in mind, we move to the traditional macro-model of customer satisfaction.

This model underlies much of the research in customer satisfaction over the past decade. Note the following:

S Perceived performance often differs from objective or technical performance, especially when a product/service is complex, intangible, and when the consumer is unfamiliar with the product/service.

S Comparison standards can come from numerous sources that can vary widely by individual, by situation, and by product/service type.

S Perceived disconfirmation is the evaluation of perceived performance according to one or more comparison standards. Disconfirmation can have a positive effect (generally implying a satisfying result), a negative effect (generally implying a dissatisfying result), or a zero effect.

S Satisfaction feeling is a state of mind, an attitude. The phrase "mixed feelings" applies here, as a consumer may have different levels of satisfaction for different parts of a product/service experience.

S Outcomes of satisfaction feelings may involve intent to repurchase, word-of-mouth (the consumer's communication with her/his network of her/his approval/disapproval for a product/service), and complaints. These outcomes also are moderated by other variables.

For example, extreme dissatisfaction will not necessarily generate complaint behavior, especially if the consumer believes complaining will be futile.

Banking is a service industry focused towards the customer's money and its management. An element that strongly drove the satisfaction of customers in the banking sector was the conviviality factor related to the features of a bank and the attributes of its personnel. Rust and Zahorik (1993), Krishnan et al (1999) conducted various studies and put forward that satisfaction with perceived product quality was the prime driver of overall customer satisfaction. Furthermore, their studies also found and recommended that the impact of service delivery factors varies considerably on customer satisfaction. To further exemplify, they became aware

of the fact that for customers who traded heavily and had high invest-able assets, the effect of an automated telephone service was elevated than that of the other drivers of satisfaction improving customer satisfaction. The study (Johnston, (1997)) suggested that satisfaction or dissatisfaction with retail banking did not arise from the same factors. To be more precise, some elements of service quality, if improved, enhance the satisfaction levels of the customers, while on the other hand, other elements may not improve satisfaction but simply function to keep dissatisfaction at bay or at best, reduce dissatisfaction alone. This line of accepted wisdom stems from the hygiene factors of Herzberg's motivation theory.

## 2.10 Customer Expectations and the Zone of Tolerance (ZoT)

Defined customer expectations as "...pre-trial beliefs about a product or service". Churchill &Surprenant (1982) stated that a customer's expectations are: (1) confirmed when a product performs as expected, (2) negatively disconfirmed when the product performs more poorly than expected, and (3) positively disconfirmed when the product performs better than expected based on the disconfirmation theory (Oliver, 1980).

Proposed three definitions of customer expectations the first is equitable performance - a normative standard for performance based on implicit relationships between an individual's cost/investment and anticipated rewards. In this instance, expectations are likely to be influenced by the price paid, the effort invested, and previous product experiences. The second is ideal product performance - ideal product performance scenario from a customer's perspective, such that expectations may be based on previous product experiences, messages gleaned from advertisements, or word-of-mouth communications. The third is expected product performance - product's most likely performance (Tse& Wilton, 1988).

Customer's expected service can either be adequate ("minimum tolerable expectation") or desired ("should be" and "can be") service and the amount of variation that customers are willing to accept is known as Zone of Tolerance (Zeithaml,1993). The more important a customer deems a service encounter or dimension (for example, reliability) to be, the higher the desired service and narrower the ZoT and vice versa. When service experience exceeds the desired level, customers become delighted and are dissatisfied when service experience falls below the adequate level.

Johnston (1995) identified three main applications of zone of tolerance: (1) as a description of an outcome state, (2) of a range of pre-performance expectations and (3) as the satisfactory range of in-process service performances

The outcome state: the service quality models assume this application with their three outcomes: satisfaction (adequate service quality), dissatisfaction (poor quality service) and delight (high service quality).

Pre-performance expectations: this may range from "minimum tolerable" to "ideal" (Miller, 1977) cited in Johnston (1995) with "desirable" and "adequate" (Zeithaml,1993) somewhere in between.

The in-process service performances: Berry and Parasuraman (1991) suggested that the zone of tolerance is an in-process service performance and define it as

"...a range of service performance that a customer considers satisfactory. A performance below the tolerance zone will engender customer frustration and decrease customer loyalty. A performance level above the tolerance zone will pleasantly surprise customers and strengthen their loyalty".

The definition offered by Berry and Parasuraman (1991) encapsulates the other two, emphasizing the variation of service performance that customers are willing to accept and that customers become dissatisfied when performance fall below the adequate level. The ZoT is dynamic and changes according to what the customer deems to be important as well the particular service encounter.

Identifies the factors affecting desired and adequate service with the arrows desired service is influenced by personal service philosophy and lasting service intensifiers. Predicted service is a somewhat adequate judgment of what a customer is likely to receive in a particular service interaction and therefore influences adequate service. It is influenced by service promises (implicit and explicit), word-of-mouth communication by other customer and past service experience. Other factors that influence adequate service are temporary service intensifiers, perceived service alternatives, self-perceived service role and situational. Even though not all these factors are within the control of service firms, they can be influenced through customer

education, making realistic promises, conducting market research, among others (Zeithaml, 2009).

