ASSESSING THE EFFECT OF SERVICE QUALITY ON CUSTOMER LOYALITY: A CASE OF SELECTED BRANCHES OF COMMERCIAL BANK OF ETHIOPIA IN ADDIS ABABA

BY

FIREHIWOT TESFAYE EJERSO

ID NO_ SGS/0114/2008A

JUNE, 2017

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A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (GENERAL MANAGEMENT)

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ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
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Advisor   **Signature**

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External Examiner   **Signature**

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Internal Examiner   **Signature**

DECLARATION

I, the undersigned, declare that this thesis work entitled as **"The Effect of Service Quality on Customer Loyalty: A Case of Selected Branches of Commercial Bank of Ethiopia in Addis Ababa",** is my original work, prepared under the guidance of Professor <u>Abdurazak Mohammed</u>. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted in part or full to any other higher learning institution for the purpose of earning any degree.

_____   _____

St. Mary's University, Addis Ababa   Signature

                                                                          June, 2017

ENDORSEMENT

This thesis has been submitted to St. Mary's University, school of graduate studies for examination with my approval as a university advisor.

_____   _____

Advisor   Signature

St. Mary's University, Addis Ababa   June, 2017

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ACRONYMS

ATM   Automatic Teller Machine

CBE   Commercial Bank of Ethiopia

IT   Information Technology

MIS   Management Information System

SERVQUAL   Service Quality

SPSS   Statistical Package for the Social Sciences

ABSTRACT

Above 13.3 million people of the country are customers of Commercial bank of Ethiopia in which 4,183,195 customers are from Addis Ababa. Since CBE has this amount of customer base, this study tried to indicate the effect service quality has on its customer's loyalty. How does customer of the bank feel towards the service quality they get from the bank and to what point those customers are loyal to the bank is the central point the researcher want to address. This study was conducted on five branches of commercial bank in Addis Ababa. The selection of those branches was purposively in order to address four districts in Addis Ababa. Simple random sampling technique was used to collect data from respondents in branches under the study. The five point SERVQUAL model was used to determine customers' sensitivity of service quality and depending on that the researcher try to know the extent of their loyalty. The collected data was analyzed by using statistical tools regression and correlation. The findings on correlation and regression analysis of service quality of the bank against customers' expectation reveal that they are not meet. Among the five dimensions Reliability, Assurance and responsiveness shows a strong gap with customers' loyalty and customers are not satisfied with current service the bank is providing while customers have better service on tangibility and empathy. This study recommend the organization to be more reliable, assuring and responsive than it has been before because in today's competing world without a loyal customer it's difficult to live long in the business so the researcher recommend organizations to focus on what their customers need and gain a loyal customer.

Key Words: Customer loyalty, Service Quality, Assurance, Reliability, Responsiveness

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

A study conducted by Shafi, et al, (2015) defined Quality as "free from defects and have the ability to satisfy the customer need". Quality is an intangible and vague assembling. Service quality is much more difficult to analyze or evaluate than good quality. Quality concept comes from the expectation of customer and perception of actual service. Banking is one sector of service giving industry which holds its customer as a center. This is due to that the banking industry is among the sectors which are widely spreading. Service giving organizations success depend on service quality provided to its customer and the extent to which they have loyal customer which do not shake with the time.

Service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product Kotler, (2002). Neringa &Justina,(2014) stated that service quality analysis makes an impact on the development of the customer loyalty concept service quality can be regarded as one of the most frequently analyzed customer loyalty determinants.

Customer loyalty stopped customer churn and strengthen the customer retention. When the consumers are loyal to the company then making relationship could be not much costly. For making loyalty there are much more different approaches used. But one of them is stochastic approach which play important role in making loyalty Shafi, et al, (2015).

Organizations used rewards programs to retain their best customers. Frequent customers are awarded redeemable points that can be converted into free services, upgrades in class, and exchange of other products and services. Loyalty programs not only a tool to increase the organization's loyal customers, but they are an opportunity to gather information about customer shopping habits and preferences. This information helps in customizing the organization's services Sima & Elham, (2015).

Commercial Bank of Ethiopia has more than 13.3 million account holders and more than 1140 branches stretched across the country. It's the leading African bank with assets of 384.6 billion Birr as on June 30th 2016 (www.combanketh). Today's successful organizations must foster innovation and master the art of change, or they'll become candidates for extinction. Victory will go to the organizations that maintain their flexibility, continually improve their quality, and beat their competition to the marketplace with a constant stream of innovative products and services (Robbins and Timothy, 2013).

1.2. Statement of the Problem

According to Sheetal and Harsh, (2004) in the banking sector, there is increased financial sophistication of both consumer and business markets and the increased availability of services and products from new competitors, such as insurance companies or the financial subsidiaries of manufacturing companies. In addition, improved technologies are resulting in customer service breakthroughs that significantly alter customer expectations.

According to Faizan et al, (2011) Importance of customer satisfaction in today's dynamic corporate environment is obvious as it greatly influences customers repurchase intensions whereas dissatisfaction has been seen as a primary reason for customer's intention to switch. Taylor et.al, (1993), stated that customers, when satisfied with the services they have experienced, are more likely to establish loyalty.

As Clemes, (2008) indicated in its study Customer satisfaction is crucial in banking sector because of the special nature of the service which is characterized by intensive contact with customers who have different needs and require customized solutions and it is known to be one of the most important and serious issues towards success in today's competitive business environment, as it affects company market shares and customer loyalty.

According to Kotler, (2002) attracting a new customer can cost five times as much as pleasing an existing one .And it might cost 16 times as much to bring the new customer to the same level of profitability as that of the lost customer. It is important to hold the existing loyal customer and identify their need from the organization and making them feel as part of owners the

organization. Service providers always focus on giving the service they suppose to provide to the customer but they don't ask for feedback about the service they delivered to the customer.

A study by Yonatan, (2010) indicated that Satisfaction and dissatisfaction information are important because understanding them leads to the right improvements that can create satisfied customers who reward the company with loyalty, repeat business, and positive referrals.

Service is intangible and its excellence is measured by the customer. Providing the service that the customers are looking for is very important to retain customers. Quality of the service offered to the customer might be accepted differently by the customer. Some customer give attention for the waiting time to get the service, getting access to the center is another consideration while resource used by the organization to serve the customer is also another critical consideration for other customer about service given by the organization. This make hard on service provider on which part to focus in order to retain and have a loyal customer. Giving due attention to what customers are looking for today, forecasting and preparing for the future need of the customer is crucial in order to be competent in the market and retain a loyal customer. In spite of the fact that many researchers have conducted different studies at international & domestically their main focus was the relation service quality has with customer satisfaction. Therefore, the purpose of this study is to evaluate service quality's effect of CBE on loyalty of its customer. This study used five service quality (SERVQUAL) measurements to predict the effect each has on customer's loyalty.

1.3. Research Questions

1. What is the customer expectation towards quality of service provided by the bank at their respective branch?

2. How do customers of CBE perceive the quality provided by the bank?
3. What are the gap between customers' expectation and perception towards service quality?
4. To what extent service quality provided by the bank affect the loyalty of customers towards the bank?

1.4 .Objectives of the Study

1.4.1 General Objective

The general objective of this study was to assess the effect of service quality on customer loyalty the case of commercial banks of Ethiopia in Addis Ababa.

1.4.2 Specific Objective

The specific objectives of the study were:

1. To measure customers' expectation of each of the five dimensions of service quality using SERVQUAL instrument.
2. To measure customers perception of each five dimensions of service quality using SERVQUAL measurement.
3. To determine the extent to which the gap between customers' expectation and perception towards service quality in each of the five dimensions.
4. To determine customer loyalty towards the bank according to the five determinants of perceived service quality of SERVQUAL instrument.

1.5. Research Hypotheses

Hypotheses 1

Ho1: Tangibility has no significant effect on customer's loyalty.

Ha1: Tangibility has significant effect on customer's loyalty.

Hypotheses 2

Ho2: Reliability has no significant effect on customer's loyalty.

Ha2: Reliability has significant effect on customer's loyalty.

Hypotheses 3

Ho3: Responsiveness has no significant effect on customer's loyalty.

Ha3: Responsiveness has significant effect on customer's loyalty.

Hypotheses 4

Ho4: Assurance has no significant effect on customer's loyalty.

Ha4: Assurance has significant effect on customer's loyalty.

Hypotheses 5

Ho5: Empathy has no significant effect on customer's loyalty.

Ha5: Empathy has significant effect on customer's loyalty.

1.6. Operational Definition of Variables

Current Account: is active account on which checks are drawn and to which deposits are made and credits are paid (www.combanketh.com)**.**

Demand Deposit Account: a non interest bearing account and is opened and operated only by customers who are literate (ibid).

Saving Account: is an interest bearing deposit with the bank any individuals, organizations and associations who can fulfill the banks requirement (ibid).

SERVQUAL: A model used for measuring service quality Parasuraman et al, (1988).

Time Deposit Account: is a type of contract in which deposit is received for a certain period of time without movement and attracts a higher interest rate than prevailing saving interest rate (ibid).

1.7. Significance of the Study

The finding of this study will create awareness about problems that the customers of the bank faces that has effect on their loyalty during service delivery and making the problem more visible to policy makers, it also help the organization (CBE) as springboard to understand how customers feel about the quality of service provided by the organization and take corrective action, moreover the bank benefit from the research since the proposed recommendations allow the organisation to address the existing problems and help find solutions so that their conditions

will be improved,it help customers to have information about the company's service quality, this study similarly increase the awareness of the society regarding service quality and customers loyalty, the study's findings & recommendations is highly important to management of the bank because it draws their attention to some of the points where corrective actions are necessary & enable them to make such correction and finally this paper increases literature towards service quality and loyalty for researcher and initiate them to conduct in-depth research on the issue.

1.8. Scope of the Study

Commercial bank of Ethiopia has more than 1140 branches in Ethiopia and from this more than 214 branches are found in Addis Ababa, even though it is very important to study the effect of service quality on loyalty in all bank and branches, due to financial and time limitation this study addressed only the following five branches in Addis Ababa. Andinet Branch, Finfine Branch, Addis Ababa Branch, Megenagna Branch and Teklehaymanot Branch are selected. the researcher believe that taking those branches as a sample will help to get relevant data from the customers waiting at the counter to get the service from those branches additionally with the researchers hope to address the four districts of the bank in Addis Ababa as much as possible.

1.9. Limitation of the Study

This study is limited in scope and sample size, but it can contribute to further study on service quality and its effect on customers' loyalty. This study was specifically focus on the factors that affect customer's loyalty of commercial bank. There are so many branches of CBE and different private banks, however the proposed study was only limited to five branches of CBE which are found in Addis Ababa. Thus the findings of this study may not give a general picture of the service quality of the bank because variations may exist between different branches which are found beyond the specific study area. Additionally, due to time and resource constraint the researcher is forced to limit its sample.

1.10. Organization of the Study

This paper was organized into five chapters. The first chapter include introduction which includes background of the study, statement of the problem, objective of the study, basic research questions, significance of the study and scope and limitation of the study. The second chapter deals with review of literature from different sources. The third chapter involves methodologies applied in the study. The fourth chapter presents data analysis and interpretation. The fifth chapter was dedicated to findings of the study, conclusions and recommendation.

CHAPTER TWO
LITERATURE REVIEW

This chapter deals with different literature proposed by different scholars related to the subject under the study. In this chapter the researcher tries to examine service quality, characteristics of service, define quality, define loyalty, also try to identify the relationship between loyalty and customer satisfaction, loyalty and trust.

2.1 Service Quality

A study conducted by Emel, (2014) conveys there are some major differences between services and goods. The nature of services is intangible whereas goods are tangible. Since services are intangible, measurement of service quality can be more complicated. Service quality measures how much the service delivered meets the customers' expectations. While Alok & Medha, (2012) Service quality leads to customer satisfaction, positive word-of-mouth and favorable behavioral intentions. A study conducted by Parasuraman, Zeithaml and Berry, (2013) quality in service suggested starting from comparisons between what users considered that they should be offered by the provider and what he actually offered. In this direction, quality service can be considered the ratio of the level of service effectiveness and expectations of the user. Thus, to promote quality service means to meet the needs and expectations of a user in an effective manner. Service is first purchased and then it is produced and consumed simultaneously, and then the possible nonconformities are produced and experienced, characterizing their inseparability. Services are intangible and heterogeneous, at the same time being judged by the performance and the experience of those who use them, with the possibility of interpretation and different judgments, according to the provider and the user in question. Besides the intangibility, services present three other characteristics that affect program development: inseparability, variability and perishability. According to Leila et al, (2014) service quality is defined as the whole service quality perceived by customers after using the service. Service quality is very important to customer satisfaction and trust. The increase in customer's perceptions of service quality will influence aspects of relationship quality such as satisfaction and trust.

