

THE EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION: A COMPARATIVE ANALYSIS OF PRIVATE AND PUBLIC BANKS IN HASSASSA DISTRICT

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ABSTRACT

The main purpose of this study was to assess the effect of Service Quality on Customer Satisfaction: A Comparative analysis among the Private and Public Bank of Ethiopia Hassassa District. The researcher used SERVPERF Model to measure perceived service quality and customers' satisfaction. For the purpose of testing the hypotheses and addressing the research objectives, 400 Self-Administered Questionnaires (202 to CBE, 166 to CBO and 32 to OIB) were randomly distributed to collect primary data based on convenient sampling method and out of those, 378 relevant questionnaires. The collected data were analyzed through descriptive statistics, correlation and multiple regression analysis to investigate the relationship and effect existing between service quality dimensions. The descriptive analysis result manifested that customers of CBE are highly satisfied with empathy and assurance dimensions and are less satisfied with responsiveness dimension, customers of CBO are highly satisfied with all the dimensions of service quality and customers of OIB are highly satisfied with responsiveness dimension and less satisfied with assurance dimension. The findings of correlation and regression analysis revealed that, all the five dimensions of service quality are positively and significantly correlated with customers' satisfaction and have a positive and significant effect on customers' satisfaction in all the three banks' branches. Finally, the three banks' managements are essentially recommended to improve their service quality effectively but more specifically to take a critical look at those dimensions which customers are less satisfied with.

Keywords: Service quality dimensions, customer's satisfaction, SERVQUAL and SERVPERF Model

Introduction

In today's world, the existence of all human being is related with different services including banking service, food service, communication service, medical service, transportation service, and emergency services to list some. In general, our economy is founded on service (James, 1998 as cited in Beliyu, 2012).

Banking in Ethiopia began in 1905 with the Bank of Abyssinia, a private company controlled by the Bank of Egypt. In 1931 it was liquidated

and replaced by the Bank of Ethiopia which was the bank of issue until the Italian invasion of 1936. During the Italian occupation, Bank of Italy banknotes formed the legal tender. Under the subsequent British occupation, Ethiopia was briefly a part of the East Africa Currency Board. In 1943, the State Bank of Ethiopia was established, with 2 departments performing the separate functions of an issuing bank and a commercial bank. In 1963, these functions were formally separated and the National Bank of

Ethiopia (NBE) and the Commercial Bank of Ethiopia were formed. In the period to 1974, several other financial institutions emerged including the privately-owned banks. Currently, there are nearly 19 private banks competing with each other & with the 3 government banks (Tewdros Sisay, 2011).

Despite the criticality of service quality to businesses, measuring service quality poses difficulties to service providers, because of the unique characteristics of services: intangibility, heterogeneity, inseparability and perishability. In view of this, services require a distinct framework for quality explication and measurement (Bateson, 1995).

Among the prominent frameworks, SERVQUAL model developed by Parasuraman (1985; 1988) is the most preferred and widely used model for measuring service quality in the service industry. Service quality consists of five dimensions: tangibility (appearance of physical facilities, equipment, personnel and written materials), reliability (ability to perform the promised service dependably and accurately), responsiveness (willingness to help customers and provide prompt service), assurance (knowledge and courtesy of employees and their ability to inspire trust and confidence), and empathy (caring and individual attention the firm provides its customers).

According to Sanjayand Garima (2004), SERVPERF scale represents marked improvement over the SERVQUAL scale. Not only is the scale more efficient introducing the number of items to be measured by 50 percent, it has also been empirically found superior to the SERVQUAL scale for being able to explain greater variance in the overall service quality measured through the use of single item scale. This article particularly focuses on conducting a comparative analysis to investigate the effect of service quality on customer satisfaction by using SERVPERF model in the branches of Commercial Bank of Ethiopia (commenced in 2010), Oromia International Bank (commenced in 2014) and Cooperative Bank of Oromia (commenced in 2003).

Statement of the problem

The Ethiopian government launched the Monetary and Banking Proclamation No.83/1994 to liberalize the financial sector

through reforms by bestowed banking laws that encourage the entry of private banks into the financial system in order to stimulate competition with the public banks which significantly promoted the development of the banking sector (Kiyota, 2007). Because of this, many private banks have been established and increased in number from time to time.

Today, Ethiopian banks are facing challenges with stiff competition. Hence, delivering quality service and creating customer satisfaction is expected of them to win this competition. Most banks are facing the challenge of delivering effective services which can satisfy their customers. Most of the time, there is a gap between customer expectation and services provided by the banks. These gaps in service expectation and delivery can damage relationships with customers (Beliyu Girma, 2012).

The problems seen in the Banks in the study area are:

1. Incessant complaints of long waiting at the banking hall
2. Incompetent personnel
3. Repetitive failure of network system
4. Failure of Automatic Teller Machines (ATMs)
5. Unwillingness of branch managers to listen to customers' complaints.

Customer satisfaction is directly proportional to service quality. So organizations should pay more attention to service quality and the firms should welcome customer suggestions and should design programs which can measure service quality and customers satisfaction. (Ojo, 2010 as cited in Samraz, 2012).

Objective of the Study

The overall objective of this study is to assess the effect of service quality on customer satisfaction; a comparative analysis among the commercial banks in Hassassa District.