**2.11. Effects of Customer Satisfaction on Behavioral Intentions**

Several studies (Zeithaml, 1988; Anderson et al., 1994; Cronin et al., 2000 ;( Saha and Theingi, 2009) have linked customer satisfaction to customer behavioral intentions. Fishbein and Ajzen (1975) defined behavioral intentions as a customer's subjective likelihood of performing certain behavioral act relative a business. These behavioral intentions when managed well can increase a firm profitability and long term competitiveness.

Customer behavioral intentions include:

   • Word-of-mouth (both positive and negative)

   • Repurchase intention (repeat business)

   • Feedback to the service provider (usually in a form of complaints or compliments) (Saha and Theingi (2009,) have described word-of-mouth as"...a flow of information about products, services, or companies from one customer to another. As such, word-of- Mouth represents a trusted external source of information by which customers can evaluate a product or service".

The information is trusted because of the difficulty in trying out a service prior to purchase or returning a service after experiencing it unlike products. Therefore customers usually depend on the experience of others before buying a service (most of the time). The information shared could either be encouraging (positive) or discouraging (negative) other customers from using a service or product of the firm that being talked about. Goodman (2009) indicated that while satisfied customers tell on average 5 other people, dissatisfied customer tell about 10 other people. Other researchers (Brown et al., 2005; Babin et al., 2005; Saha and Theingi, 2009) have found a positive correlation between customer satisfaction and word-of-mouth communication.

Plethora of studies (for example Jones and Suh, 2000; Bitner et al., 1990; Cronin and Taylor, 1992) has linked customer satisfaction with repurchase intention of customer. For the purposes of this study, only the first two customer behaviors will be investigated. The net promoter scale and life time value of a customer literature will be reviewed to enable a comprehensive understanding of these areas (UKEssays.com).

# CHAPTER THREE

## 3. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The entire objective of this chapter is to deal with the presentation and analysis of data collected from the questionnaires distributed and interview made to customers and employees of commercial bank of Ethiopia AradaGhiorgis branch.

### 3.1 Quality of data collected

By way of identifying the population in which data collected one hundred sixty respondents is selected from the bank and its customers which have different level of experience, understanding and position. So before making the analyses it's found vital for the researcher to assess the quality of data collected. Accordingly three bench mark are prepared and filled by the respondents. Specifically

3.1.1 Stay of respondent (Customers) in the organization

3.1.2 Sexual make up of the respondent

3.1.3 Age of the employees

3.1.4 Educational Back Ground of employees (respondent)

3.1.5 Position held by employees (respondents) in the bank

**Figure 3.1.1; Customer duration in Arada Ghiorgis as a customer**
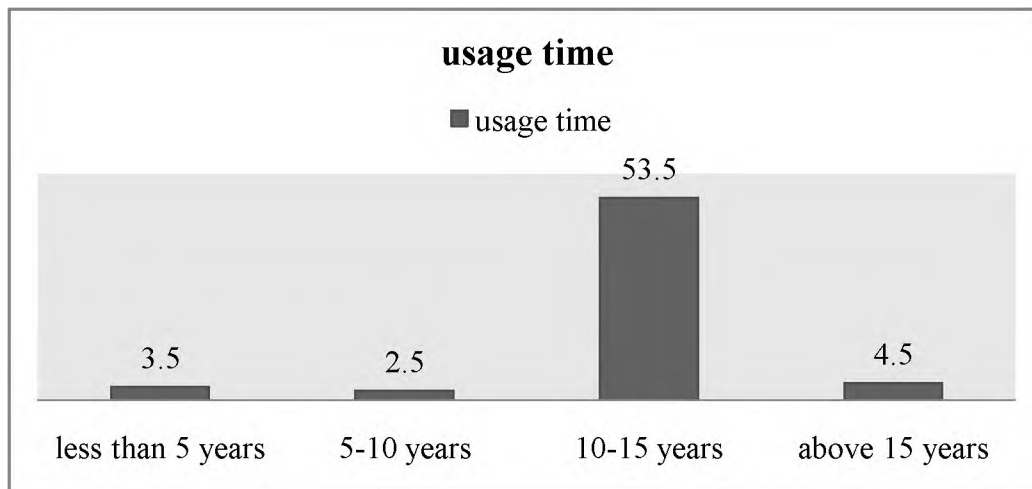


Source: Own computation, 2013

Figure 3.1, tries to show for how long the respondent served by the bank. Majority(around 53.5%) of respondent were responded as they are using arada Ghiorgis branch for about 10-15 years ago. Whereas (2.5%) the least percentage of customer service use in the bank for 5-10 years. The rest 3.5% and 4.5% of customers have less than 5 and above 15 service years with the Bank respectively. Hence majority of customers respondent are more experienced and served by the bank for more than 10 years , the data this customers give has better credibility ,so with this respect the data collected has good quality and reliable for analyses.

**3.1.2; Gender Make up of the respondent**

**Table 3.1.2; Sex ratio of employee's respondent**

| Gender | Frequency | Percentage |
|--------|-----------|------------|
| Male   | 14        | 53.8%      |
| Female | 12        | 42.6%      |
| Total  | 26        | 100%       |

**Source: primary data** own computation, 2013

*Table 6 demonstrates gender proportion of the employees* who fill the questionnaires. 42.6% of them were females and the remaining 53.8% were male employees. The above data shows that the number of male employees is greater than that of female employees, But the difference is slight so the researcher can say the sample of the population represented better with balanced sexual make up.