According to Christian, (1984) services are products which require high customer involvement in the consumption process. In the buyer-seller interactions during the simultaneous parts of

production and consumption, the consumer usually will find a lot of resources and activities to notice and evaluate. The consumers experience of a service can be expected to influence his post-consumption evaluation of the service quality which he has experienced i.e., the perceived quality of service. The consumer is not only interested in what he receives as an outcome of the production process but in the process itself. How he gets the technical outcome or technical quality functionally, is also important to him and to his view of the service he has received. This quality dimension can be called functional quality. Functional quality corresponds to the expressive performance of a service. Hence, we have two quality dimensions, which are quite different in nature: Technical quality which answer the question of what the customer gets, and Functional quality which on the other hand, answer the question of how he gets it. In order to keep the gap between the expected service and perceived service as small as possible, two things seem to be critical to the service firm:

1. The promises about how the service will perform given by traditional marketing activities, and communicated by word-of-mouth, must not be unrealistic when compared to the service the customers eventually will perceive.
2. Managers have to understand how the technical quality and the functional quality of a service is influenced and how these quality dimensions are perceived by the customers.

Parasuraman, et al, (1994)state that in measuring perceived service quality the level of comparison is what consumers should expect, whereas in measures of satisfaction the appropriate Comparison is what a consumer would expect.

2.1.1Characteristics of Service

According to Kotler, (2002) Services have four major characteristics: intangibility, inseparability, variability, and perishability they are explained as follow.

i.   Intangibility

Intangibility is characterized by the activities which cannot be seen, felt, heard or proven before they are acquired. To reduce uncertainty, buyers will look for signs or evidence of the service quality. They will draw inferences about quality from the place, people, equipment, communication material, symbols, and price that they see. Therefore, the service provider's task is to manage the evidence, to tangibilize the intangible." Whereas product marketers are

challenged to add abstract ideas, service marketers are challenged to add physical evidence and imagery to abstract offers.

ii. Inseparability

Inseparability translates to the simultaneity in which services are produced and consumed. The professionals responsible for providing the service are part of it and interaction with users is a special characteristic of services. Often, buyers of services have strong provider preferences. Several strategies exist for getting around this limitation. One is higher pricing in line with the provider's limited time. Another is having the provider work with larger groups or work faster.

iii. Variability

Variability concerns to whom, where and when services is provided. Because services depend on who provides them and when and where they are provided, they are highly variable. Knowing this, service firms can take three steps toward quality control. The first is recruiting the right service employees and providing them with excellent training. This is crucial regardless of whether employees are highly skilled professionals or low-skilled workers.

iv. Perishability

Perishability reinforces that services cannot be stored in advance, so it is necessary that strategies are established for the balance between existing demand and provision of services. Quality service can be considered the ratio of the level of service effectiveness and expectations of the user. Perishability is not a problem when demand for a service is steady, but fluctuating demand can cause problems.

Kotler, (2002) indicate service buyers tend to rely more on word of mouth than on advertising when selecting a provider. Second, they rely heavily on price, personnel, and physical cues to judge quality. Third, they are highly loyal to service providers who satisfy them.

Parasuraman, Zeithaml and Berry (1993) viewed service quality as expectations as normative standard i.e., customers beliefs about what a service provider should offer. The dominant view among customer satisfaction or dissatisfaction is that expectations are predictive standard i.e.,

what customers feel a service provider will offer. They differentiate service in three kinds as follow:-

Predicted service- the level of service customers believe they are likely to get.

Desired service- the level of service representing a blend of what customers believe can be and should be provided.

Adequate service- the minimum level of service customers are willing to accept.

2.2 Customer Satisfaction

Customer satisfaction enhances the customer's desire to stick with the company in the long run and encourages repeat buying behavior. It also results in cross selling opportunities and favorable word-of-mouth Alok & Medha, (2012).

According to Kotler, (2002) customers increasingly expect higher quality and service and some customization. They perceive fewer real product differences and show less brand loyalty. In terms of marketing, the product or offering will be successful if it delivers value and satisfaction to the target buyer. The buyer chooses between different offerings on the basis of which is perceived to deliver the most value. Kotler, (2002) define value as a ratio between what the customer gets and what he gives. The customer gets benefits and assumes costs. A company's sales come from two groups: new customers and repeat customers. One estimate is that attracting a new customer can cost five times as much as pleasing an existing one. And it might cost 16 times as much to bring the new customer to the same level of profitability as that of the lost customer. Customer retention is thus more important than customer attraction.

A study done by Faizan, et.al, (2011) indicted the importance of customer satisfaction cannot be dismissed because happy customers are like free advertising. Many of us have heard of the current trend for businesses to become highly customer-centric, that is to put the customer at the centre of our business in terms of our strategies, actions and processes. For most of us, old truths still hold well, such as it is easier and more profitable to sell to existing customers than to find new ones. In practice, organizations are increasingly setting themselves strategies to measure and ensure customer retention, and charging their staff to be more customers focused and service-oriented. Customer satisfaction holds significant importance in corporate sector because without satisfied and loyal customers, you don't have a business. A single unsatisfied customer can send

away more business from your organization than 10 highly satisfied customers. The more you focus on customer satisfaction and retention, the more long-term business you will get. It's worth to focus on customer satisfaction strategies. In the banking industry, a key element of customer satisfaction is the nature of the relationship between the customer and the provider of the products and services i.e. banks. Thus, both product and service quality are commonly noted as a critical prerequisite for satisfying and retaining valued customers (ibid).

Capturing new customers is expensive for it involves advertising, promotion, and sales costs, as well as startup operating expenses. New customers are often unprofitable for a period of time after acquisition: In the insurance industry, for example, the insurer typically does not recover selling costs until the third or fourth year of the relationship. Capturing customers from other companies is also an expensive proposition. The longevity of a customer's relationship favorably influences profitability. Customers who remain with a firm for a period of years because they are pleased with the service are more likely than short term customers to buy additional services and spread favorable word of-mouth communication. The firm also may be able to charge a higher price than other companies charge, because these customers value maintaining the relationship. For companies with an established customer base (especially in mature markets with entrenched competitors) the net return on investments could be much higher for retention strategies than for strategies to attract new customers Parasuraman, et al,(1996).

According to Stephen & Timothy, (2013) Service organization managers should be concerned with pleasing those customers. Satisfied employees increase customer satisfaction and loyalty. A number of companies are acting on this evidence. A worker's emotional state influences customer service, which influences levels of repeat business and of customer satisfaction. Providing high quality customer service makes demands on employees because it often puts them in a state of emotional dissonance. Over time, this state can lead to job burnout, declines in job performance, and lower job satisfaction. A study conducted by Alok & Medha (2012) indicates customer satisfaction and loyalty strongly influence the process of acquiring new customers. Positive word-of-mouth from the existing customers may increase the company's revenues greatly but negative feedback from the same customers may also ruin the profits and prospects for the company.

A study done by Ali, et al, (2015) shows Firms need to understand the experience of customers and their perception of the service used to provide better services in order to attain the satisfaction of current customers and acquire new customers. In order to improve customers' loyalty and profitability, the firms must reach the customers' satisfaction as the first step which is necessary for keeping customers and attaining good reputation in public. Customers' satisfaction comes from the experience of the customers in using the services. Customers' perception on the service provided may lead to satisfaction or dissatisfaction hence making the role of quality service crucial in this process. There is a strong effect of customers' satisfaction on the firm performance and the effect of service quality on customers' satisfaction and profitability. Therefore, marketing managers need a tool to identify their advantages and weaknesses to consider and implementing strategic planning for improving efficiency, profitability, and overall performance via improvement of service quality.

2.3 Definition of Quality

Higher levels of quality result in higher levels of customer satisfaction, which support higher prices and (often) lower costs Kotler, (2006). According to Emel, (2014), quality means innate excellence. It is a mark of uncompromising standards and high achievement, universally recognizable, and recognized only through experience. Philip B, (1992) define quality as conformance to requirements. Quality must be defined in measurable and clearly stated terms to help the organization take action based on tangible targets, rather than on bunch, experience, or opinions. Edward.D, (1992) asserts that the quality of any product or service can only be defined by the customer. Quality is a relative term that will change in meaning depending on the customer's needs. Josph M., (1992) define quality as fitness for use he stresses a balance between products free from deficiencies.

2.4 Loyalty

According to Leila, et, al, (2014) Loyalty is a dedication on the part of the buyer to maintain a relationship and a devotion to buy the product or service repeatedly. Loyalty thus has a behavioral component which suggests a repurchase intention but also includes an attitudinal component which is based on preferences and impression of the partner. Trust can create benefits for the customers by decreasing transaction cost ultimately fostering customer loyalty to the

relationship. Loyalty has been defined as a deeply held commitment to rebury or repatronize a preferred product/service consistently in the future. Customer loyalty is an important objective for strategic marketing planning and represents an important basis for developing a sustainable competitive advantage.

A study conducted by Dwayne& Stephen, (1996) defined Service loyalty as the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises. According to this definition, an extremely loyal customer is one who:

a) Regularly uses a service provider

b) Really likes the organization and thinks very highly of it and

c) Does not ever consider using another service provider for this service

According to Kotler, (2002) Customer loyalty is the purchases from the company by its customers expressed as a percentage of their total purchases from all suppliers of the same products. He stated loyalty into four according to brand loyalty status first one is hard-core loyal who always buy one brand, second split loyal who are loyal to two or three brands the third type of customer is shifting loyal who shift from one brand to another, and the fourth brand loyal buyer is switchers who show no loyalty to any brand.

A study conducted by Rahim et.al, (2012) Most companies strive for customer loyalty as the competition in most sectors grows tighter, both the importance of, and the challenge in, keeping customer loyalty increases. Indeed, customer satisfaction has for many years been considered as key factor in determining why customers leave or stay with an organization. Therefore, organizations need to know how to keep their customers, even if they appear satisfied. Every organization has come to realize that in order for it to survive, let alone grow, it has to acquire and then retain profitable customers. And it is loyal customers that generate increasing profits for each additional year they are retained. Customer satisfaction is not a guarantee of repeat patronage.

According to (Rizan, et al, 2014) to build successful long-term partnerships, customers look for a bank that is more than a normal bank, a partner who is also interested in their general well-being than purely in what can be sold to them. Loyal customers stay longer with banks that treat them well. The facts show that today customers have become more knowledgeable, sophisticated and

assertive, with an increasing demand for tailor-made and innovative products and services. They are no longer interested in buying off-the-shelf solutions, but demand remedies that fit their business models and plans. Therefore, to ensure they are steadily ready, it is crucial for banks to have strong relationships with their evolving customers. It is because investing in loyalty can generate more attractive returns than rolling out an ambitious new marketing plan or building additional branches. Alok & Medha, (2013) Customer Loyalty is a psychological character formed by sustained satisfaction of the customer coupled with emotional attachment formed with the service provider that leads to a state of willingly and consistently being in the relationship with preference, patronage and premium.

A study conducted by Adriana & Daniela, (2002) Customer loyalty is not obtained by a customer card or a customer club, but by satisfying customer's expectations. Customers compare their subjective perceptions after purchasing a product / service with their expectations before the purchase decision. This comparison leads to a situation of satisfaction, in satisfaction or exceeded customer expectations (customer enthusiasm).

According to Seyhmus, (2002) frequent guest programs, also known as customer-loyalty programs, have become popular, particularly in hospitality businesses. Because the majority of frequency or loyalty programs simply reward repeated purchases, or "behavioral loyalty," the effectiveness of loyalty programs is often gauged only by the level of repeated patronage. Repeated purchases, however, do not necessarily indicate true loyalty in this circumstance. Instead, it's possible that customers may repeatedly purchase a product or service, or exhibit "behavioral loyalty," for reasons other than an attitudinal commitment to the brand or company. In the case of frequency programs, customers may be loyal to the program (until they receive their desired incentive) rather than to the brand. According to Sima & Elham, (2015) Loyalty reflects relationship development and retention reflects relationship continuity. Customer retention is a crucial component of customer relationship. The main aspect of customer retention is the emotions evoked by the customers experience combined with the organization's strong reputation. Without the emotional bond which is essential to retain customers, customer loyalty will be impossible. Customer retention is important to most companies because the cost of acquiring a new customer is greater than the cost of maintaining a relationship with a current customer.