Specific Objectives of the study

1. To identify the dominant service quality dimension that has strong relationship with customers' satisfaction in the commercial banks.
2. To make comparative analysis of customers' satisfaction among the banks of Commercial

bank of Ethiopia (CBE), Oromia Cooperative Bank (OCB) and Oromia International Bank (OIB) in Hassassa District.

3. To examine the perceptions of customers on services delivered by Hassassa district commercial banks.
4. To identify the weak areas of the banks and give recommendations so that the banks could enhance and improve the quality of their services.

Research Questions

- I. What are the dominant service quality dimensions that have strong relationship with customer satisfaction in Hassassa district commercial banks?
- II. Which one of the branches of the commercial banks gives high quality service that relatively satisfies customers?
- III. What are the perceptions of customers on the service delivered by the branches' of commercial banks?
- IV. How do the Hassassa District commercial banks improve the quality of their banking service to satisfy their customers?

Research Hypothesis

- H01:** Tangibility dimension of service quality has no positive and significant effect on customer satisfaction in commercial banks of Hassassa district.
- Ha1:** Tangibility dimension of service quality has a positive and significant effect on customer satisfaction in commercial banks of Hassassa district.
- H02:** Reliability dimension of service quality has no positive and significant effect on customer satisfaction in commercial banks of Hassassa district.
- Ha2:** Reliability dimension of service quality has a positive and significant effect on customer satisfaction in commercial banks of Hassassa district.
- H03:** Responsiveness dimension of service quality has no positive and significant effect on customer satisfaction in commercial banks of Hassassa district.
- Ha3:** Responsiveness dimension of service quality has a positive and significant

effect on customer satisfaction in commercial banks of Hassassa district.

H04: Assurance dimension of service quality has no positive and significant effect on customer satisfaction in commercial banks of Hassassa district.

Ha4: Assurance dimension of service quality has a positive and significant effect on customer satisfaction in commercial banks of Hassassa district.

H05: Empathy dimension of service quality has no positive and significant effect on customer satisfaction in commercial banks of Hassassa district.

Ha5: Empathy dimension of service quality has a positive and significant effect on customer satisfaction in commercial banks of Hassassa district.

LITERATURE REVIEW

Customer service is one of the core parts of the banking industry. Banking industry is facing challenges due to concentrated competition, changing market, risk and uncertainty, environment, and demanding customers. These changes impacted on both the structure of the industry and the nature of competition between banks. It has been said, service quality has become an increasingly important factor for surviving and success in the banking sector and there is a need to sense the nature of the service quality perceived by the customers of banks.

Bateson and Hoffman (1999) define services as deeds, efforts or performance whilst Regan (1963) sees services as activities, benefits or satisfactions offered for sale or provided in connection with the sale of goods. Heizer and Render (1999) describe services as "those economic activities that typically produce an intangible product such as education, entertainment, food and lodging, transportation, insurance, trade, government, financial, real estate, medical repair and maintenance like occupations".

Quality can be defined as meeting or exceeding customer requirements and expectations, and consequently to some extent it is the customer who eventually judges the quality of a product (Shen et al., 2000). Crosby (1979) defined quality as "Conformance to requirements". This definition implies that organizations must establish requirements and specifications. Once

these specifications are established, the quality objectives of the different functions of an organization is to comply strictly with them. Juran (1982) defined quality as “Fitness for use”. In addition to this, in the service sector, where production, delivery and consumption occur at the same time, and the concept of quality refers to matching between what customers expect and what they experience.

In today’s increasingly competitive business environment, service quality is very essential for the success of any organization. Service quality is significant aspect that affects the competitiveness of business. Banks should promote the quality of service regularly since there is no guarantee that the current outstanding service is also suitable for future due to the fact that customers’ needs and wants changing from time to time. Therefore, banks should “develop new strategy” to satisfy their customers and provide quality service to identify themselves from other competitors (Siddiqi, 2011).

The distinction and association between service quality and customer satisfaction remains a continued debate in marketing Literature at the

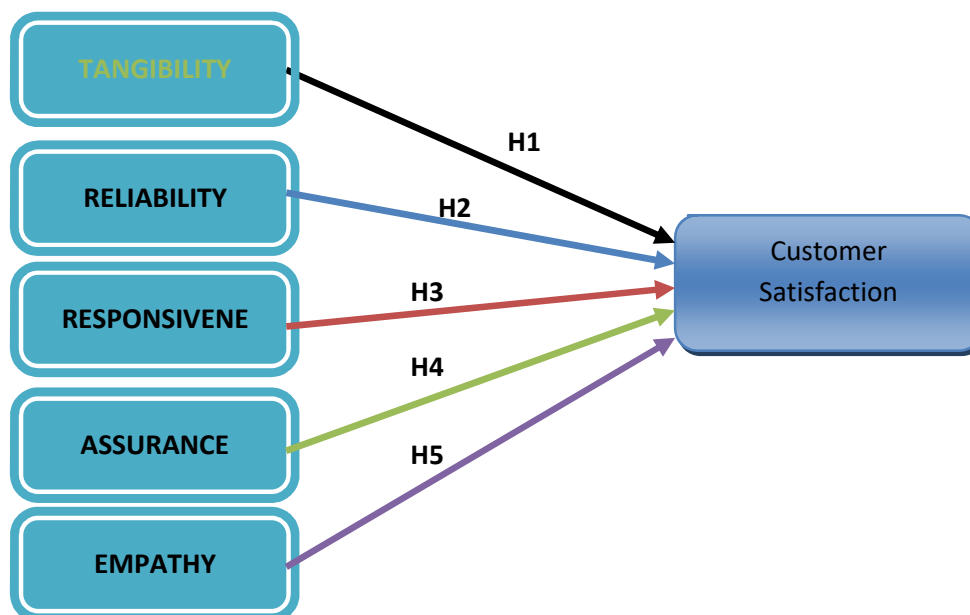
forefront of many academic and practitioner oriented research endeavors (Spreng and Mackoy, 1995). Several studies of customer satisfaction have been conducted in service settings, and, generally, researchers agree that the two constructs are conceptually distinct (Bitner, 1990). However, based on the findings of the past research (Oliver, 1989); an attempt has been made to discover the contention that service quality influences levels of customer satisfaction. This is to mean that although there are other factors which affect customer satisfaction; service quality is one of or the partial determinant of customer satisfaction. It is impossible to say that service quality is not the sole determinant of customer satisfaction. This is because of customer satisfaction is determined by various factors as reported in (Parasuraman et al., 1985, 1988).