**3.1.3  Age of Employees**

**Table 3.1.3: Age of employees**

| Age     | Frequency | Percentage |
|---------|-----------|------------|
| < 21    | -         | -          |
| 22 - 30 | 19        | 73.1%      |
| 31 - 40 | 5         | 19.2%      |
| 40 - 50 | 2         | 7.7%       |
| >50     | -         | -          |
| Total   | 26        | 100%       |

 **Source:** own computation, 2013

Table 7 shows age of the employees and 73.1% of the employee accounts for the age between 22 and 30, 19.2% are between 31-40 and the rest 7.7% of the employee are between the age of 40 and 50. As its noticed most of the respondents are are in the age of 22-30 years, Even though roughly thinking older people know better, considering most of the bank employees are young employees the sample represented the branch well. So with this respect it can be said the quality of data collected is satisfactory.

### 3.1.4  Employees Educational back ground

**Figure 3.1.4; Level of education**
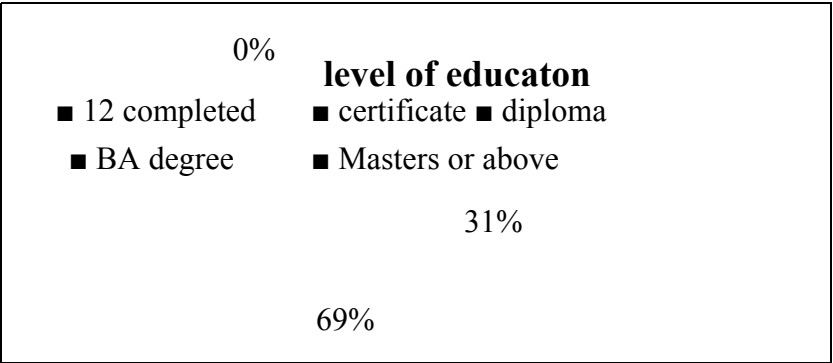


**Source:** own computation, 2013

Figure 3.2 illustrates educational background of Commercial Bank of Ethiopia Arada Ghiorgis Branch employees; employees who hold their first degree accounts for 69.2% and the remaining employees who weight 30.8% are diploma holder. Hence 65% of the employees have BA degree the data collected can be said best with regard to this bench mark.

### 3.1.5 Position Held by employees

**Figure 3.1.5; Current position**



**Source:** own computation, 2013

*Figure 3.3, explains the current position of the employees and* from all respondents; 15.4% are supervisor, 3.8% are assistant managers, 15.4% are accountant, 38.5% clerk, 3.8% are secretary and 23.1% of them have other position like an auditor, computer operator and so on. Though there are different positions in CBE, as the data demonstrate every aspect of sections and employees incorporated in the sample. Therefore with respect to the position of the respondent the data collected can be said reliable hence its compressive of all banking proffesion know how and skill.

Generally the data collected from CBE employees and customers is believed reliable and enable the researchers to make planned suggestion and conclusion about the topic.

**3.2; Types of service available in CBE, Arada Ghiorgis branch**

**Table 3.2; Types of banking services provided in Arada Ghiorgis Branch**

| Types of Banking service provided in Commercial Bank of Arada Ghiorgis Branch | | | |
|---|---|---|---|
| Q.No | Types of banking service | Frequency of population | % |
| 1 | Saving Account | 23 | 20.5 |
| 2 | Current Account | 16 | 14.4 |
| 3 | Loan Account | 13 | 11.6 |
| 4 | Foreign Remittance | 10 | 8.9 |
| 5 | Card Banking | 8 | 7.1 |
| 6 | More than 1 service | 42 | 37.5 |
| Total | | 112 | 100 |

**Source:** Own computation, 2013

Table 3.2, demonstrates types of banking service provided in Arada Ghiorgis Branch. According to data collected these, 20.5% of customers use saving account, 14.4%of the respondent rated current account users, 11.6% of the respondent use loan account, 7.1%of the respondent use card banking service, 8.9% of the customers using foreign remittance and 37.5% or majority of customer were using more than 1 banking services. This data indicated that only less than half of the customers visit the bank frequently for different services. Therefore the bank should try to make its customers to know what kind of service are really provided, what their benefits from the service and the way to use so as to maximize the number of customers who makes the bank partner to their livelihood by visiting the branch for more than 1 service.