2.4.1 Loyalty over Time

A study conducted by Jill, (2010) states People grow into loyal customers by stages. The process is accomplished over time, with nurturing, and with attention to each stage of growth.

Stage One: Suspect- is anyone who might possibly buy your product or service. We call them suspects because we believe or suspect that they might buy from us we don't know for sure.

Stage Two: Prospect- A prospect is someone who has a need for your product or service and is able to buy. Prospects may know who you are where you are and what you sell, but they still haven't bought from you.

Stage Three: Disqualified Prospect- Disqualified prospects are those prospects about whom you have learned enough to know that they do not need, or do not have the ability to buy, your products.

Stage Four: First-Time Customer- First time customer is one who has purchased from you one time. This person can be a customer of yours and a customer of your competitor as well.

Stage Five: Repeat Customer- Repeat customers are people who have purchased from you two or more times. They may have bought the same product twice or bought two different products or services on two or more occasions.

Stage Six: Client- A client buys everything you have to sell that he can possibly use and purchases regularly. In addition, however, an advocate encourages others to buy from you.

Stage Seven: Lost Customer or Client. Someone who was once a customer or client but has not bought from you in at least one normal purchase cycle. When they become active again, they are regained. They are at risk if there is a high probability of defecting. While Alok & Medha, (2012) described in order to develop and sustain loyalty among the customers, it is important to find out what drives loyalty in a particular market. The factors which lead to loyalty need to be uncovered and understood before designing and implementing the strategies for customer retention and loyalty .Understanding the relationships between customer loyalty and various other business constructs such as quality , satisfaction, trust and so on is essential. These relationships need to be investigated and understanding the effect of these constructs on loyalty will surely provide an insight into customer loyalty formation.

2.4.2 Loyalty and Satisfaction

According to (Kotler & Keller, 2006) satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance (or outcome) to expectations. Customer assessments of product performance depend on many factors, especially the type of loyalty relationship the customer has with the brand. A highly satisfied customer generally stays loyal longer, buys more as the company introduces new and upgraded products, talks favorably to others about the company and its products, pays less attention to competing brands and is less sensitive to price, offers product or service ideas to the company, and costs less to serve than new customers because transactions can become routine. On the other hand Leila R, et al, (2014) described Customer satisfaction as an overall attitude formed based on the experience after customers purchase a product or use a service. It is a reflection of being content with such a product or a service. Satisfaction is the assessment of the experience of interacting with a service provider up to the present time and is used by customers to predict future experience. Satisfaction is a broad feeling, which is affected by service quality, product quality, price, and contextual and personal factors. Satisfaction is one of the antecedents of customer loyalty. Satisfaction positively affects customer loyalty. Although the reason that customers remain loyal may not always be satisfaction, it is safe to say that satisfied customers are more loyal.

2.4.3 Loyalty and Trust

A study conducted by Leila R, et al, (2014) defined trust as one party believing that the other party wills fulfills his or her needs. In terms of services, trust is the belief held by a customer that the service provider will provide the service that meets customer needs. A more general definition of trust is that a party has confidence in the honesty and reliability of his partner. Trust is an important mediating factor between customer behavior before and after purchasing a product which can lead to long-term loyalty and strengthen the relationship between the two parties. As with loyalty, trust is a special psychological state that can only occur in certain relationships. When a customer trusts an organization, he or she has the confidence in service quality and product quality of the organization. Customers who trust an organization are more

than likely to be loyal to the company. Point out that the precondition of customer loyalty is customer trust (ibid). Kotler, (2006) also state building trust is one prerequisite to healthy and long-term relationship.

A study conducted by Rahim A, et al, (2012) described Customer loyalty will seem elusive and magical to those trying to obtain it. However, there are a lot of good reasons for businesses to pursue customer loyalty as a strategic objective. Customers are expensive to acquire; keeping them loyal allows you to amortize acquisition costs. Loyal customers are often willing to pay premium prices. They point out some important attitudes and behaviors expected of a loyal customer include:

- Likelihood to recommend company products and services to others.
- Likelihood of purchasing other products and services the company offer.
- Believing company products and services are superior to competitors.
- Not actively seeking alternative service providers.
- Providing the company with opportunities to correct problems and not using these as a basis for compromising the relationship.

Jill, (2010) Introduced four types of loyalty

2.4.4 Types of Loyalty

i. **No Loyalty**- Avoid targeting no-loyalty buyers because they will never be loyal customers; they add little to the financial strength of the business.

ii. **Inertia Loyalty**- This customer buys out of habit. It's the "because we've always used it" or "because it's convenient" type of purchase. This buyer is ripe for a competitor's product that can demonstrate a visible benefit to switching. It is possible to turn inertia loyalty into a higher form of loyalty by actively courting the customer.

iii. **Latent Loyalty**- Situational effects rather than attitudinal influences determine repeat purchase. By understanding situational factors that contribute to latent loyalty, a business can devise a strategy to combat them.

iv. **Premium Loyalty-** People are proud of discovering and using the product and take pleasure in sharing their knowledge with peers and family. These

customers become vocal advocates for the product or service and constantly refer others to it.

According to Alok & Medha, (2012) behavioral loyalty is generally seen in the form of repurchase intentions, low level of inclination towards switching and exclusive intentions. On the other hand, attitudinal loyalty is based upon the strength of preference and willingness to recommend. Cognitive outcomes of loyalty are characterized by the customer's consideration of a service provider above others in the same category stemmed from his evaluation of the benefits associated with continued patronage. Doctoring the inertia, latent or no-loyalty conditions of your current customers and finding a way to upgrade them to premium loyalty are two aspects of loyalty management. An even more proactive approach is to start from the earliest stages of customer development and devise ways to nurture and enhance loyalty throughout the customer's history with your company. This way, you can better manage development of loyalty and minimize, or in some cases, even avoid, such conditions as inertia or latent.

Service Quality Model

Consumer

| Word of mouth Communication | Personal Needs | Past Experience |

Expected Service

Gap 5

Perceived Service

Marketer

Service Delivery (including pre and post-contact

GAP4

External communications to consumers

GAP3

Translation of perceptions into service quality specification.

GAP1

GAP 2

Management perceptions of consumer Expectation
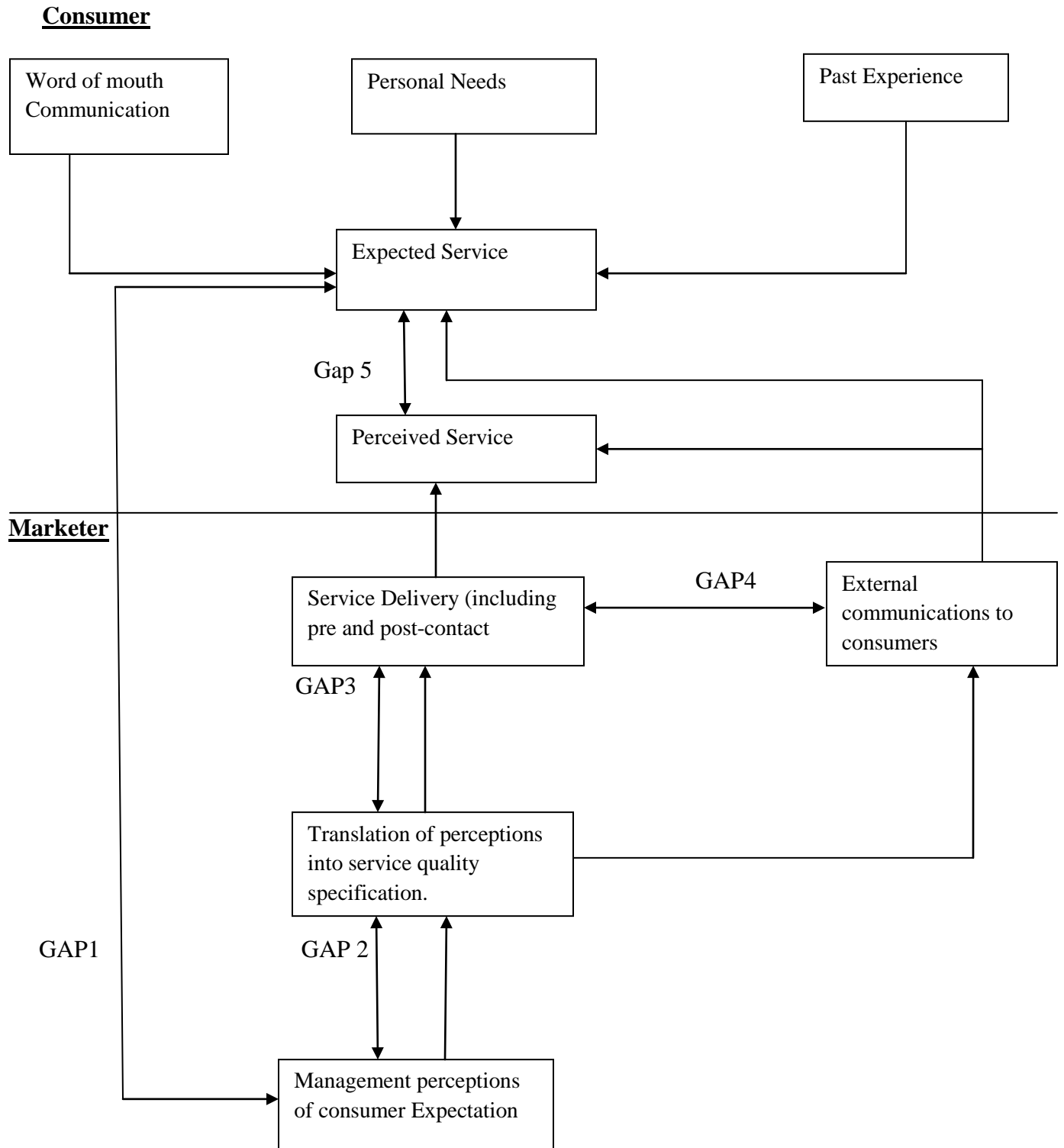
Figure 2.1 SERVQUAL Model

Source: GAP Model of Service Quality Parasuraman et al., (1985)

2.4.5 GAP Model

Parasuraman et al (1985) proposed that service quality is a function of the differences between expectation and performance along the quality dimensions. They developed a service quality model based on gap analysis.

The various gaps visualized in the model are:

Gap 1: Difference between consumers' expectation and management's perceptions of those expectations, i.e. not knowing what consumers expect. The service providers do not always understand what requirements connote excellence of quality for consumers.

Gap 2: Difference between management's perceptions of consumer's expectations and service quality specifications, i.e. improper service-quality standards.

Gap 3: Difference between service quality specifications and service actually delivered i.e. the service performance gap.

Gap 4: Difference between service delivery and the communications to consumers about service delivery, i.e. whether promises match delivery

Gap 5: Difference between consumer's expectation and perceived service. This gap depends on size and direction of the four gaps associated with the delivery of service quality on the marketer's side.

The above gaps are defined as follow:

Gap 1- Not knowing what users want to receive

Gap 2- Not selecting the right design of the service and established standards

Gap 3- Not delivering the standard service

Gap 4- Not marrying performance with promises

Gap 5- Established according to the four previous gaps

2.5 Empirical Review

2.5.1 Service Quality in Banking

A study conducted by Samraz & Bakhtiar,(2012) on The Impact of Service Quality, Customer Satisfaction and Loyalty Programs on Customer's Loyalty: Evidence from Banking Sector of Pakistan Indicated that there is a significant and positive relationship between service quality and customer's loyalty. Also the study proves that there exists a positive and significant relationship between customer satisfaction and customer's loyalty.

According to Lo Liang et al, (2010) a research entitled by The Impact of Service Quality on Customer Loyalty: A Study of Banks in Penang, Malaysia there finding indicated that all SERVQUAL dimensions have positive relationship with customer loyalty except tangibility. A Regression Analysis shows that tangibles have no significant impact on customer loyalty. Those researcher states why tangibility is insignificant because respondents did not treat tangibles as an important measurement anymore due to availability of self-service terminals. In this study, it is also found that satisfaction has mediating effect on the relationships between service quality dimensions (tangibles, reliability, responsiveness, empathy and assurance) and customer loyalty.