Conceptual Framework

Following from the literature review done above, the relationship between service quality variables and customer satisfaction can be shown as follows.

Figure 2.1: Conceptual Framework

Service Quality Dimensions



Source: Parasuraman (1988)

Research Design

The research was carried out through the use of cross-sectional survey design. Descriptive

research was employed as a main research method of this study and was used to describe the demographic characteristics of respondents

and the quality of service delivery and its impact on customer satisfaction.

Types and Sources of Data

The sources of data are both primary and secondary sources. Primary data was gathered from customers of the branch banks. Secondary data was collected from different books, journals, websites and documents related with banking service and customer satisfaction.

Target Population of the study

The populations of this study were all customers with saving accounts and demand deposit accounts who are currently receiving services from CBE, CBO and OIB branches in Hassassa District.

Method of Data processing and Analysis

This is the further transformation of the processed data to look for patterns and relationship between and/or among data groups through statistical tools, namely descriptive analysis and inferential analysis. The data processing in this study was both manual and computerized system. During processing of the data editing, coding, classification and tabulation was used. Data processing had two phases namely: data clean-up and data reduction (Andy, 2006). During data clean up, the collected raw data were edited to detect anomalies, errors and omissions in responses and checking that the questions were answered accurately and uniformly. The process of assigning numerical or other symbols come next, which was used to reduce responses into a limited number of categories or classes. After that, the processes of classification or arranging large volume of raw data into classes or groups on the basis of common characteristics were applied. Data having the common characteristics were placed together and in this way the entered data was divided into a number of groups. Finally, tabulation was used to summarize the raw data and displayed in the form of tabulation for further analysis. The Statistical Package for Social Science (SPSS) version 20 was used to analyze the data obtained from primary sources.

DATA ANALYSIS AND INTERPRETATION

Demographic Characteristics of the Respondents

The sample includes 400 customers of the three sampled Banks existing in Hassassa District.

But out of those, only 378 respondents have properly filled in and returned the questionnaires. The summarized results and interpretations are discussed as follows: CBE, CBO and OIB most of the customers of the bank's branch were male & they were better in using the services. According to the age the data indicates that relative to CBE and CBO, the customers of OIB were younger. The three banks' branches are better in attracting young customers but have to work more in retaining them. With regard to occupation of customers, the majority of respondents of CBE were government employees (38.7 percent) and small percent of customers (3.8 percent) were farmers whereas the majority of customers of CBO and OIB were self-employed (43.1 percent in CBO and 56.3 percent in OIB). Regarding the educational status of customers, indicates that majority of the customers of the three banks' branches are literate and know how to use banking service. As a result, the branches should utilize this opportunity and apply more modern and technological approaches in banking services

When we see the Re-patronage per month of customers, the majority of customers of all banks visit their respective bank's branch once in a month (60.8 % in CBE, 37.5 % in CBO and 46.9 % in OIB). Exceptionally, as more than 60 % of the customers of CBE visit their respective bank's branch once in a month and are government employees and diploma holders, the implication is that most of them come to the bank's branch to receive their salary. As far as the account type of customers is concerned, 84.5 percent of clients of CBE have saving account and 16.5 percent of customers have demand deposit account. In CBO, 97.5 percent of customers have saving account type and 2.5 percent of clients have demand deposit account. 93.8 percent of the customers of OIB have saving account and 6.2 percent of them have demand deposit account. In these banks, the customers with current account are able to write a check to third party and draw a large amount of money at preferred time than saving account holders.