### 3.3 Customer's value attached to the banking service

**Table 3.3; Service delivery and standard, customer expectation and Actual service**

| Service type | Standard time | Customer expectation | | | | Actual time | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | <10mi | 10-20mi | 20-30mi | >30mi | <10mi | 10-20mi | 20-30mi | >30mi |
| Saving Account | 5-7mi | - | 31 | 34 | 47 | 5 | 19 | 49 | 39 |
| Current Account | 7-10mi | - | 19 | 51 | 42 | 3 | 47 | 54 | 8 |
| Loan Account | 10-15mi | - | 20 | 27 | 65 | - | 41 | 56 | 15 |
| Foreign Remittance | 3-7mi | 9 | 22 | 38 | 43 | 13 | 37 | 44 | 18 |
| Card Banking | 3-5mi | 13 | 28 | 31 | 40 | 22 | 38 | 41 | 11 |
| Total | | 22 | 120 | 181 | 237 | 43 | 182 | 244 | 91 |

**Source:** filed surveyand bank data, 2013

Table-4, measure the general feature of *Service delivery and standard, customer expectation and actual service with related to standards time that set* by the bank which is reflect in Arada Ghiorgis branch. According to customer response, even if there were late delivering of all types of services to customers in the bank, there is good performance in delivering services related to customer expectation and actual time. For instance, in saving account service; customers were saving or withdraw money from the bank, in these process the bank standard time set between 5-7 min. However, even if majority of customers were respond as they expected the services can take >30min but, in actual time it was take 20-30min. Similarly, in loan account and current account the bank were set to deliver the services between 10-15 min. However, in actual time majority of respondent were agreed as both are take between 20-30min. For the last two services the bank was set less than 7 min to deliver to its customers but, as the above services majority of respondent were respond as it take 20-30 min. These data clearly indicated that there is a bottle neack in the process of service delivery so its vitalfor the bank to identify the and improve its efficiency and increase customers satisfaction

### 3.4 Customers Expectation Analises

**Table 3.4; Meeting expectation**

| Type of services | Did you get your expectation correctly | Frequency | % |
|---|---|---|---|
| Saving Account | Yes | 22 | 19.7 |
| | No | 12 | 10.7 |
| Current Account | Yes | 16 | 14.3 |
| | No | 11 | 9.8 |
| Loan Account | Yes | 13 | 11.6 |
| | No | 8 | 7.1 |
| Foreign Remittance | Yes | 10 | 8.9 |
| | No | 6 | 5.4 |
| Card Banking | Yes | 9 | 8 |
| | No | 5 | 4.5 |

**Source:** own computation, 2013

Total results

Yes=70(62.5%)

No=42(37.5%)

Customers have different expectation with respect to different types of service they get. Table 3.5, illustrate whether customer expectation is met or not; according to the results of total customers respond 70(62.5%) of the respondent were found their expectations but the rest 42(37.5%) of the respondent did not get their expectation. The above data illustrate that Eventhogh majority of the customer met their expectation,there is still a huge gap between actual service delivery process and customer expectation hence 37.5% of the respondent are not satisfied with the service. As its investigated during interview time especially in the areas like foreign remittance 10(8.9%), and card banking service types 9(8%) were the services that have huge gap in delivering the required or expected services to their customers. Therefore it's a must to do what it takes to narrow the gap in between. On the other side, saving account 22(19.7%), current account 16(14.3%), and loan account 13(11.6%) of the respondent were agreed on the better performance of the bank in delivering expected services to their customers. This data

indicated that the bank customers mainly used saving account, current account, and loan account, which the bank is relatively has better performance.

## 3.5 Training Program of the bank and its impact on service delivery process

**Table 8; Objective of training and development**

| Objective | Frequency | Percentage |
|---|---|---|
| To acquire knowledge regarding service quality | 10 | 38.5 |
| To develop my skill and performance in banking area | 13 | 50.0 |
| I have simply got the chance to participate | 3 | 11.5 |
| Total | 26 | 100 |

**Source:** own computation, 2013

Table 8 tries to clarify the objective of training and development program and the result shown 38.5% of the employees have the objective of acquiring knowledge regarding service quality, 50% to develop their own skill and performance in banking area and 11.5% of the employees have no specific objective but they participate because they have got a chance to participate. More than half of the employees involve themselves in training and development practice in order to improve their own skill and performance and the remaining uses this opportunity for other purpose. Unless otherwise employees believed and well understood the importance of the training program ,just running training program just merely is meaningless. According to the data collected 11.5% of employees have no specific objective but they participate in training program because they have got a chance to participate Hence the number seems small it's a loss for the bank and employees as well such kind of trend. so it's necessary to amend the way of delivering training as to improve service delivery.

## 3.6 Availability of resource for training

**Table 3.6: Availability of training tool and equipment**

| Availability | Frequency | percentage |
|---|---|---|
| Strongly agree | 6 | 23.1% |
| Agree | 18 | 69.2% |
| Disagree | 2 | 7.7% |
| strongly disagree | - | - |
| Total | 26 | 100% |