A study on Determinants of customer loyalty in the banking sector: The case of Pakistan Bilal et al, (2010). The conducted this study on six variables indicated as follow Perceived Quality, Trust, Satisfaction, Switching Cost, Commitment and Loyalty. Satisfaction is the most correlated element with loyalty. The next factor which is more important is the commitment. The correlation between commitment and loyalty shows that the highly committed customers are always loyal to the bank. The next factor which is more important is the tangible perceived quality with a correlation which shows a strong relationship with loyalty. The rest of the factors are also correlated but not as much as the satisfaction, commitment, perceived quality. The perceived quality is most correlated with the satisfaction factor and least correlated with trust factor.

According to a study entitled by Perceived service quality and customer loyalty in Retail banking in Kenya Daniel et.al, (2013) looked at how the different dimensions of service quality are related with customer loyalty. The study has shown the interrelationships among service quality dimensions and customer loyalty in the retail banking sector in Kenya. This study

confirms the positive relationship between all the service quality attributes and customer loyalty. Moreover, because all the dimensions of service quality attributes are positively correlated with customer loyalty, bank managers should emphasize all the service quality dimensions in maintaining and improving the service quality that they provide. This study highlights that reliability and empathy are the most important dimensions of service quality in retail banking in Kenya.

A study conducted on Service Quality, Customer Satisfaction and Loyalty: An Empirical Analysis of Banking Sector in Pakistan by Mohsin et.al, (2012) Finding indicated that all the constructs merged in service quality play an important role in customer loyalty. Tangibility, reliability, competence and conflict handling are used to measure the relationship among them. The study shows variables used tangibility, reliability, competence and conflict handlings have maximum affinity with customer satisfaction and customer satisfaction has maximum affinity with customer loyalty. This study measures the effect of most common constructs for quality of banking services that influence customer satisfaction and examine the impact of customer satisfaction on customer loyalty in the context of banking relationships. The finding shows that the service quality constructs and customer satisfaction are very important and there is positive and significant relationship, whereas, it is concluded that the customer satisfaction and customer loyalty also have strong positive relationship with each other.

According to (Maysam et.al, 2013)on the study on Analyzing the Impact of Service Quality Dimensions on Customer Satisfaction and Loyalty in the Banking Industry of Iran, the results showed that responsiveness, tangibility, reliability and compliance have direct and significant effect on customer satisfaction. Furthermore data analysis indicated that customer satisfaction has positive and significant impact on customers' loyalty. Accordingly this study results showed that assurance and empathy don't have positive and significant impact on customer satisfaction. Furthermore, the results showed that customer satisfaction is a mediator of the relationship between responsiveness, tangibility, reliability, and compliance and loyalty.

According to (Rahim et al,2010), conducted on Service quality, customer Satisfaction and loyalty: A test of mediation, the finding shows that there is a positive and meaningful relation among all five fold dimensions of service quality with satisfaction and loyalty, which in both

cases assurance and tangibles have the most and the least relation with satisfaction and loyalty. Service quality has a direct relation with loyalty, although satisfaction plays a more important role in service quality and customers loyalty.

Table 2.1: Summary of Empirical Studies

Authors	Antecedents	Results
Samraz & Bakhtiar (2012)	The Impact of Service Quality, Customer Satisfaction and Loyalty Programs on Customer's Loyalty: Evidence from Banking Sector of Pakistan.	Findings indicate that there is a significant and positive relationship between service quality and customer's loyalty. Also the study proves that there exists a positive and significant relationship between customer satisfaction and customer's loyalty
Lo Liang et al,(2010)	The Impact of Service Quality on Customer Loyalty: A Study of Banks in Penang, Malaysia	All SERVQUAL dimensions (reliability, responsiveness, assurance and Empathy) have strong positive relationship with customer loyalty except tangibility. Regression Analysis shows that tangibles have no significant impact on customer loyalty. This is due to a changing trend and respondents did not treat tangibles as an important measurement anymore due to availability of self-service terminals.
Bilal et al,(2010)	Determinants of customer loyalty in the banking sector: The case of Pakistan	This study used six variable indicated as follow Perceived Quality, Trust, Satisfaction, Switching Cost, Commitment and Loyalty. Satisfaction, commitment & tangible perceived quality with a correlation which shows a strong relationship with loyalty. The rest of the factors are also correlated but not as much as the satisfaction, commitment, perceived quality.
Daniel et.al (2013)	Perceived service quality and customer loyalty in Retail banking in Kenya	Indicate there is a positive relationship between all dimensions of service quality and customer loyalty. Reliability is significantly and positively correlated to loyalty, while responsiveness, tangibility, assurance and Empathy are positively correlated with customer loyalty
Mohsin et.al (2012)	A study conducted on Service Quality, Customer Satisfaction and Loyalty: An Empirical Analysis of Banking Sector in Pakistan	Finding indicated that service quality play an important role in customer loyalty. The finding shows that service quality constructs and customer satisfaction are very important and there is positive and significant relationship, whereas, it is concluded that the customer satisfaction and customer loyalty also have strong positive relationship with each other.
Maysam et.al (2013)	Analyzing the Impact of Service Quality Dimensions on Customer Satisfaction and Loyalty in the Banking Industry of Iran,	The results showed that responsiveness, tangibility, reliability and compliance have direct and significant effect on customer satisfaction which lead to customers' loyalty. Additionally results of the study shows that assurance and empathy don't have positive and significant impact on customer satisfaction.
Rahm et.al.(2010)	Service quality, customer Satisfaction and loyalty: A test of mediation	There is a positive and meaningful relation among all five fold dimensions of service quality with satisfaction and loyalty, which in both cases assurance and tangibles have the most and the least relation with satisfaction and loyalty. Service quality has a direct relation with loyalty, although satisfaction plays a more important role in service quality and customers loyalty.

Source: Compiled from Previous Studies

2.5.2 Conceptual Framework

Conceptual frame work of the effect of service quality on customer's loyalty is prepared based on literature reviews. The conceptual framework of this thesis is prepared by investigating related literature of the subject matter under the study. This research studies 5 independent variable factors of service quality namely: tangibles, reliability, responsiveness, assurance and empathy which have effect on the dependent variable customer loyalty. Ehigie (2006) suggests that there is a significant positive relationship between customer satisfaction and customer loyalty/retention. As such, customer satisfaction in this research is acting as a mediator between service quality and customer loyalty.
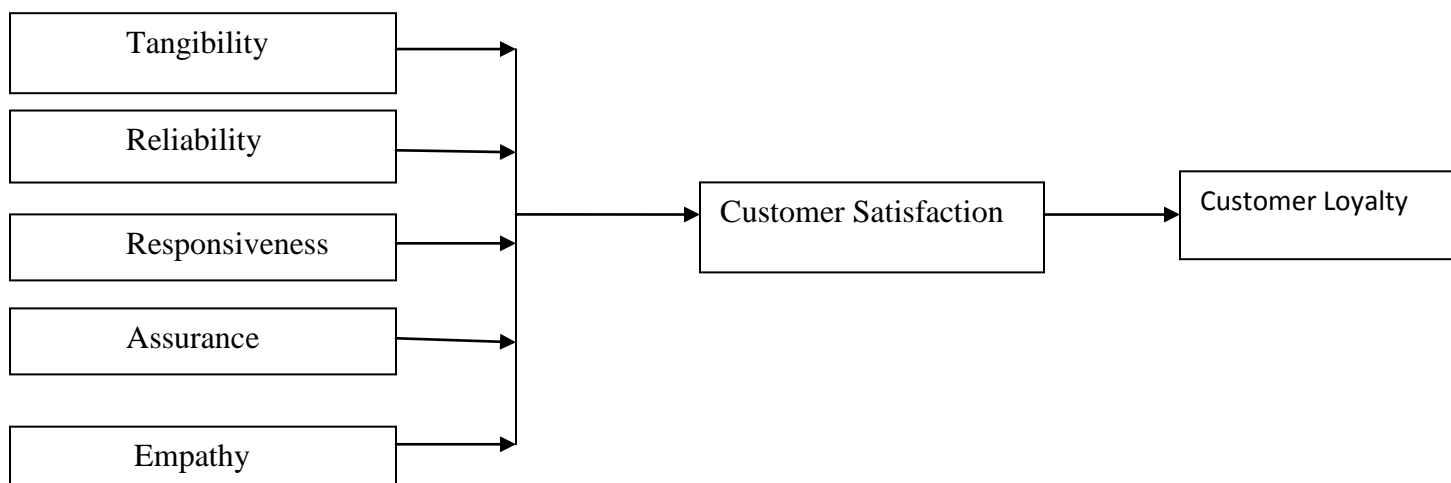
Figure 2.2 Conceptual Frame work

Developed Parasuraman et al. (1988) advanced SERVQUAL model for measuring service quality and depending on literature review.

2.5.3 Definitions of the SERVQUAL Dimensions

i. Tangibility

Tangibility concerns the physical facilities, equipment, personnel and materials that can be perceived by the five human senses.

ii. Reliability

Reliability translated into the ability of the supplier to execute the service in a safe and efficient manner. It depicts the consistent performance, free of non-compliance in which the user can trust. The supplier must comply with what was promised, without the need for rework.

iii. Responsiveness

Responsiveness refers to the availability of the provider to attend voluntarily to users, providing a service in an attentive manner, with precision and speed of response. It concerns the availability of employees of the institution to assist users and provide the service promptly.

iv. Assurance

Competency, Courtesy, Credibility, & Safety of the original model in 1985by Parasuraman et al are restructured in one under Assurance. Assurance it is identified as the courtesy, knowledge of employees and their ability to convey trust.

v. Empathy

While Access, Communication & Comprehension of the original model were restructured under empathy. Empathy related to whether the organization cares for the user and assists him in an individualized manner, referring to the ability to demonstrate interest and personal attention. Empathy includes accessibility, sensitivity and effort in understanding the needs of users.

CHAPTER THREE
RESEARCH METHODOLOGY

This chapter presents research methodology used in carrying out the study. It presents the description of the study area, research approach and design, target population, sampling technique, sample size, source of data, study variable, data gathering technique, method of data analysis, ethical consideration of the study.

3.1. Description of Study Area

The study was conducted on commercial bank of Ethiopia. CBE was legally established as Share Company in 1963. CBE is pioneer to introduce modern banking to the country. This bank has more than 1140 branches stretched across the country from those more than 214 branches are found in Addis Ababa. For administrative purpose the bank classifies those branches into 15 districts across the country from this district four of them are found in Addis Ababa. To facilitate the administration of the bank, CBE has categorized its branches into 4 grades which are Grade-1, Grade-2, Grade-3 and Grade-4. This categorization is done based on: the number of customer, the number of transaction per day, the volume of each transaction, the branch contribution in terms of profit and other. Grade 4 is categorized as the largest while grade 1 is categorized as the lowest in customers/transactions respectively. For the purpose of this study the researcher was selected 5 branches which are under grade 4 and from the four districts according to the banks classification namely Andinet branch from East district, Addis Ababa branch from North district,Finfinne branch from South district, Megenagna branch from East and Teklehymanot branch from West district.

3.2. Research Approach and Design

The research approach used for this study was both qualitative and quantitative and the research design used for this study was Causal Research Design. According to Sreejesh,et al , (2014) The basic aim of causal studies is to identify the cause and effect relationship between variables. It is the process of determining how one variable influences the change in another variable. This research design was employed because the fact that the aim of this thesis was to identify the effect service quality having on customer's loyalty in commercial bank of Ethiopia.

3.3. Target Population

Target populations of the study were all active customers of CBE which will be receiving service on five selected branches in Addis Ababa. The five branches were selected by purposive sampling technique while the respondents were selected by simple random sampling technique.

3.4. Source of Data

This study used both primary and secondary source of data. The researcher collects primary data from sample customers of the bank in different selected branches of the bank at the counter. The secondary data, on the other hand were derived from work of other researchers that are relevant to the paper, journals, research reports, broachers, available books, web site of the company & different web sites were browsed.

3.5. Sampling Technique

The researcher was used both probability and Non probability sampling technique. In this study the researcher was used purposive sampling in order to select branches and respondents was taken by visiting the branches under the study and questioner was distributed to customers at the branches to receive services.

3.6. Sample Size

According to MIS department data of CBE the total active Customer of CBE in Addis Ababa are 4,183,195 on December 31,2016 from these 195,696 customers are demand depositors,3,987,889 customers are saving account holders while the remaining 330 customers are time depositors. Only in Addis Ababa commercial bank of Ethiopia more than 214 branches but in this study the researcher is going to cover only the five selected branches purposively. Addis Ababa Branch have 143,525 active customers, Andinet Branch have 66,135, Finfinne Branch have 75,170 while Megenagna Branch have 69,759 finally Teklehaymanot Branch have 65,974 number of active customers.