Demographic Characteristics of the Respondents

			Banks					
No	Indicators	Category	CBE		CBO		OIB	
			FR	Percent	FR	percent	FR	Percent
1	Sex	Male	112	60.2	103	64.4	23	71.9
		Female	74	39.8	57	35.6	9	28.1
Total			186	100	160	100	32	100
2	Age	16-29	63	33.9	63	39.4	14	43.8
		30-39	69	37.1	60	37.5	10	31.3
		40-49	36	19.4	34	21.3	7	21.9
		>50	18	9.7	3	1.9	1	3.1
Total			186	100	160	100	32	100
3	Occupation	Government	72	38.7	25	15.6	3	9.4
		Private	27	14.5	26	16.3	8	25
		Self employed	63	33.9	69	43.1	18	56.3
		Farmer	7	3.8	34	21.3	3	9.4
		Student	17	9.1	6	3.8	0	0
Total			186	100	160	100	32	100
4	Education	Uneducated	4	2.2	0	0	0	0
		Elementary	16	8.6	44	27.5	6	18.8
		High school	41	22	55	34.4	13	40.6
		Diploma	68	36.6	45	28.1	8	25
		First degree	34	29	16	10	5	15.6
		Second degree	3	1.6	0	0	0	0
Total			186	100	160	100	32	100
5	Re-patronage per month	2 times a week	8	4.3	14	8.8	6	18.8
		1 time a week	45	24.2	49	30.6	7	21.9
		2 time a month	20	10.8	37	23.1	4	12.5
		1time a month	113	60.8	60	37.5	15	46.9
Total			186	100	160	100	32	100
6	Account type	saving	157	84.5	156	97.5	30	93.8
		demand	29	15.6	4	2.5	2	6.3
Total			186	100	160	100	32	100

Source: Researches analysis

Mean and standard deviation scores for items of tangibility

Items of tangibility dimension	CBE		CBO		OIB	
	Mean	St.dev	mean	St.dev	mean	St.dev
This bank has modern looking equipment	3.61	1.3	4.01	1.133	4.00	1.3
This bank's physical facilities are visually appealing	3.77	1.21	4.11	0.997	3.84	1.27
Employees are well dressed and neat	3.88	1.35	4.28	0.876	3.97	1.17
Written materials are clear and visually appealing	4.01	1.13	4.13	1.1	3.8	1.31

Mean and standard deviation scores for items of reliability

Items of reliability dimension	CBE		CBO		OIB	
	Mean	St.dev	mean	St.dev	mean	St.dev
This bank keeps its promise	3.9	1.2	4.28	0.97	3.6	1.5
This bank shows sincere interest in solving your problem	3.9	1.04	4.26	0.894	3.69	1.49
This bank performs its service right first time	3.87	1.26	4.2	1.00	3.84	1.42
This bank insists on error free records	4.14	1.05	4.21	0.948	3.59	1.5

Mean and standard deviation scores for items of responsiveness

Items of responsiveness dimension	CBE		CBO		OIB	
	Mean	St.dev	mean	St.dev	mean	St.dev
This bank's employees tell you exactly when the service will be provided	3.77	1.21	4.28	0.931	3.97	1.31
This bank's employees give you prompt service	2.45	1.280	4.09	1.018	4.47	.842
This bank's employees are always ready to help you	3.75	1.24	4.11	1.025	4.06	1.16
This bank's employees are never too busy to respond	2.91	1.357	4.28	0.918	3.94	1.216
In this bank, you did not wait for a long period of time in a queue	2.78	1.36	4.28	0.891	4.44	1.014

Mean and standard deviation scores for items of assurance

Items of assurance dimension	CBE		CBO		OIB	
	Mean	St.dev	mean	St.dev	mean	St.dev
In this bank, employees' behavior instills confidence	4.25	0.933	4.18	0.937	3.63	1.476
You feel safe in your transaction with this bank	4.3	0.873	4.29	0.85	3.59	1.365
Employees of this bank are consistently courteous with you	3.76	1.315	4.18	0.944	3.53	1.344
In this bank, employees have the knowledge to answer your questions	4.22	0.974	4.11	1.019	3.66	1.335

Mean and standard deviation scores for items of empathy

Items of empathy dimension	CBE		CBO		OIB	
	Mean	St.dev	mean	St.dev	mean	St.dev
This bank gives you individual attention	3.97	1.095	4.09	1.066	3.31	1.424
This bank's operating hours are convenient to you	4.17	0.97	4.14	0.987	3.59	1.5
The bank has Employees who give you personal attention	4.1	0.989	4.01	1.11	3.66	1.335
This bank has your best interest at heart	4.09	0.99	4.25	0.978	3.25	1.48
Employees of this bank understand your specific need	4.02	1.08	4.24	0.909	3.38	1.43

Summary of service quality items

Service quality dimensions	CBE		CBO		OIB	
	Mean	St.dev	mean	St.dev	mean	St.dev
Tangibility	3.83	1.06	4.18	0.861	3.91	0.777
Reliability	3.98	1.07	4.26	0.729	3.88	0.554
Responsiveness	3.49	1.18	4.24	0.740	4.06	0.669
Assurance	4.0806	1.66	4.23	0.754	3.66	0.602
Empathy	4.0860	0.99	4.16	0.921	3.84	0.677

Mean and standard deviation scores for items of Satisfaction

Items of Satisfaction	CBE		CBO		OIB	
	mean	St.dev	mean	St.dev	mean	St.dev
I am satisfied with the complete range of services	3.96	1.2	4.24	0.867	4.28	0.9
I am Satisfied with the price of the service of this bank	3.95	1.23	4.13	0.943	4.1	1.19
I am satisfied of being a customer of this bank due to its wide service range	3.8	1.3	4.3	0.914	4.38	1.04
I am satisfied with the service quality performance of this bank	4.03	1.13	4.2	0.903	4.25	1.107
I am satisfied with the security service of this bank's employees	3.9	1.19	4.16	0.949	4.2	1.03