**Source:** own computation, 2013

Table 9, explains the availability of training tool and equipment in the center; 23.1% of the respondents strongly agree, 69.2% just agree and 7.7% of them disagree with the availability of training tool. The majority of the employees responded that there is available tool and equipment for training. This implies that, customers can get quality service from qualified employees
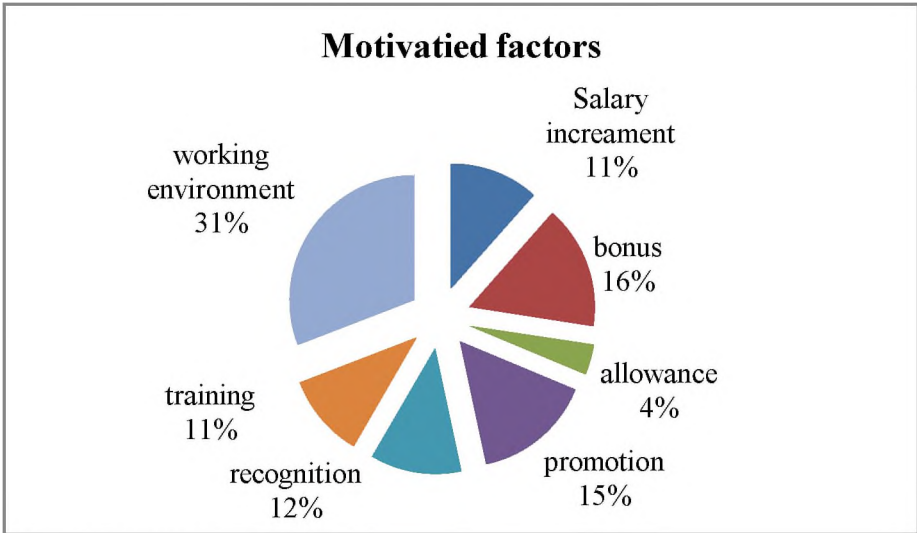
## 3.7 Motivational Factor of employees

**Motivatied factors**



**Figure 3.4; Specific motivating factor that motivates a specific employee**

**Source:** own computation

Figure 3.4, illustrate of all the respondents 11.5% are motivated by salary increment, 15.9% by bonus, 3.9% by allowance, 15.4% by promotion, 11.7% by recognition, 10.8% by training and the other 30.8% of the bank employees motivated by better working environment. Even though the motivating factors differ from employee to employee, Majority of the employees are more motivated by better working environment. So the bank as to see once again its policy of motivational activities.

**Table 3.7; Particular motivating factor provided by the bank**

| Particular motivating factor that provided by the bank | Frequency | Percentage |
|---|---|---|
| Salary increment | 7 | 26.9% |
| Bonus | 4 | 15.8% |
| Allowance | - | - |
| Promotion | 6 | 23.1% |
| Recognition | 3 | 9.7% |
| Training | 2 | 8.7% |
| Better working environment | 4 | 15.8% |
| Total | 26 | 100% |

**Source:** own computation, 2013

On the other hand the bank employees are provided with 26.9% of salary increment, 15.8% of bonus, 23.1% of promotion, 9.7% of recognition, 8.7% of training and the remaining 15.8% of the employee are provided with better working environment. From the different motivating factors that are provided, the bank majorly focused on salary increment in order to keep the employees motivated.

**Figure 3.5; Importance of motivating factor**
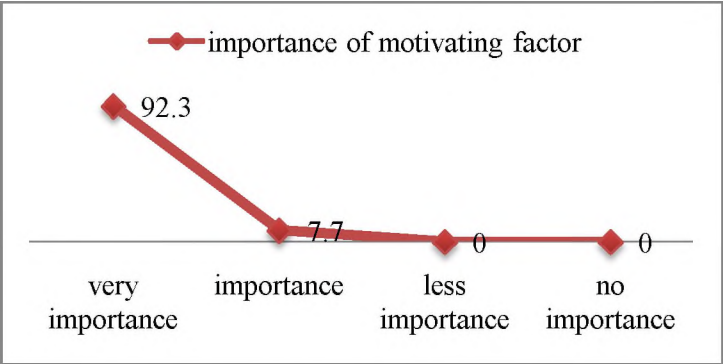


**Source:** own computation, 2013

Figure 3.5, tries to clarify the extent to which the motivating factor is important to give quality service and satisfy customer and by one voice they agree on the importance of motivating factor.

## 3.8  Office layout

**Table 3.8; Office layout**

| Office layout | Frequency | Percentage |
|---|---|---|
| Very suitable | 3 | 11.5 |
| Suitable | 17 | 65.4 |
| Unsuitable | 6 | 23.1 |
| Total | 26 | 100 |

 **Source:** own computation, 2013

Table 11, explain that only 23.1% of the CBE employees feel that the office layout of the bank is not suitable to work cooperatively with each other and the other 76.9% (11.5% - very suitable, 65.4% - suitable) are highly recommended that it's suitable in combination with comfort. Majority of the employees has responded that the office layout is suitable to them. This implies that employees perform well and it can enhance the quality of the service provided by the bank

## 3.9 Customer complain Management

**Table 12; Customer complain**

| Have you ever encounter any complaint? | Frequency | Percentage |
|---|---|---|
| Yes | 19 | 73.1% |
| No | 7 | 26.9% |
| Total | 26 | 100% |

**Source:** own computation, 2013

When we look at the employees experience towards facing customer's complaint almost all of them encounter a problem. Table 12, clarifies 19(73.1%) of the respondents said "yes". This indicates that employees encounter customer compliant that is emerge from different customers while they are performing their job.