The sample size for this study was calculated from total customers of the bank by using the formula given by Yamane (1967).

Total active number of account holders in those five

branch=143,525+66,135+75,170+69,759+65,974=**420,563**

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

n = the sample size

N = the population size

e =Margin of error acceptable or measure of precision is 0.06

$$n= \frac{420,563}{1+420,563(0.06)^2}$$

$$\underline{n=278}$$

Table: 3.1 Populations and Sample Size Determination for Each Branch

No	Selected branches	Number of active account holders	Sample size population
1	Addis Ababa Branch	143,525	143525/420563X100=34% of 278=95
2	Andinet Branch	66,135	66135/420563X100=15%of 278=42
3	Finfinne Branch	75,170	75170/420563X100=18%of 278=50
4	Megenagna Branch	69,759	69759/420563X100=17%of 278=47
5	Teklehaymanot Branch	65,974	65974/420563X100=16% of 278=44
	Total	**420,563**	**278**

Source: Own Survey, 2017

3.7. Study Variables

The study has both dependant and independent variables. The dependant variable of the study was customers' loyalty. There are five independent variables which directly affect the dependant variable these are Tangibility, Reliability, Responsiveness, Assurance and Empathy.

3.8. Data Gathering Technique

To collect the data for this study both primary and secondary data gathering tool were employed. To collect relevant data from primary respondents, the questioner was prepared and distributed for customers at counter of the bank in the five branches. The types of questions are closed ended. Those questions are prepared by both Amharic and English language in order to get data from different respondents correctly in the way they can understand. The questions were designed by using the five Likert scales measurement 1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree. The secondary data on the other hand was collected from journals, broachers, research reports & different web sites.

3.9. Method of Data Analysis

Different data which are collected using closed ended questioner was analyzed using statistical tools like regression and Pearson correlation. Additionally demographic factors were analyzed descriptively using percentage. The Pearson correlation coefficient was used for this study because it is a standardized measure of covariance. Covariance coefficients retain information about the absolute scale ranges so that the strength of association for scales of different possible values cannot be compared directly. While multiple regression analysis is one of the dependence techniques in which the researcher can analyze the relationship between a single-dependent (criterion) variable and several independent variables. The data collected from questioner were summarized using SPSS 23 and Eviews-8 and then presented by descriptive (percentage, frequency & mean) & inferential statics. Regression analysis and correlation analysis was used to determine the association between dependent and each of the independent variables. Data obtained from the study are presented in graph, tables and figures.

3.10 Ethical Considerations

In order to keep the confidentiality of the data given by respondents, the subjects are assured that their responses will be used only for the purpose of the study and their responses is treated in strictly confidential manner. An attempt is made first to explain the objectives and significance of the study to the respondents. The respondents were not required to write their name. The purpose of the study was disclosed in the introductory part of the questionnaire. Furthermore, the researcher tried to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires were distributed only to voluntary participants

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

This chapter consists of the data analysis and the interpretation of data gathered through structured questionnaire. First the demographic characteristics of respondent presented were presented in descriptive statics manner. After that correlation & multiple linear regression analysis of the questioner were presented in inferential statics way. The study is conducted by distributing 278 questionnaires to the customers of Commercial Bank of Ethiopia out them 26 remained uncollected while 17customers did not fill questions properly and finally 235 the total were filled properly and used for the purpose of data presentation, analysis and interpretation. This chapter starts by interpreting demographic characteristics descriptively.

4.1. Demographic characteristics

Table 4.1: Demographic Characteristics of Respondents

Characteristics	Values	Frequency	Percentage
Gender	Male	157	66.8
	Female	78	33.2
Age	18 - 25 years	46	19.6
	26 -35 years	102	43.6
	36 -45 years	55	23.4
	46-55 years	25	10.6
	Greater than 55 years	7	3.0
Occupation	Government employee	113	48.1
	Private-employee	81	34.5
	Self-employed	29	12.3
	Student	11	4.7
	Pensioned	1	0.4

Source: Own Survey, 2017

As shown in table 1 above, the majority of respondent 157 (66.8%) were male & 78 (33.2%) were female respondents. This shows that male customers of cbe visits different branch of the sample bank than female customers. From the data presented in above table, the majority 102 (43.6%) of the respondents were in the age group of 26-35 years old. 55(23.4%) of the respondents were in the age group of 36-45 years. 46(19.6%) of the respondents are categorized the age of 18-25 years and the remaining 25(10.6%) and 7(3%) were categorized under age of 46-55years and greater than 55 years old respectively. This shows that among customers of the bank the highest customer who can visit the bank are those which are categorized under age of 26-35 while those customers above age 55 are not frequent visitor of the bank.

With regard to the respondents occupation, 113(48.1%) of the respondent were hired by Governmental institutions, 81(34.5%) of the respondents are hired or working with private organizations. 29(12.3%) of the respondents were self employed. 11(4.7%) of the respondents are student while 1(0.4%) of the respondent is pensioned. This indicates that majority of the customer of this bank are government employees while student and pensioned are the least customers of the bank respectively.

Chart 4.1: Educational level of the respondent
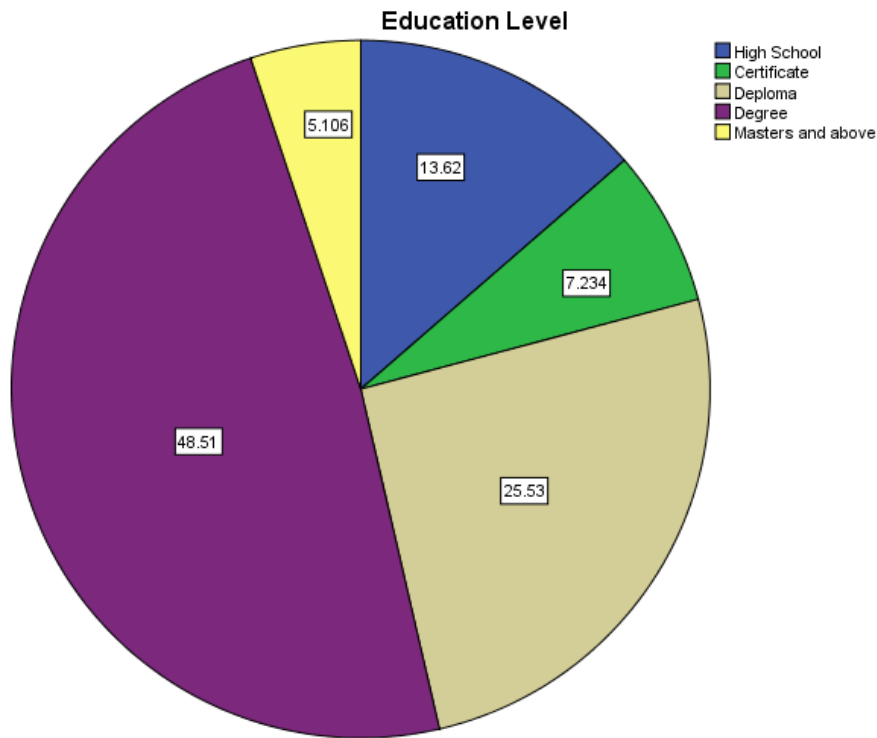
Source: Own Survey, 2017

Regarding educational level of the respondents, the above Chart portray that, the majority (48.51%)of the respondents were BSC & BA degree holders. 25.53% were diploma holders,13.62% of the respondent were high school and the remaining 7.234% &5.1.6% of the respondents have certificate and masters & above respectively. This indicates that most of the respondents have a good educational background.

4.2 Classifications of customers

Table 4.2: Domestic and International Banking User of Respondents

Banking system	Values	Frequency	Percentage
Domestic Banking	Saving Account	154	65.5
	Current Account	22	9.4
	Local Transfer	27	11.5
	Credit Facilities	1	0.4
	Interest free Banking	15	6.4
	Saving account, Current account and local transfer	14	6.0
	All	2	0.9
International Banking (n = 156)	Money Transfer	120	76.9
	Forex Service	31	19.9
	Trade Service	4	2.6
	Money Transfer & Forex Service	1	0.6
E payment(n=206)	Mobile banking	49	28.8
	Internet banking	8	3.9
	Card banking (ATM card)	111	53.9
	Mobile banking & Card banking	26	12.6
	All	12	5.8

Source: Own Survey, 2017

The researcher classified the respondent based on the service category they used, Domestic banking activity is one of the major activity in the bank all (100%) of the respondent are the user of this service in a different forms. Majority of the respondent use 154(65.5%) domestic banking

for saving account. 27 (11.5%) of respondent are user of local transfer in domestic banking service. 22(9.4%) of the respondents use current account. 15(6.4%) of the respondents were user of interest free banking. 14 (6%) of the respondent uses saving account, current account and local transfer of the bank all together while 1(0.4%) and 2(0.9%) of the respondent uses credit facility and all domestic banking service respectively. This shows that majority of the customer uses saving account and the very least of customers use all type of domestic banking simultaneously.

From international banking service user (76.9%) of the respondent are international Money transfer user, 31 (19.9%) of respondents were user of Forex service. 4(2.6%) of the respondent uses trade service while 1 (0.6%) of the respondent uses both Money Transfer & Forex Service. This shows that among users of international banking high number of customers are user of international money transfer while very small number of customer are user of both Money Transfer & Forex Service.

In Electronic banking service category among this service user 111(53.9%) of the respondents are user of ATM,49(28.8%) of them are mobile banking service user, 26(12.6%) of the respondent use both mobile and card banking activity simultaneously, 12(5.8%)respondents use all E payment service delivered by the bank while internet banking users constitute only 8 (3.8%) of the respondent . from this we can conclude that a large number of the bank are user of ATM card followed by mobile banking and the least electronic banking used by the bank is internet banking.

Graph 4.2: Years of Experience as Customer
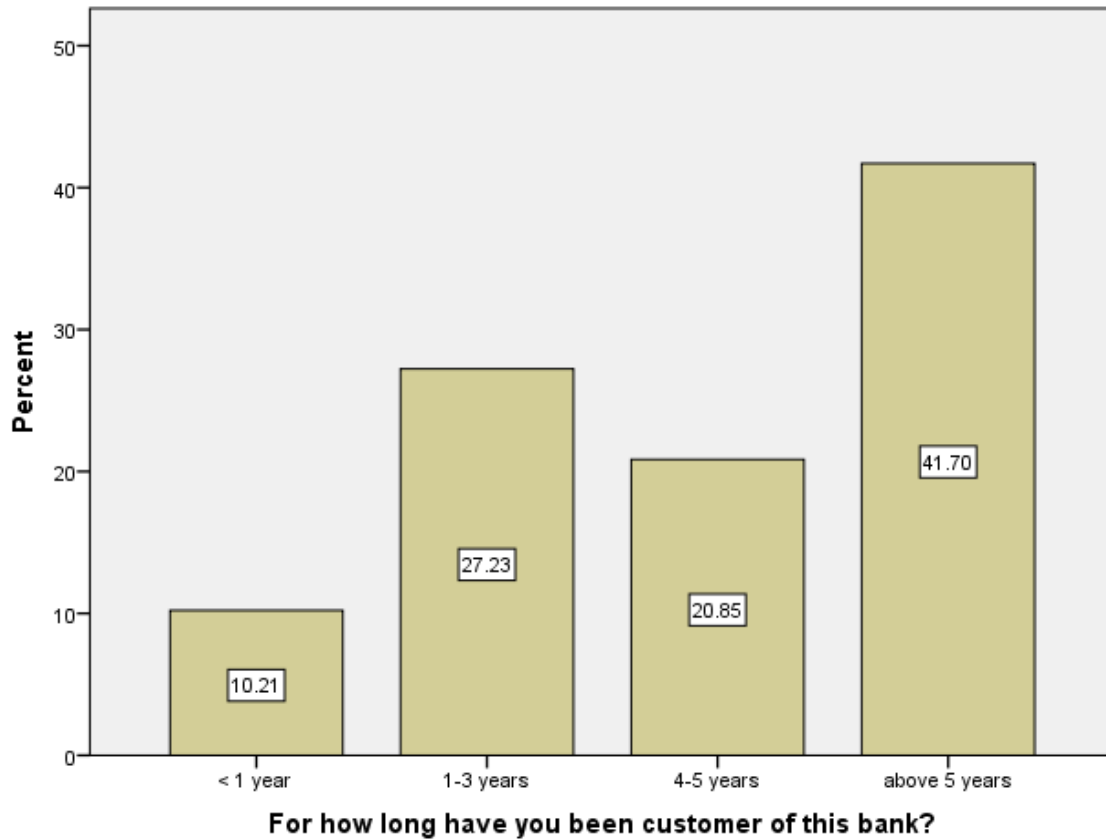
Source: Own Survey, 2017

The respondents also categorized based on the years of experience they have with the bank. As graph 4.2 above indicates (41.7%) of the respondent are customer with the bank for more than 5 years. (27.23%) of the respondents are customer for 1- 3 years, (20.85%) of the respondent are customer for 4-5 and (10.21%) of the respondent are customers of the bank for less than 1 year. This shows a large number of customer have experienced the bank for more than 5 years.