Summary of Customer Satisfaction Items

Variable	CBE		CBO		OIB	
	Mean	St. dev	Mean	St.dev	Mean	St.dev
Customer Satisfaction	3.96	1.203	4.26	0.73	4.06	0.44

Correlation results of service quality dimensions and customer satisfaction in CBE

Service Quality dimensions		Customers satisfaction
Tangibility	Pearson correlation	.900**
	Sig.(2-tailed)	.000
	N=	186
Reliability	Pearson correlation	.961**
	Sig.(2-tailed)	.000
	N=	186
Responsiveness	Pearson correlation	.881**
	Sig.(2-tailed)	.000
	N=	186
Assurance	Pearson correlation	.954**
	Sig.(2-tailed)	.000
	N=	186
Empathy	Pearson correlation	.957**
	Sig.(2-tailed)	.000
	N=	186
Customer satisfaction	Pearson correlation	1
	Sig.(2-tailed)	
	N=	64

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

Correlation results of service quality dimensions and customer satisfaction in CBO

Service Quality dimensions		Customers satisfaction
Tangibility	Pearson correlation	.954**
	Sig.(2-tailed)	.000
	N=	160
Reliability	Pearson correlation	.971**
	Sig.(2-tailed)	.000
	N=	160
Responsiveness	Pearson correlation	.966**
	Sig.(2-tailed)	.000
	N=	160
Assurance	Pearson correlation	.973**
	Sig.(2-tailed)	.000
	N=	160
Empathy	Pearson correlation	.967**
	Sig.(2-tailed)	.000
	N=	160
Customer satisfaction	Pearson correlation	1
	Sig.(2-tailed)	
	N=	160

** Correlation is significant at 0.01 levels (2-tailed)

Correlation results of service quality dimensions and satisfaction in OIB

Service Quality dimensions		Customers satisfaction
Tangibility	Pearson correlation	.784**
	Sig.(2-tailed)	.000
	N=	32
Reliability	Pearson correlation	.648**
	Sig.(2-tailed)	.000
	N=	32
Responsiveness	Pearson correlation	.814**
	Sig.(2-tailed)	.000
	N=	32
Assurance	Pearson correlation	.668**
	Sig.(2-tailed)	.000
	N=	32
Empathy	Pearson correlation	.708**
	Sig.(2-tailed)	.000
	N=	32
Customer satisfaction	Pearson correlation	1
	Sig.(2-tailed)	
	N=	32

**Correlation is significant at 0.01 levels (2-tailed)

**Correlation is significant at 0.05 levels (2-tailed)

Regression results of service quality dimensions and customer satisfaction in CBE

Model 1	Unstandardized coefficients		standardized coefficients	T	Sign.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(constant)	-.542	.073		7.455	.000		
Tangibility	.191	.040	.169	4.780	.000	.230	4.339
Reliability	.215	.064	.190	3.371	.001	.307	3.251
Responsiveness	.066	.032	.064	2.086	.038	.206	4.864
Assurance	.391	.046	.379	8.476	.000	.315	3.169
Empathy	.266	.064	.221	4.186	.000	.239	4.178

a. Predicators:(constant, average tangibility, reliability, responsiveness, assurance and empathy)

b. Dependent variable= customer satisfaction

*** Significant at 1% level

*** Significant at 5% level $F=981.78$

Adjusted $R^2=.964$

Coefficients of Service Quality Dimensions

Dependent variable (Y)	Independent variable (X)	Coefficients
Customer satisfaction	Tangibility	$Y = -.542 + .191x_1$
	Reliability	$+.215x_2$
	Responsiveness	$+.066x_3$
	Assurance	$+.391x_4$
	Empathy	$+.266x_5$

Regression results of service quality dimensions and customer satisfaction in CBO

Model 1	Unstandardized coefficients		standardized coefficients	T	Sign.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(constant)	.217	.051		4.279	.000		
Tangibility	.083	.031	.098	2.698	.008	.275	3.636
Reliability	.234	.036	.234	6.464	.000	.218	4.575
Responsiveness	.218	.033	.221	6.624	.000	.352	2.837
Assurance	.388	.034	.297	8.469	.000	.420	2.380
Empathy	.134	.033	.169	4.017	.000	.239	4.178

a. Predicators:(constant, average tangibility, reliability, responsiveness, assurance and empathy)

b. Dependent variable= : customer satisfaction

*** Significant at 1% level

*** Significant at 5% level

Adjusted $R^2=.985$

$F=2054.78$

Coefficients of Service Quality Dimensions

Dependent variable (Y)	Independent variable (X)	Coefficients
Customer satisfaction	Tangibility	$Y = .217 + .083X_1$
	Reliability	$+.234X_2$
	Responsiveness	$+.218X_3$

	Assurance	+ .388x ₄
	Empathy	+ .134x ₅

Regression results of service quality dimensions and customer satisfaction in OIB

Model 1	Unstandardized coefficients		standardized coefficients	T	Sign.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(constant)	-.037	.355		-.864	.395		
Tangibility	.217	.072	.271	3.028	.005	.511	1.956
Reliability	.186	.080	.166	2.333	.028	.810	1.234
Responsiveness	.365	.085	.392	4.305	.000	.493	2.027
Assurance	.200	.081	.194	2.461	.021	.660	1.514
Empathy	.201	.075	.219	2.677	.013	.612	1.633

a. Predicators: (constant, average tangibility, reliability, responsiveness, assurance and empathy)

b. Dependent variable = : customer satisfaction

*** Significant at 1% level

*** Significant at 5% level

Adjusted $R^2 = .873$

$F = 43.667$

Coefficients of Service Quality Dimensions

Dependent variable (Y)	Independent variable (X)	Coefficients
Customer satisfaction	Tangibility	$Y = -.073 + .217x_1$
	Reliability	$+.186x_2$
	Responsiveness	$+.365x_3$
	Assurance	$+.200x_4$
	Empathy	$+.201x_5$