**Figure 3.6: Areas of complain**

### Areas of complain

H customer handling H working hour
'-i employee appearance ʜ speed of delivery
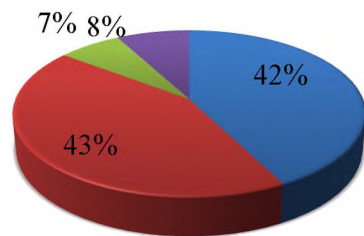


**Source:** own computation, 2013

Figure 3.6, demonstrate the specific areas of complain encountered by customers in CBE. The figure shows 42.4% of the respondents have complain with customer handling, 42.9% working

hour and the remaining 6.8% and 7.9% of the respondents encounter a problem regarding employee's appearance and speed of delivery. This implies that almost half of the customers have complained on the area of customer handling and working hour of the bank. So it will be better if the bank extend its working hour including evening time so as to increase customer satisfaction.

**3.10 Employee attitude towards their amount of salary compared with similar financial institutions.**

**Table 13: Comparative salary**

| Comparative salary | frequency | Percent |
|---|---|---|
| Higher | 2 | 7.7% |
| Medium | 19 | 73.1% |
| Lower | 4 | 19.2% |
| Similar | - | - |
| Total | 26 | 100% |

**Source:** own computation, 2013

Table13 illustrates the employee attitude towards their amount of salary that the employees earn in compared with similar financial institutions, the respondent responds 7.7% of them believes that the salary is higher than other, 73.1% of them feel its medium. On the other side 19.2% of the employees consider that their salary is lower than other financial institution. This data gave you an idea about the largest part of salary paid to employees' lies under medium range as compared with similar institutions. So it would be wise for the bank to balance the way of salary increment so as to maintain moral of employees which indirectly affect service delivery.

**Figure 3.7: Working environment including location convenience**
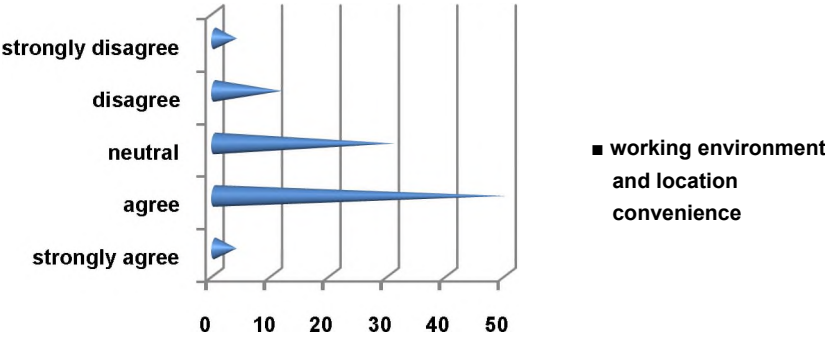


**Source:** own computation, 2013

Figure 3.7, describe the working environment including the convenience of location and they rated as follow; 3.8% of them are strongly agree, 50% of them are agreed on the working environment and 30.8% of them are neutral. On the reverse, 11.5% of them are disagree and they think that the working environment including site convenience are not good, In contrast 3.8% of the employees are strongly disagree with the above statement. Although most of the employees agree on suitability of working environment there are employees who disagree therefore, the bank has to investigate areas of dissatisfaction with this regard including major factors like working hour, company policy, and so on.

**Figure 3.8; Coordination between managers and employees**
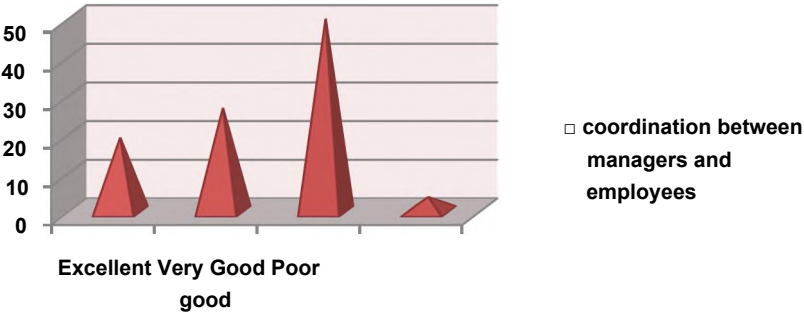


**Source:** own computation, 2013

Figure 3.8, express the coordination between managers and employees in different department and they rated as follow; 19.2% and 26.9% of the respondents believed that their coordination is excellent and very good respectively. 50% of the respondents respond its good and the remaining

3.8% of the respondent thought that there coordination is poor. This implies managers and workers work cooperatively in order to satisfy their customers and keep service quality.

## 3.11 Employees placement and service delivery

**Figure 3.9: Position compatible with Educational level**
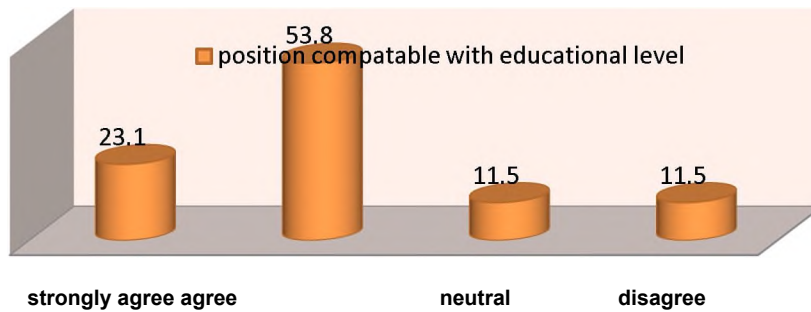


 **Source:** own computation, 2013

Figure 3.9, deals with the position compatibility of employees with their educational level and working capacity. Therefore the respondents' response shows as; 23.1% are strongly agree, 53.8% agree, 11.6% neutral and disagree respectively. This indicates that more than half of the positions are compatible with educational level. So its better for the bank to have the right employees for the right position so as deliver better service