4.3 Reliability Test

As stated by "Hair et al., (2007) reliability indicates the extents to which a variables or set of variables is consistent in what it is intended to measure" (Cited by Siddiqi; 2011:20). Reliability analysis used to measure the consistency of a questionnaire. There are different methods of reliability test, for this study Cronbach's alpha is considered to be suitable. Cronbach's alpha is the most common measure of reliability. For this study the Alpha coefficient for the overall scale

calculated as a reliability indicator is 0.964. All the alpha coefficients for the scales were presented on the following table. As described by Andy (2006) the values of Cronbach's alpha more than 0.7 is good. The alpha values in this study are far from 0.7 and which are; therefore it had very good reliability for the questioners.

Table 4.3: Reliability Test

SERVICE QUALITY MEASUREMENT	Number of Items	Cronbach's Alpha
TANGIBILITY	4	0.717
RELIABILITY	5	0.875
RESPONSIVENESS	4	0.879
ASSURANCE	4	0.826
EMPATHY	5	0.853
LOYALTY	7	0.930
OVERALL	29	0.964

4.4 Overall Description of Service Quality Measurement

Table 4.4: Overall Mean and Standard Deviation of Service Quality Measurements

Service Quality Measurements	Mean	Std. Deviation
Tangibility	3.45	0.87
Reliability	2.96	1.05
Responsiveness	3.13	1.05
Assurance	3.45	0.94
Empathy	2.94	1.045

Source: Own Survey, 2017

Table 4.4 shows the mean score for the five dimensions of service quality. Sampled respondents indicated their level of satisfaction on each of the five service quality dimensions: tangibility, assurance, responsiveness, reliability and empathy. The highest mean is scored by tangibility

followed by assurance and responsiveness. The least mean score is for reliability followed by empathy. According to table 4.4 the tangibility dimension of service quality is carried out superior to the other four dimensions with a mean score of 3.456. This indicates the commercial banks are performing at satisfactory level in tangibility service.

The second dimension as per the rating of the customers is assurance with a mean score of 3.451. The customer perceived that the banks are performing better in having knowledgeable and courteous employees. The third dimension is responsiveness with 3.13 mean score. The fourth dimension is reliability with mean score 2.96. This indicate that the bank performing at satisfactory in providing, the service at the time it promised to do so, showing a sincere interest to solve customer problem, performing service right at the first time.

The least performed dimensions are empathy with a mean score of 2.94. As per the response of the customers, commercial banks are not good in delivering empathy service. This indicates that there are weaknesses in giving customers individual attention, understanding customer's specific need, having convenient operating hours to all its customers.

4.5. Correlation Analysis

Table 4.5: Service Quality Measure with Customer Loyalty

	Tangibility	Reliability	Responsiveness	Assurance	Empathy
Pearson Correlation	.471**	.802**	.778**	.781**	.706**
Sig. (2-tailed)	.000	.000	.000	.000	.000
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: Own Survey, 2017

From the correlation analysis result there were strong positive correlation between reliability and the loyalty of customers; this indicates that as the reliability of the organization increases with increasing the customer loyalty. The relationship between the variables is significant and the correlation is strong which is 80.2%.Secondly assurance has strong positive correlation with loyalty of customers; this indicates that as assurance of the organization increases so does the

customers' loyalty of the organization. The relationship between the variables is significant and the correlation is strong which 78.1% is. From the correlation analysis result there were also strong positive correlation between responsiveness and the loyalty of customers next to assurance. The relationship between the variables is significant and the correlation is strong which 77.8 % is. There were also strong positive correlations between empathy and customer loyalty. The relationship between the variables is significant and the correlation is strong which is 70.6%. Finally the correlation analysis indicates that there exist a positive correlation between tangibility and customer loyalty. The relationship between the variables is significant and the correlation is week which is 47.4%.

4.6 Regression Analysis

4.6.1. Tests for the Multiple Linear Regression Model Assumptions

In order to make the data ready for analysis and to get reliable results from the research, the model stated previously was tested for five multiple linear regression model assumptions. Among them the major ones are: test for heteroscedasticity, autocorrelation, multicollinearity, normality and constant variable. Accordingly, the following sub-section presents the tests made.

Assumption one: the errors have zero mean (E (ε) = 0) or constant variable
The first assumption states that the average value of the errors should be zero. According to (Brooks 2008) if the regression equation contains a constant term, this presumption will never be breached. Therefore, since from the regression result table the constant term (i.e. β0) was included in the regression equation; this assumption holds good for the model.

Assumption two: homoscedasticity (variance of the errors is constant ($Var(\mu_t) = \sigma^2 < \infty$)
Heteroskedasticity is a systematic pattern in the errors where the variances of the errors are not constant. When the variance of the residuals is constant it is referred as homoscedasticity, which is desirable. To test for the absence of heteroscedasticity white test was used in this study. In this test, if the p-value is very small, less than 0.05, it is an indicator for the presence of heteroscedasticity (Gujarati 2004).

But from Table 4.6 presents three different types of tests for heteroscedasticity. Since the p-values of all the three tests are considerably in excess of 0.05 it's a clear indicator that there is no evidence for the presence of heteroscedasticity. Hence, the model passes the second test.

Table 4.6: Heteroscedasticity Test: White test

Heteroskedasticity Test: White

F-statistic	1.479167	Prob. F(20,214)	0.0907
Obs*R-squared	28.54090	Prob. Chi-Square(20)	0.0972
Scaled explained SS	51.76461	Prob. Chi-Square(20)	0.1031

Assumption three: covariance between the error terms over time is zero (cov (ui, uj) = 0)

This assumption states that covariance between the error terms over time or cross -sectionally, for that type of data is zero. That is, the errors should be uncorrelated with one another. If the errors are not uncorrelated with one another it is an indicator for the presence of Auto correlation or serial correlation (Brooks 2008).

According to Brooks (2008), presence/absence of autocorrelation is by using the Breusch–Godfrey test (shown in table 4.7). The result of the statistic labeled "obs*R-squared", which is the LM test statistic for the null hypothesis of no serial correlation shows a p-value of 0.4350 (which is far greater than 0.05) which strongly indicates the absence of autocorrelation.

Table 4.7.Breusch-Godfrey Serial Correlation LM Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.809837	Prob. F(2,227)	0.4462
Obs*R-squared	1.664877	Prob. Chi-Square(2)	0.4350

Assumption four: Normality (errors are normally distributed $\mu_{t\sim} N(0, \ \sigma^2)$

A normal distribution is not skewed and is defined to have a coefficient of kurtosis 3. Jarque-Bera formalizes this by testing the residuals for normality and testing whether the coefficient of skeweness and kurtosis are zero and three respectively. Normality assumption of the regression model can be tested with the Jarque- Bera measure. If the probability of JarqueBera value is greater than 0.05, it's an indicator for the presence of normality (Brooks 2008).

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The normality tests for this study as shown in Graph 4.3 the kurtosis is close to 3, skewness close to 0 and the Jarque-Bera statistic has a p-value of 0.3816 which is well over 0.05 implying that the data were consistent with a normal distribution assumption.

Graph 4.3 Normality Test Result

Series: Residuals	
Sample 1 235	
Observations 235	
Mean	1.96e-15
Median	0.027935
Maximum	1.690901
Minimum	-1.426850
Std. Dev.	0.515208
Skewness	0.177800
Kurtosis	3.265177
Jarque-Bera	1.926710
Probability	0.381610
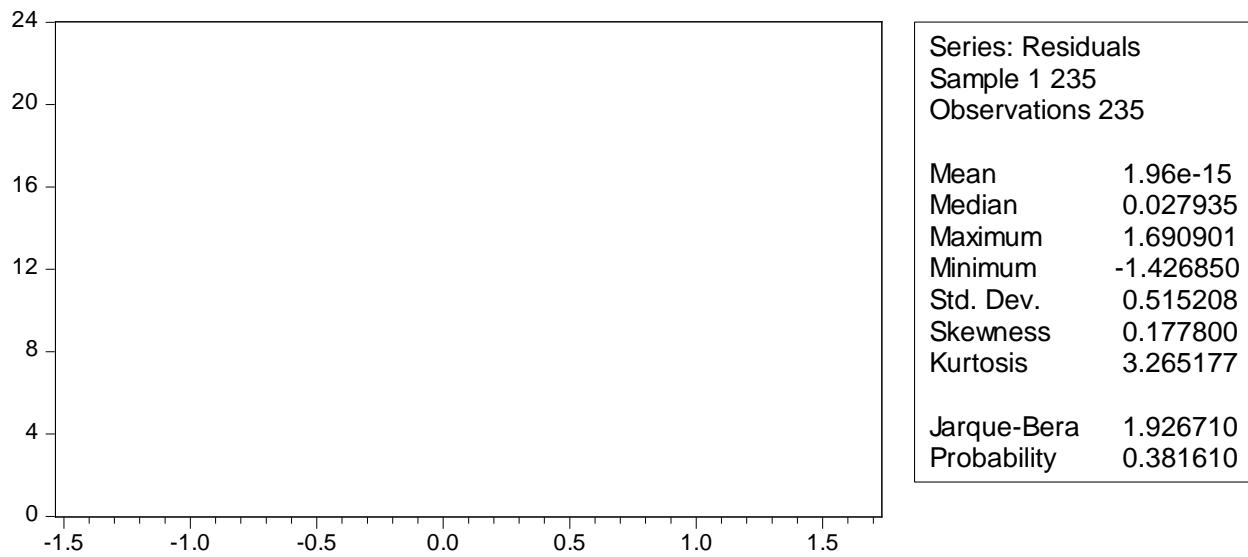
Assumption five: Multicollinearity Test

According to Churchill and Iacobucci, (2005), multicollinearity is concerned with the relationship which exists between explanatory variables. When there exists the problem of multicollinearity, the amount of information about the effect of explanatory variables on dependent variables decreases and as a result, many of the explanatory variables could be judged as not related to the dependent variables when in fact they are. How much correlation causes multicollinearity, however, is not still clearly defined. Many authors have suggested different level of correlation to judge the presence of multicollinearity. While (Hair, et al. 2006) argued that correlation coefficient below 0.9 may not cause serious multicollinearity problem. Malhotra (2007) stated that multicollinearity problem exists when the correlation coefficient among variables is greater than 0.75. This indicates that there is no consistent agreement on the level of correlation that causes multicollinearity.

Therefore, in this study correlation matrix for five of the independent variables is shown below in Table 4.8. The result of the estimated correlation matrix shows that the highest correlation of

0.726271 which is between reliability and responsiveness. Since there is no correlation above 0.75 and 0.9 according to Malhotra (2007) and (Hair, et al. 2006) respectively, it can be concluded that there is no problem of multicollinearity.

Table 4.8: Correlation Matrix between Explanatory Variables

	TAN	RELI	RES	ASSU	EMPHA
TAN	1.000000	0.528719	0.571721	0.531858	0.550318
RELI		1.000000	0.726271	0.657308	0.709483
RES			1.000000	0.710133	0.663076
ASSU				1.000000	0.664060
EMPHA					1.000000

4.6.2. Regression analysis Result

Table 4.9: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.231	.163		1.416	.158
Tangibility	-.050	.051	-.042	-.972	.332
Reliability	.392	.063	.401	6.218	.000
Responsiveness	.148	.073	.151	2.021	.044
Assurance	.332	.072	.302	4.618	.000
Empathy	.098	.059	.099	1.671	.096

a. Dependent Variable: Loyalty

The Fitted Regression Model Becomes

Loyalty = 0.231 – 0.050Tangebility + 0.392Relability + 0.148 Responsiveness + 0.332 Assurance + 0.098 Empathy

However, before identifying the sequence of importance of the independent variables, it is compulsory to identify the sequence the variables with statistically significant effect on customer loyalty. To do this, the following hypotheses were postulated by the researcher. The tests took place with Beta and P-values

The result in table 4.6 above indicates that at 95% confidence interval only the three independent variables; have a statistically significant effect. The variables are reliability, assurance & responsiveness; conversely, empathy and tangibility dimension have no significant influence on customers' loyalty.