Results and Discussions

Results and Discussions of Descriptive Statistics

The descriptive statistics analysis employed in this study was frequency distribution, tables, mean, and standard deviation. Therefore, through the above tools the researcher arrived at the following results which are discussed below: In CBE, empathy dimension has the highest total mean score of 4.0860 which manifests that customers are highly satisfied with the bank's performance because the branch is helpful, employees give personalized attention to customers; the bank understands the needs of its customers and tries all effort to give equal attention to all customers. In this dimension, the item that states; "This bank's operating hours are convenient to you" yielded highest score of 4.17 while the item that states; "This bank gives you

individual attention" scored the least mean value of 3.97. The 2nd dimension with higher mean score is assurance (4.0806) revealing that customers are satisfied with this dimension because they feel safe with the transaction and are confident with the knowledge and behavior of the bank's employees. The item that states; "You feel safe in your transaction with this bank" yielded the highest mean score of 4.3 while the item that states; "Employees of this bank are consistently courteous with you" scored the least mean value of 3.76.

The 3rd one is reliability with a total mean score of 3.98 indicating that customers are satisfied with the bank perceiving it as a reliable service provider. In this dimension, the item; "This bank insists on error free records" scored the highest mean value of 4.14 whereas the item; "This bank performs its service right first time" gained the

least mean score of 3.87. Tangibility scored the total mean value of 3.83 which imply that customers are moderately satisfied with the bank because the bank has more or less attractive physical facilities, tools and outfit of employees. In this dimension, the item; "Written materials are clear and visually appealing" scored the highest mean value of 4.01 but the item; "This bank has modern looking equipment" got the least mean value of 3.61.

Responsiveness dimension scored the least mean value of 3.49 in CBE which implies that customers are less satisfied because they perceived that the bank is not providing quick service and does not react timely towards the customers' needs. Concerning this item, the item; "This bank's employees tell you exactly when the service will be provided" scored the highest mean value of 3.77. On the other hand, the included new item; "you did not wait for a long period of time in a queue" scored the least mean value of 2.78.

In CBO, all the service quality dimensions scored the highest mean values which are above 4.16. The highest total mean value is scored by reliability dimension (4.26) indicating that customers perceived the bank as a reliable service provider and a bank that insists on error free records. In this dimension, the item that states; "This bank keeps its promise" scored the highest mean value of 4.28 and the item that states; "This bank performs its service right first time" scored the least mean value of 4.2. The second dimension which scored high is responsiveness with the total mean value of 4.24 which indicates that respondents perceived that the bank's employees are responsive to customers. The items that state "This bank's employees tell you exactly when the service will be provided", "This bank's employees are never too busy to respond" and "In this bank, you did not wait for a long period of time in a queue" equally yielded the highest mean score of 4.28. The item "This bank's employees give your prompt service" scored the least mean value of 4.09.

The 3rd ranked dimension in CBO is assurance with the total mean value of 4.23 which indicates that customers feel safe and are confident with the ability of the bank's employees. The item; "You feel safe in your

transaction with this bank" yielded the highest mean score of 4.29 whereas the item; "In this bank, employees have the knowledge to answer your questions" scored the least mean value of 4.11. The dimension that ranked 4th in CBO is tangibility with the total mean value of 4.18 which indicates that the bank has attractive physical facilities, tools and outfit of employees. The item "Employees are well dressed and neat" yielded the highest mean value of 4.28 whereas the item; "This bank has modern looking equipment" scored the least mean value of 4.01. Empathy dimension ranked the least mean value of 4.16 in CBO. But it doesn't mean that the bank's performance is very weak as the total mean value is higher. The item; "This bank has your best interest at heart" scored the highest mean value of 4.25 whereas the item; "The bank has employees who give your personal attention" scored the least mean value of 4.01.

From the above discussion, we can articulate that customers of CBO Hassassa district are satisfied with the branch's performance in all the dimensions of service quality.

Concerning the OIB, the dimension that scored the highest value is responsiveness with the total mean value of 4.06 which is an indication that customers are highly satisfied with the bank's performance of providing prompt service and reacting timely towards the needs of customers. The item that states "This bank's employees give your prompt service" scored the highest mean value of 4.47 whereas the item that states "This bank's employees are never too busy to respond" scored the least mean value of 3.94. The second higher scorer is the tangibility dimension with the total mean value of 3.91 which shows that customers are satisfied with the bank's branch because the bank has modern looking equipment's, attractive physical facilities, tools and outfit of employees. In this dimension, the item that states "This bank has modern looking equipment" yielded the highest mean value of 4.00 whereas the item that states "Written materials are clear and visually appealing" scored the least mean value of 3.8.