# CHAPTER FOUR

## 4. CONCLUSION AND RECOMMENDATION

### 4.2 Conclusion

The main intention of this study is to identify the service quality and status of customer satisfaction in CBE, Arada Ghiorgis Branch. In order to meet the above objective the researcher had been collected primary (questioner, interview and observation) and secondary written documents. Based on the response of customers, employees and managers and data gained from documents the following conclusions were drowning.

Commercial bank of Arada Ghiorgis branch was established in 07/11/65 G.C since their year the bank give five types of service to its customer's .There are; saving account, loan account, current account, foreign Remittance and card banking. The customer s who took their service from the branch is mainly governmental organization, trader, NGO and other types of customer even if majority of sample customer were agreed on the good performance of the bank in delivery qualified services to their customer, but also the do not quit to exposed as it is weak compared with the standards that set by the bank. As the 112 customer response indicated, averagely the deliverance of each bank services took 20-30minits.That is way majority of customers were agreed on the good level of service performance of the branch.

In addition to customers response 26 employees also agreed that as there is gap in delivering of qualified service to their customer .According to them at different time customers were raise complain related to delivery of qualified service Thus the bank leaders trying to solve their problems the frequently. However, the problem still not should stand together in improving their awareness by taking different work shop, training and seminars. Similarly, the bank leaders also

give training and incentive to employees, like salary increment, bonus, allowance, promotion, recognition, conducive working environment and the like.

## 4.3  Recommendation

From the summary of findings and conclusion the researcher would like to recommend the quality service and status of customer satisfaction in CBE, Arada Ghiorgis branch as the following.

In order to be a competitor in the banking industry and to serve its customers properly the bank need to practice or bring different technologies such as ATM, VISACARD, internet banking.

Since CBE is a service providing organization and there are also many competitors, the bank must improve the quality of service more than it is practiced now.

The use of suggestion box is not familiar to most of the customers therefore, the bank need to give more attention to this problem in creating awareness.

The bank should assess customer's satisfaction regularly.

Even if the bank gave priority to salary increment as a motivating factor but employees are highly motivated conducive working environment so the bank need to work to match the employees need with its policy.

Even if there are adequate human resource the training department has its own weakness. Therefore the company can solve this problem in the following ways. For example the department can give training by discussing with the trainer and also it is important to follow up either the training program achieved it target or not.

Connection of one branch with the other branch is one of the backbones to deliver qualified and speed full services to customer. However, most of the time customers raise complain in the breakdown of network. So, the bank should have to give attention to solve this problem.

Finally, the general performance of CBE Arada Ghiorgis branch in delivering qualified services and customer satisfaction are very well but if all members of the organization work in cooperative and collaborative ways they can be success more than the current status.

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# ST. MARY'S UNIVERSITY

# FACULTY OF BUSINESS

# DEPARTMENT OF ACCOUNTING

**Questionnaire to be filled by Commercial bank of Ethiopia Customers**

**Dear Respondent**

We are students in st.mary's University and we are carrying out a research entitled an assessment of service quality and customes satisfaction the case of Commercial bank of Ethiopia Arada Ghiorgis Branch.

Your views are very important for the success of the research therefore, you are urging to express your opinions and experiences as openly as possible.

Pl eas put a tick "**V**" mark for those questions that are followed by choices

Do not write your name.

THANK YOU FOR GIVING US YOUR TIME AND ENERGY TO ANSWER THESE
QUESTIONS!

**A General bio data**

1. Customers segmentation based on organization

   J____J Government Employee customers

   J____J NGO Employee customers                    J____J other types of customers

   J____J Trader's customers

2. The service type the customer receives?

   J____J Saving account /current account foreign remittance I I

   !    ! Loan account                              card banking              J____J

3. For how long you become a customer in this bank

   J____J Less than 5 years J_____J 10 - 15years

J___J 5 - 10 years                    J___J Above 15 years

**B. Research related question**

4.  About how many minutes did it take you to receive banking service?

    □ Less than 10 minutes                    J___J 20 to 30 minutes

    J___J 10 to 20 minutes                    |    | Above 30 minute

5.  In your opinion what is acceptable amount of time you think to receive
    the required service?

    □ Less than 10 minutes                    J___J 20 to 30 minutes

    J__J 10 to 20 minutes                    J___J    Above 30 minutes

6.  How many contacts did it take with employees of the bank to get the
    service?

    J___J 1 times          J__J 3 times J_              more than 5 times

    J___J 2 times          J__J 4 times

7.  In your opinion what is the acceptable contact required to get the
    service?                    j----j

    J___J 1 times                    4 times J_____ J more than 5 times

    !-----₁ 2 times          J__J 3 times

8.  What type of technology does the bank use to increase its quality
    service?

    J___J ATM              J___J VISA card J_____ J Internet banking

    J___J Never used Other_____

9.  If your answer is different from "never used" how do you rate the role of
    technology?

    J___J Excellent J_____ Jvery good          J___J good J_____J poor

10. What was your expectation before you become customer of Commercial
    bank of Ethiopia?

    J___J Very high J_____J high J_____ J medium          J___J low

11. If your answer is yes, what aspects of your expectation are met?

12. If no what expectation are not yet met?

*1* 3. Do you positively publicize your bank to the others?

             | Yes                 J____ J No

1 4. What is your suggestion based on the quality aspect of the service?