Therefore, the first and the last null hypotheses are accepted meaning that the customer's loyalty is insignificantly affected by, tangibility and empathy. However, the dependent variable is significantly affected by the second, third and fourth three independent variables. The variables are reliability, responsiveness and assurance. Therefore, the second, third and fourth null hypotheses are rejected and their respective alternative hypotheses are accepted.

Based on the result of regression analysis indicated in the above table reliability is the most significant service quality measurement and can affect customers loyalty, assurance is the second most significant service quality measurement and can affect customers loyalty and the third and final significant service quality measurement is responsiveness.

Ho1: Tangibility has no significant effect on customer's loyalty.

From the above regression analysis tangibility has no significant effect on customer loyalty since the p-value is 0.332 is greater than the significant value 0.05; from the result we can conclude accepting the research null hypothesis or reject the alternative hypothesis.

Ha2: Reliability has positive significant effect for loyalty

From the regression analysis result the most significant service quality measurement is reliability since the p-value 0.000 less than the significant value 0.05, the coefficient is positive; this indicates that reliability is the most positive significant service quality measurement; from the result we can conclude accepting the research alternative hypothesis or reject the null hypothesis.

Hence, as depicted in the table, the independent with greatest beta coefficient is Reliability; $\beta1=0.392$, indicates, as the organisation increases its effort to improve one factor of its reliability measures, the situation in customers loyalty can be increased up by the amount of 39.20 percent.

Ha3: Responsiveness has positive significant effect on customer's loyalty.

As it's indicated in regression analysis result responsiveness is one of the most significant service quality measurement next reliability and assurance respectively. Since the p-value of responsiveness 0.044 is less than the significant value 0.05, the coefficient is positive; this indicates responsiveness is positive significant service quality measurement; from this result we can conclude by accepting the research alternative hypothesis or reject the null hypothesis.

As shown in the table the independent with third greatest beta coefficient is responsiveness; $\beta3=.148$, indicates, as the bank increases its effort to improve one factor of its responsiveness measures, the customers loyalty enhanced by 14.8 percent.

Ha4: Assurance has positive significant effect on customer's loyalty.

From the regression analysis result the second most significant service quality measurement is assurance since the p-value is 0.000 is less than the significant value 0.05, the coefficient is positive; based on this we can conclude accepting the research alternative hypothesis or reject the null hypothesis.

Its indicated in the above table that assurance has the greatest beta coefficient next to reliability ; $\beta4=.332$, indicates, as the bank improves the assurance by one aspect keeping other variable constant, then the customers loyalty can be increased by 33.2 percent.

Ho5: Empathy has no significant effect on customer's loyalty.

From the above regression analysis empathy has no significant effect on customer loyalty since the p-value is .096 is greater than the significant value 0.05; from the result we can conclude accepting the research null hypothesis or reject the alternative hypothesis.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

In this study the researcher tried to assess the effect of service quality on customers' loyalty by taking selected branches of CBE which are found in Addis Ababa. This study is limited in scope and sample size, but it can contribute to further study on quality of the banking sector in Ethiopia context. In this chapter major finding, conclusions and recommendations are presented based on the analysis and interpretations made at the pervious chapter.

5.1 Summary of Major Findings

➢ The demographic characteristics of respondents at the bank show that the majority of respondents are male (66.8 %). Also most of the respondents are relatively well educated with majority of the respondents having degree and diploma. Moreover, the results of the study reveal that the respondents have an average banking relationship above 5 years.

➢ From the correlation analysis result there were strong positive correlation between reliability, assurance and responsiveness and the loyalty of customers respectively. As the reliability of the organization increases with customer loyalty will increase by 80.2%.

➢ Secondly assurance has strong positive correlation with loyalty of customers; this indicates that as assurance of the organization increases so does the customers' loyalty of the organization. The relationship between the variables is significant and the correlation is strong which 78.1% is.

➢ From the correlation analysis result there was also strong positive correlation between responsiveness and the loyalty of customers at third. The relationship between the variables is significant and the correlation is strong which 77.8 % is.

➢ There were also strong positive correlations between empathy and customer loyalty. The relationship between the variables is significant and the correlation is strong which is about 70.6%.

> ➢ Finally the correlation analysis indicates that there exist a positive correlation between tangibility and customer loyalty. The relationship between the variables is significant and the correlation is week which is 47.4%.

5.2 Conclusion

1. What is the customer expectation towards quality of service provided by the bank at their respective branch?

As a result from both correlation and regression analysis indicates that customers expect a better quality service on reliability, assurance and responsiveness than the bank is providing currently. As beta value for reliability is higher than the other service quality measurement customers expect to have a better service provided by the bank especially on reliability from the bank customers expect to provide the service at the time it promised to do so, showing a sincere interest to solve when customer have problem, Provide a quality service that will create a first impression in customers mind, The bank has to provide its service at the time it promised to do so, the bank need to keep its records accurately. Next to reliability from the five SERVQUA measurements used in this study customers expect more to be done on Assurance by the organisation meaning it need to have employees with behaviour that instils confidence on customers, making customers feel safe in their every transaction with the bank, it need to have employees which are consistently polite with customer, having employees which have the knowledge to answer customers question. The third customers most expect from the bank from the five SERVQUA measurements used in this study is responsiveness of the bank. Customers of the bank expect Employee of the bank to gives them a prompt service, employees to tell them exactly when the service will be provided, employees which are always ready & willing to help them. Customers are disappointed in responsiveness of the bank as the current study indicates.

2. How do customers of CBE perceive the quality provided by the bank?

As it is indicated in chapter four on both correlation and regression analysis customers are not perceive very well on five SERVQUAL measurements except on tangibility. Customers are not satisfied with service provided by the bank. Customers are very dissatisfied on the banks service on reliability, assurance, responsiveness and empathy.

2   What are the gap between customers' expectation and perception towards service quality?

The expectation and perception gap of service quality in this study demonstrates that the major gaps are reliability, assurance and responsiveness and the smaller gap is in empathy and tangibility respectively. As beta value of SERVQUAL measurements indicates as the organization increases one variable of reliability the gap will be decreased by 39.2%, as the organization increases one variable of assurance the gap will be decreased by 33.2%, as the organization increases one variable of responsiveness the gap will be decreased by 14.8%. Customers have given higher weigh for assurance, reliability and responsiveness so this shows that customers prefer to be reliable assured and have a good response towards the service they use.

3   Does the quality of service provided by the bank affect the loyalty of customers towards the bank?

The contribution of each independent variable has effect on customer's loyalty. Among five SERVQUAL measurements reliability with beta value of 0.392, assurance with beta value of 0.332 and responsiveness with 0.148 has the highest contribution that lead to customers' loyalty. Reliability is found to have positive relationship with customer loyalty. The finding is supported by the previous researchers including Nguyen & Leblanc (2001) and Bellini et al. (2005). This study shows a significant relationship between assurance and customer loyalty and is consistent with previous studies including Lymperopoulos et al. (2006) and Ndubisi (2006). Findings indicate that the relationship between responsiveness and customer loyalty is significant. These results are supported by prior findings in other studies (Jun & Cai, 2001; Diaz & Ruiz, 2002; Joseph et al., 2005; Glaveli et al., 2006). Customer loyalty remains an important factor that bank has to ensure in order to make profit. Customer are more educated and knowledgeable, their demand is also on an increasing trend. In order to stay in the business, bank need to improvise their customer service campaign. Loyalty program can be used as one of the tools to retain customer. Empathy has positive relationship with customer loyalty. This evidence is supported by the findings by Butcher (2001), Ndubisi (2006) and Ehigie (2006). As suggested by Butcher (2001), friendship between customers and particular service employees has a major influence on

the development of customer loyalty. At the same time empathy with beta value of 0,98 and tangibility with -0.05 has small contribution than the rest. Regression Analysis shows that tangibles have no significant impact on customer loyalty. This result is supported to the findings by Sureshchandar et al. (2003) it has been observed that there is a changing trend and respondents did not treat tangibles as an important measurement anymore due to availability of self-service terminals. Therefore, the bank must look into upgrading the proficiency of their self-service terminals rather than their interior. Also due to the emergence of IT, tangible has lost its importance as a measurement for customer loyalty.

As indicated in the research objective, the objective of this study was to assess the effect of service quality on customer loyalty on commercial banks of Ethiopia in Addis Ababa. Results of the study have showed that majority of the customers are not satisfied with the service provided by the CBE. This mean that CBE have to strive further to satisfy & retain existing customers and create loyal customers.

5.3 Recommendations

In order to improve the customer's loyalty, it was suggested to the organization to consider following points.

Reliability

As this study finding customers are very sensitive on reliability of the organization and the organization need to check its reliability on its service delivery since it has a significant impact on its customer's loyalty. To maintain the customers loyalty the bank have to provide the service at the time it promised, helping their customers when they have a problem, creating new services, provide a quality service that will create a first impression in customers mind, providing its service at the time it promised to do so. By doing the above variables under reliability and giving training to its employees the bank will gain over its customers once again.

Assurance

Customers of Commercial Bank of Ethiopia preferred to acquire more assured service which is the employees' knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. So the bank should continue their strength on these variables of assurance so that it can provide the promised service and develop trust and confidence on it customers so that they can retain them.

Responsiveness

The finding of this research indicates that customers of CBE are concerned with responsiveness of the bank next to reliability and assurance and this has a huge impact on having a loyal customer for the bank. In order to maintain or keep loyal customers the bank needs to improve its responsiveness by giving a prompt service, telling exactly when the service will be provided, never too busy to respond to their request and always ready to help customers. By doing so the organization might gain over customers' responsiveness.

In addition to this the bank should consider the following steps with regard to their staff and management:

> ➢ Recruitment and selection of qualified staff is vital in order to deliver quality service. The bank might have technically qualified employee but it has also to consider on their flexible skills of interaction with customers. Training is considered to be essential for improving quality and. Front line employees should be motivated and trained to understand customers' needs, provide individual attention and demonstrate caring behaviour. Therefore, the banks should develop training programs to improve the Staff skill, friendliness and courtesy.

> ➢ Employees should keep the promise to customers, show a sincere interest in solving client problem, inform users of the time required to perform transaction, and perform service right the first time.

5.4. Future Research Implication

As this study has made its focus on Commercial bank of Ethiopia on only five branches selected Addis Ababa from more than 1185 branches of the bank stretched out throughout the country. Based on this finding it is difficult to generalize the effect service quality has on customer's loyalty in Ethiopia. Therefore, future researchers are suggested to do further research by including more branches of the bank and taking different private banks available in the country on the issue.

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APPENDIX 1

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የቢዝነስ አስተዳደር
የድህረ ምረቃ ፕሮግራም
መጠይቅ

</div>

ዉድ የኢትዮጲያ ንግድ ባንክ ደንበኞች ስሜ ፍሬሕይወት ተስፋዬ ሲሆን በአሁኑ ሰዓት የቅድስተ ማርያም ዩኒቨርስቲ የድህረ ምረቃ ተማሪ ስሆን የመመረቂያ ጥናቴን "በኢትዮጵያ ንግድ ባንክ አዲስ አበባ ባሉት ቅርንጫፎች ላይ የባንኩ አገልግሎት አሰጣጥ ጥራት፣በደንበኞች ታማኝነት ላይ ያለዉ ተፅዕኖ" በሚል ርዕስ ጥናቴን እያሰራሁ እገኛለሁ።ከዚሁ ጋር በተያያዘ ማንኛዉም የምትሰጡት ምላሽ በተገቢዉ ሁኔታ በሚስጢር ተጠብቆ ለጥናቱ አገልግሎት ብቻ የሚዉል መሆኑን አረጋግጥላችኋለሁ።በተጨማሪም ስምዎትን መጻፍ አያስፈልግም፤ለመጠይቁ መልስስዎትን በመስጠት እንዲተባበሩኝ በአክብሮት እጠይቃለሁ።

ለምታደርጉልኝ ትብብር በቅድሚያ አመሰግናለሁ።

ትዕዛዝ፦ እባክዎ ለጥያቄዎቹ በመልስነት ከቀረቡት አማራጮች ውስጥ (√) ምልክት
በማድረግ ምላሽዎትን ይስጡ።

ክፍል አንድ: የግል ሁኔታ

ሀ፡ ያታ   ወንድ ☐   ሴት ☐

ለ. እድሜ   18- 25 ☐   26-35 ☐   36-45 ☐   46-55 ☐   55በላይ ☐

ሐ. የትምህርት ሁኔታ፡ ሁለተኛ ደረጃ ☐   ሠርተፊኬት ☐   ዲፕሎማ ☐   ዲግሪ ☐
ሁለተኛ ዲግሪ እና ከዛ በላይ ☐

መ. የስራ ሁኔታ፡ የመንግስት ሠራተኛ ☐   የግል ሠራተኛ ☐   ተማሪ ☐
የግልስራ ☐   ጡረተኛ ☐

ሠ.ከኢትዮጲያ ንግድ ባንክ ጋር ለምን ያህል አመት ደንበኛ ነዎት?