The 3rd ranked dimension in OIB is reliability with the total mean value of 3.88 indicating that customers are satisfied with the bank's performance of giving service right first time. The item "This bank performs its service right

first time” scored the highest mean value of 3.84 whereas the item “This bank insists on error free records” scored the least mean value of 3.59. The dimension that ranked fourth in OIB is the empathy dimension with the total mean value of 3.84 which indicates that customers are moderately satisfied with the bank’s branch employees because they give customers personal attention. In this dimension, the item “The bank has Employees who give your personal attention” scored the highest mean value of 3.66 whereas the item that states “This bank has your best interest at heart” scored the least mean value of 3.25.

The least ranked dimension in OIB is assurance with the total mean value of 3.66 which indicates that average number of customers are less satisfied with the bank’s performance because they have some hesitations with transactions and the knowledge and behavior of the bank’s employees. In this dimension, the item that states “In this bank, employees have the knowledge to answer your questions” yielded the highest mean score of 3.66 whereas the item that states “Employees of this bank are consistently courteous with you” scored the least mean value of 3.53.

Results and Discussions of Correlation analysis

The correlation results of CBE indicated that there is a positive and significant relationship between the 5 dimensions of service quality and customers’ satisfaction. The highest correlation is observed between reliability dimension and customers’ satisfaction (0.961) followed by empathy (0.957), Assurance (0.954) and tangibility (0.900) and the lowest correlation is between responsiveness dimension and customers’ satisfaction (0.881). The dominant service quality dimension that has strong relationship with customers’ satisfaction in CBE Hassassa branch is reliability and the least dominant dimension that has weak relationship with customers’ satisfaction is responsiveness.

With regard to the correlation results of CBO, all service quality dimensions have corresponding positive and significant relationship with customers’ satisfaction. The highest correlation is between assurance dimension of service quality and customers’ satisfaction (0.973) followed by reliability (0.971), empathy (0.967) and

responsiveness (0.966) and the lowest correlation is between tangibility dimension and customers’ satisfaction (0.954). In this case, the dominant service quality dimension that has strong relationship with customers’ satisfaction is assurance and the least dominant service quality dimension that has weak relationship with customers’ satisfaction is tangibility.

Concerning the correlation results of OIB, there also exist a positive and significant relationship between the five dimensions of service quality and customers’ satisfaction. The highest correlation is seen between responsiveness dimension and customers’ satisfaction (0.814) followed by tangibility (0.784), empathy (0.708) and Assurance (0.668) and the lowest correlation is between reliability dimension and customers’ satisfaction (0.648). The dominant service quality dimension that has strong relationship with customers’ satisfaction in OIB is responsiveness and the least influential service quality dimension that has weak relationship with customer satisfaction is reliability. In general, if correlation is positive between two or more variables that is; when service quality dimensions and customers’ satisfaction is positively related; delivering better quality service ensures higher customer satisfaction. Therefore, in all the three banks’ branches as the correlation matrix indicates, delivering a quality service is highly correlated with the satisfaction of customers of the respective banks’ branches.

Results and discussion of regression results

The result of this study indicates that all service quality dimensions have positive and significant effect on customers’ satisfaction in dictating quality banking service as a prerequisite for establishing and having satisfied customers. According to the regression results of CBE, empathy and assurance are the dominant determinants of customers’ satisfaction followed by reliability, tangibility and responsiveness. Overall, the results revealed that all independent variables accounted for 96.4 percent of the variance in customer satisfaction (adjusted $R^2 = 0.964$). Thus, 96.4 percent of the variation in customers’ satisfaction can be explained by the five service quality dimensions and the remaining 3.6 percent is due to impact from

other components.

Pertaining to CBO, all service quality dimensions have positive and significant effect on customers' satisfaction. The dominant effect on customers' satisfaction is through assurance dimension which is followed by reliability, responsiveness, and empathy and tangibility dimensions respectively. The value of $R^2 = 0.985$ demonstrates that 98.5 percent of variance in customers' satisfaction can be explained by the five dimensions of service quality and the rest

Percent may be explained by other factors which are out of the scope of this study.

Concerning OIB, with the same analogy, all service quality dimensions have positive and significant effect on customers' satisfaction. The most dominant effect on customer's satisfaction is through responsiveness dimension of service quality followed by tangibility, empathy, assurance and reliability dimensions respectively. The value of $R^2 = 0.873$, demonstrates that 87.3 percent of variance in customers' satisfaction can be explained by the five dimensions of service quality and the rest 12.7 percent of customers' satisfaction can be explained by other factors which are out of the scope of this study.

Generally, we have discovered from the regression result that all the service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) have positive and significant effect on customers' satisfaction in the three commercial banks' branches of Hassassa district.

Hypothesis Testing

Hypothesis testing was based on the standardized coefficient beta with 95% confidence level and p-value to test whether the hypothesis is accepted or rejected in the three banks.

Hypothesis -1

Ho1: Tangibility dimension of service quality has no positive and significant effect on customers' satisfaction in commercial banks of Hassassa district.

Ha1: Tangibility dimension of service quality has a positive and significant effect on customers' satisfaction in commercial banks of Hassassa district.

Tangibility dimension has positive and significant effect on customers' satisfaction in CBE, CBO and OIB. Customers' satisfaction will also be increased by 1 unit in each one on the banks. As a result, the researcher refused to accept the null hypotheses & accepted the alternative one.

Hypothesis -2

Ho2: Reliability dimension of service quality has no positive and significant effect on customers' satisfaction in commercial banks of Hassassa district.