Write the Value you attach for service quality and status of customer satisfaction in the table below (use **V**)

| | Description | Strongly Agree | Agree | Dis-Agree | Strongly Dis-agree |
|---|---|---|---|---|---|
| 17 | Quick service | | | | |
| 18 | Quality service | | | | |
| 19 | Office layout | | | | |
| 20 | Convenience of branch location | | | | |
| 21 | Staff courteous and patience | | | | |
| 22 | Accurate and timely giving service | | | | |
| 23 | Waiting time(crowdedness queue) | | | | |
| 24 | Staff performance | | | | |
| 25 | Loan processing | | | | |
| 26 | Complaints handling | | | | |
| 27 | Branch networking | | | | |
| 28 | Ability to perform the promised service dependably and consistently | | | | |
| 29 | Management quality | | | | |
| 30 | Availability of parking space | | | | |
| 31 | Overall performance of the bank | | | | |

# ST. MARY'S UNIVERSITY

# Department of ACCOUNTING

## Questionnaire filled by Commercial Bank of Ethiopia Arada Ghiorgis Branch Employees

**Dear Respondent**

The objective of this study is for partial fulfillment of bachelor of art degree in accounting and also to assess service quality and customs satisfaction, and to find out problems encountered in customer satisfaction, to forward possible suggestions for quality service.

Thank you in advance for your cooperation in filling the questionnaire.

Pleas put a tick "V" mark for those questions that are followed by choices.

**A general bio data**

1. Sex

   J____J Female         J____J male

2. Age

   M 21 or below              □      40- 50

   LJ *22-30*              n  50 and above

   HH 31 - 40


3. What is your educational status?

   J____J 12 completed J_____ J certificate J_____J diploma J___          J BA degree

   J____J Masters or above              other specify_____

4. What is your current position?

   LI Supervisor J_____J Assistant manager J_____ J Accountant J          J clerk

|_| Secretary                         other specify_____

**B. Research related questions**

5.  What is your objective in training and development program?

  J____J To acquire knowledge regarding service quality

  J____J To develop my skill and performance in banking area

  J____J I have simply got the chance to participate

  Other, please specify_____

6.  The availability of training tools and equipment in the center is adequate.

  J__J Strongly agree    J____ J Agree

  J__J Disagree     J____ J strongly disagree

7. What kind of motivating factor can be influential?

  J____J Salary increment    J____J Bonus J_____J Allowance

  J__J Promotion     J___J Recognition  J___J   Training

  J____J Better working environment

  other specify_____

8.  Which particular motivating factor were you provided with?

  J____J Salary increment    J____JBonus    ! Allowance

  J__J Promotion     J___J Recognition  J___J   Training

  J____J Better working environment

  other specify_____

9.  To what extent the motivating factor is important to give quality service and

  satisfy customers?

  |_! Very important      J__ Important

  □ Less important      J____J no importance

10.  Is the office layout suitable for the employees to work cooperatively?

  J____J Very Suitable J_____J suitable    J____J unsuitable

11.  Have you ever encountered a customers' complaint?

  □ Yes      □ No

1 2. If you say yes, in which area they complain?

J___ [Customer handling         | Working hour         | Employee appearance

J___ Jspeed of delivery other specify_____

13. The amount of salary the employee earn when compare with similar

financial institution?

LI High er        J____ J medium J_J                lower J_____ J similar

disagree

J____ J Strongly disagree

14. If your answer for question number 14 is "disagreeing" what problems

have you been experiencing while performing your duties?

J___J Working Hour J_____ J Company's policies J_____ J office layout

J___J Technology        other specify_____

15. How do you rate the coordination between managers and employees in

different department?

J____J Excellent J_____J very good J_____J good !----------------ı poor

16. Do employees participate in decision making?

J___J Yes        J___J No

17. Is your position compatible with your education level and working

capacity?

J Strongly agree J_        J agree J        J neutral        J_____ J disagree

J___J Strongly disagree

# *Declaration*

We, the undersigned, declare that this senior essay is our original work, prepared under the guidance of Mr. Abdu. All sources of materials used for the manuscript have been duly acknowledged

| Name | Signature |
| --- | --- |
| Haset Lakew | _____ |
| Nigist negash | _____ |
| Kalkidan Tsegaye | _____ |

Place of submission <u>SMU</u>

Date of submission <u>July</u>

<u>Submition aproval sheet</u>

**THIS PAPER HAS BEEN SUBMITED FOR EXAMINATION WITH MY APPROVAL AS AN ADVISOR**

**NAME** _____

**SIGNATURE**_____

**DATE**