ከ 1 አመት በታች ☐   1-3አመት ☐   4-5 አመት ☐   ከ 5 አመት በላይ ☐

ረ. ከባንኩ ጋር ያለዎት ደንበኝነት ወይም የሚጠቀሙት አገልግሎት

1.የአገር ውስጥ አገልግሎት፡-ሀ)ተቀማጭ ሒሳብ ☐   ለ) ተንቀሳቃሽ ሒሳብ ☐
ሐ)የሀገር ውስጥ ገንዘብ መላኪያ ☐   መ) የብድር አገልግሎት ☐

<div align="center">59</div>

ሠ)ከወለድ ነፃ አገልግሎት ☐   ረ)ተቀማጭ ሂሳብ፣ተንቀሳቃሽ ሂሳብ እና የሀገር ውስጥ ገንዘብ መላኪያ ☐   ሸ) ሁሉንም ☐

2. አለም አቀፍ አገልግሎት ሀ)ገንዘብ መላኪያ/መቀበያ ☐   ለ)የውጪ ምንዛሪ ☐
ሐ)የቢዝነስ ግብይት አገልግሎት ☐   መ)ገንዘብ መላኪያ/መቀበያ እና የውጪ ምንዛሪ ☐

3.የኤሌክትሮኒክ አገልግሎት ሀ) የሞባይል አገልግሎት ☐   ለ)የኢንተርኔት አገልግሎት ☐
ሐ)የካርድ አገልግሎት (ኤቲኤም ቪዛ ካርድ) ☐   መ) የሞባይል አገልግሎት እና የካርድ አገልግሎት (ኤቲኤም ቪዛ ካርድ) ☐   ሠ) ሁሉንም ☐

ክፍል ሁለት፡ በባንኩ አገልግሎት የሚያገኙትን እርካታ ይዳስሳል

ከዚህ በመቀጠል የቀረቡ ዓረፍተ ነገሮች በኢትዮጵያ ንግድ ባንክ የአገልግሎት አሰጣጥ ጥራት እና የደንበኞች ታማኝነት ላይ ያልዎትን ስሜት ያመለክታሉ፤ስለዚህ ስለ ባንኩ አገልግሎት ጥራት እና የደንበኞች ታማኝነት በርስዎ አመለካከት ትክክለኛ ነዉ ብለው የሚያስቡትን ከ1-5 ከቀረቡት አማራጮች (✓) ምልክት በማድረግ ምላሽ ይስጡ።

1 (ፍ.አል) ፍፁም አልስማማም፣ 2 (አልስ) አልስማማም፣ 3 (ገለል) ገለልተኛ ነኝ፣ 4 (እስማ) እስማማለሁ እና 5 (ፍ.እስማ) ፍፁም እስማማለሁ።

ተ.ቁ	የአገልግሎት ጥራት	አማራጭ መልሶች				
		ፍ.አል 1	አልስ 2	ገለል 3	እስማ 4	ፍ.እስማ 5
I.	**ተጨባጭ ሁኔታዎች(Tangibility)**					
1	ባንኩ አገልግሎት ሲሰጥ ዘመናዊ መሳሪያ እና ቴክኖሎጂዎችን ይጠቀማል።					
2	የባንኩ ዉጫዊ ገፅታ ለዓይን የሚስብ እና የሚማርክ ነው።					
3	የባንኩ ሠራተኞች ፅዱና የተስተካከለ አለባበስ አላቸው።					
4	የባንኩ አገልግሎት መስጫ መሳሪያዎች፡- ገቢ ማድረጊያ ቅጽ፣የወጪማድረጊያ ቅጽ፣የቼክ ማስገቢያ እና ሌሎችመሳሪያዎች ደንበኞች በሚፈልጉት መልክ እና ለዓይን በሚስብ ሁኔታ ተቀምጧል።					
II.	**ታማኝነት/Reliability/**					
5	ባንኩ ቃል በገባው መሠረት ተገቢውን አገልግሎትይሰጣል።					
6	የባንኩ ደንበኞች ችግር በሚገጥማቸው ጊዜ ባንኩ ችግሩን ለመፍታት ከልብ የመነጨ ፍላጎት ያሳያል።					
7	ባንኩ ጥራት ያለው እና አእምሮ ውስጥ የሚቀር አገልግሎት ይሰጣል ።					
8	ባንኩ አገልግሎት ለመስጠት ቃል በገባበት ሰዓት አገልግሎቱን ይሰጣል።					
9	ባንኩ ከስህተት ነፃ የሆነ አገልግሎት ይሰጣል።					
III.	ምላሽ ሰጭነት (ግልፅነት) (Responsiveness)					

10	የባንኩ ሠራተኞች አገልግሎቶቻቸን መቼ እንደሚሰጡ በትክክል ይነግሩኛል።					
11	የባንኩ ሰራተኞች ቀልጣፋ የሆነ አገልግሎት ይሰጣሉ።					
12	የባንኩ ሰራተኞች ደንበኞቻቸውን ለማገዝ ሁሌም ፍቃደኛ እና ዝግጁ ናቸው።					
13	የባንኩ ሰራተኞች ለደንበኞቻቸዉ ጥያቄ ፤መልስ ለመስጠት ጊዜ አይወስድባቸውም።					
IV.	**ዋስትና (መተማመኛ) (Assurance)**					
14	የባንኩ ሰራተኞች ፀባይ በባንኩ ላይ እምነት እንዲኖረኝ አድርጎኛል።					
15	ከባንኩጋር ባለኝ የገንዘብ ግንኙነት ስጋት የለኝም።					
16	የባንኩ ሰራተኞች ለደንበኞች ሁልጊዜም ትሁት ናቸው።					
17	የባንኩ ሰራተኞች ማንኛዉም ደንበኛ ለሚያነሳቸዉ ጥያቄዎች መልስ የመመለስ በቂ እዉቀት አላቸው።					
V.	**ችግር ተካፋይነት (Empathy)**					
18	የባንኩ ሰራተኞች ለእርስዎ የግል ትኩረት ይሰጣሉ።					
19	ባንኩ ለሁሉም ደንበኞቹ አመቺ የሆነ የስራ ሰዓት አለዉ።					
20	የባንኩ ሰራተኞች የደንበኞቻቸውን ልዩ ልዩ ፍላጉቶች ይረዳሉ።					
21	የባንኩ ሰራተኞች ደንበኞቻቸውን እንደየፍላጎታቸው ያስተናግዱታቸዋል።					
22	የባንኩ ሰራተኞች ለባንኩ ተጠቃሚዎች አመቺ የሆነ የስራ ሰዓት አላቸዉ።					
VI.	**ታማኝነት (Loyalty)**					
23	የኢትዮጲያ ንግድ ባንክ ሁልጊዜም የመጀመሪያ ምርጫዬ ነዉ።					
24	በቀጣይነት የዚህ ባንክ ቋሚ ደንበኛ ሆኜ ለመቀጠል አቅጃለሁ።					
25	ስለባንኩ የአገልግሎት አሰጣጥ ጥራት ለሌሎች ለመናገር አቅጃለሁ።					
26	በባንኩ በአጋጣሁት አገልግሎት ሙሉ በሙሉ ስለረካሁ የባንኩ ታማኝ ደንበኛ ሆኜ ለመቀጠል ወስኛለሁ።					
27	ጎደኞቼ እና ቤተሰቦቼ የኢትዮጲያ ንግድ ባንክን አገልግሎቶች እንዲጠቀሙ አበረታታለሁ።					
28	በባንኩ በሚሰጠኝ የአገልግሎት ጥራት ላይ በጭራሽ ቅሬታ የለኝም።					
29	በአጠቃላይ የዚህ ባንክ ታማኝ ደንበኛ ነኝ።					

ስለ ትብብር ክልብ አመሠግናለሁ።

Appendix 2

St Marys University

School of graduate studies

MBA PROGRAM

Department of General Management

This research questionnaire is prepared by Firehiwot Tesfaye MBA student at St Marys University to collect data on thesis title **"Assessing the Effect of service Quality on customer's loyalty: The case of selected branches CBE in Addis Ababa area".** The data collected is confidential and will only be used for analysis of the study and not for any other purpose. Your genuine response has great contribution for the study. Therefore I request you to fill the appropriate answers for the questions provided below. In addition, there is no need of writing your name. Finally, I would like to thank you very much for your cooperation and sparing your valuable time for my request.

Section one: Demographic Information

1. Gender: Male ☐   Female ☐

2. Age: 18 - 25 years ☐   26 -33 years ☐   34 -41 years ☐   above 42 years ☐

3. Education level: High school ☐   Certificate ☐   Diploma ☐   Degree ☐

   Masters and above ☐

4. Occupation: Government employee ☐   Private-employee ☐   Self-employed ☐

Student ☐   pensioned ☐

5. For how long have you been customer of this bank?

1. <1 year ☐   1-3 years ☐   4-5 years ☐   above 5 years ☐

6. What type of service are you using?

A. Domestic Banking 1) Saving Account ☐ 2) Current Account ☐ 3) Local Transfer ☐

    4. Credit Facilities ☐ 5 Interest free Banking ☐ 6. Saving account, Current account and local transfer ☐ 7. All ☐

B. International Banking 1) Money Transfer ☐ 2) Forex Service ☐ 3. Trade Service ☐
4. Money Transfer & Forex Service ☐

C. E Payment 1) Mobile Banking ☐ 2) Internet Banking ☐ 3) Card Banking (ATM Visa Card) ☐
4 Mobile Banking & Card Banking (ATM Visa Card) ☐ 5All ☐

Section II Assessment the degree of satisfaction of services offered by the bank

The following statements relates to your expectations and perceptions on the service quality of the Commercial Bank of Ethiopia (CBE).Please tick (√) the number that you feel most appropriate number using the scale below (from 1 to 5 alternatives in the Likert scale).

1. SD- Strongly Disagree, 2. D- Disagree, 3 N- Neutral, 4. A- Agree, and 5.SA- Strongly Agree).

No	SERVICE QUALITY MEASUREMENT	Possible answer				
		SD 1	D 2	N 3	A 4	SA 5
I.	**TANGIBILITY**					
1	The bank uses latest equipment & technology in the service delivery					
2	The banks physical facilities are visually appealing					
3	Employees of the bank are dressed properly & neat in appearance					
4	Materials used in the bank like deposit slip, withdrawal slip, cheque deposit & other Materials customers need to use are provided properly and visually appealing					
II.	**RELIABILITY**					
5	The bank provide the service at the time it promised to do so					
6	When I have a problem the bank shows a sincere interest to solve it					
7	The bank Provide a quality service that will create a first impression in my mind.					

8	The bank has provide its service at the time it promised to do so					
9	The bank insists on error free records (Keep its records accurately)					
III.	**RESPONSIVENESS**					
10	The bank employees tell me exactly when the service will be provided					
11	Employee of the bank gives me prompt service					
12	The bank employees are always ready & willing to help me					
13	The bank employees are never too busy to respond to my request					
IV.	**ASSURANCE**					
14	The behaviour of employees of the bank instils confidence in me					
15	I feel safe in my every transaction with the bank					
16	In the bank employees are consistently courteous with me					
17	Employees of the bank have the knowledge to answer my question					
V.	**EMPATHY**					
18	The bank employees give customers individual attention					
19	The bank operating hours are convenient to all its customers					
20	Employees of the bank understands customers specific need					
21	Employees of the bank give customers personal attention					
22	The bank provider has convenient operating hours to its customers					
VI.	**LOYALTY**					
23	CBE is always my first choice					
24	I plan to continue to be a customer of this bank					
25	I plan to tell others about the service quality of the bank.					
26	I intended to continue to be customer of this bank because I am absolutely delighted with the banks' services.					
27	I will encourage friends and families to use this bank					
28	I never complain about this bank service regardless of quality of the service it provide					
29	Over all I am a loyal customer to this bank					

"Thank you again for your cooperation"