Ha2: Reliability dimension of service quality has a positive and significant effect on customers' satisfaction in commercial banks of Hassassa district.

Reliability dimension has a positive and significant effect on customers' satisfaction in CBE, CBO, and OIB. Therefore, the researcher rejected the null hypothesis and accepted the alternative hypothesis.

Hypothesis 3

Ho3: Responsiveness dimension of service quality has no positive and significant effect on customers' satisfaction in commercial banks of Hassassa district.

Ha3: Responsiveness dimension of service quality has a positive and significant effect on customers' satisfaction in commercial banks of Hassassa district.

Responsiveness dimension of service quality has a positive and significant effect on customers' satisfaction in CBE and CBO. Comparing with other dimensions, the responsiveness dimension has the highest positive and significant effect on customers' satisfaction in OIB the researcher rejected the null hypothesis and accepted the alternative hypothesis.

Hypothesis 4

Ho4: Assurance dimension of service quality has no positive and significant effect on customers' satisfaction in commercial banks of Hassassa district.

Ha4: Assurance dimension of service quality has a positive and significant effect on customers' satisfaction in commercial banks of Hassassa district.

Assurance dimension has the highest positive and significant effect on customers' satisfaction in both CBE and CBO. And though not the highest, it also has a positive and significant effect on customers' satisfaction in OIB. Consequently, the null hypothesis is rejected and the alternative hypothesis is accepted.

Hypothesis -5

Ho5: Empathy dimension of service quality has no positive and significant effect on customers' satisfaction in commercial banks of Hassassa district.

Ha5: Empathy dimension of service quality has a positive and significant effect on customers' satisfaction in commercial banks of Hassassa district.

Empathy dimension of service quality has a positive and significant effect on customers' satisfaction in CBE, CBO and OIB Hassassa branches respectively. As a result, the researcher rejected the null hypothesis and accepted the alternative hypothesis instead.

CONCLUSION AND RECOMMENDATION Findings

The main objective of this study was to assess the effect of service quality on customer satisfaction; a comparative analysis among the commercial banks in Hassassa District. The study used the SERVPERF model to measure the service quality perceptions in three commercial banks available in Hassassa District. For the purpose of the study, 400 questionnaires were randomly distributed to each conveniently selected sample of all the three banks and out of those, 378 relevant questionnaires (186 from CBE, 160 from CBO and 32 from OIB) were properly filled and returned by respondents. The study also tried to test the effect of service quality on customer satisfaction. After analyzing the data gathered through questionnaire, the following findings are presented:

In measuring the service quality dimensions, total mean scores have been computed by equally weighting the mean scores of all the items. On a five-point scale, the mean scores of customers' perceived service quality dimensions of all the three banks' branches range between 3.49 and 4.08 in CBE, 4.16 and 4.26 in CBO and between 3.66 and 4.06 in OIB.

Conclusions

Service performance is based on the services received or experienced by a customer. The study assessed the effect of service quality on customer satisfaction among the banks of CBE, CBO and OIB Hassassa District. The responses to service quality dimensions were used to measure the performance of banking services provided by CBE, CBO and OIB and the level of customers' satisfaction. In this evidently, it was found that, customers' perceived service quality dimensions ranged between 3.49 and 4.08 in CBE, 4.16 and 4.26 in CBO and between 3.66 and 4.06 in OIB indicating service performance is agreed by customers to be high comparing to the scale of measurement.

In general, the following specific empirical findings emerged from the investigation: The five service quality dimensions have positive and significant effect on customers' satisfaction. The findings of this study also indicated that reliability, assurance and empathy in CBE, reliability, responsiveness and assurance in CBO and tangibility, responsiveness, assurance and empathy dimensions in OIB are the most important factors to have a positive and significant effect on.

Recommendations

Based on the analysis and the findings, the following are recommended to the three banks to help them improve their service performance. It is recommended for the banks that certain service quality dimensions need a pragmatic effort to ensure improvement which will help in the overall service quality and a better customer service delivery in the banks.

The result of the findings established that CBE Hassassa branch has not been given much attention to responsiveness dimension. CBE Hassassa branch needs to work hard in providing quick service and react timely towards the customers' needs. Despite the fact that the customers of CBO Hassassa branch are highly satisfied with all the service quality dimensions, the bank needs to give much attention for empathy dimension which means the bank managers need to work hard in employee relations. Therefore, the management of CBO should motivate and train the staff member to give customers personal attention, to understand

customers' specific needs and to have customers' best interest at heart.

With regard to OIB Hassassa Branch, customers were not comfortable with the assurance items. So, the branch needs to revisit customer assurance; the branch management needs to check on the general behavior of employees and their knowledge level to answer questions of customers in order to identify the flaws and address them.

Generally, the findings of this study are important to enable bank managers to have a better understanding of customers' perception of service quality of banking and consequently of how to improve their satisfaction with respect to aspects of service quality. Keeping the existing customers satisfied contributes much more than looking for a new customer to the organization. Owing to the increasing competition in banking, customer service is an important part and bank managers should be rethinking how to improve customer satisfaction with respect to service quality. In a nutshell, banks have to improve their performance in all the dimensions of service quality in order to increase customers' satisfaction and bring the customers to higher level of satisfaction since consumers expect more than what is been offered by other banks. This will enable them maintain high level of competitiveness in banking industry.

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