

IMPACT OF SERVICE QUALITY DIMENSIONS ON CUSTOMER SATISFACTION: EVIDENCE FROM SELECT PRIVATE BANKS IN DESSIE TOWN, ETHIOPIA

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ABSTRACT

This study is to examine the impact of service quality on customer satisfaction evidence from select private banks in Dessie Town, Ethiopia.. Service quality has been defined as a degree and direction of discrepancy between customers' service perception and expectations. Customer satisfaction is defined as the customer's subjective evaluation of a consumption experience, based on some relationship between the customer's perceptions and objective attributes of the product. To achieve the objectives of this study, data was collected through questionnaire from a sample of 384 bank customer. These respondents were selected using simple random sampling method. The data collected from the questionnaire were analyzed using Statistical tools such as mean, standard deviation, correlation, and multiple regression analysis. The results of this study indicate that, except responsiveness the four service quality dimensions (tangibility, assurance, empathy and reliability) have positive and significant relationship with customer satisfaction. The finding of this study also indicates that customers were most satisfied with the assurance dimensions of service quality. The results of the descriptive statistical analysis indicated that, customers were most satisfied with the tangibility dimensions of service quality followed by assurance and responsiveness. However, customers were less satisfied with empathy and reliability dimensions of service quality. The correlation result shows that, there is a positive and significant relationship between all items of service quality dimension, tangibility and customer satisfaction, reliability and customer satisfaction, responsiveness and customer satisfaction, assurance and customer satisfaction, empathy and customer satisfaction. Based on the findings of the study, the researcher forwards some recommendations to the banks management and suggestions for other researchers.

Keywords: Service quality, customer satisfaction, perception, service quality dimensions etc.

INTRODUCTION:

Banks play an important and active role in the financial and economic development of a country. An effective banking system greatly influences the growth of a country in various sectors of the economy. Practitioners in the banking industry face a large number of complex challenges in the global marketplace. It is crucial for banks to better understand changing customer needs and adopt the latest information technology system in order to compete more effectively with global organizations (Malhotra & Mukherjee, 2004).

Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage (Abdullah, & Arokiasamy, 2013). In addition, service quality has a significant impact on a bank's success and performance. Nowadays, service quality has received much attention because of its obvious relationship with costs, financial performance, customer satisfaction, and customer retention.

Service quality has been defined in different ways by researchers. (Parasuraman et al. 1988) define service quality as a difference between customer expectation of service and customers' perceptions of the actual service. (Kariru, & Aloo, 2014) defines service quality as the degree to which the service offered can satisfy the expectations of the user. According to these definitions, customers are the sole judges of service quality. If they perceive it to be good service, then it is. They assess the quality of service by comparing their expectation with perception.

Customers are the heart of every successful business and therefore businesses need to more concentrate on customers more than ever. According to (Scott, 2002), customer service is a series of activities designed to enhance the level of customer satisfaction, that is, the feeling that a product or service has met the customer expectation.

"Customer satisfaction is crucial in the banking sector because of the special nature of the financial services which are characterized by intensive contacts with customers who have different needs and require customized solutions" (Molina et al., 2007). "Customer satisfaction 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 retention" (Ooi, et al., 2011).

(Parasuraman et al., 1985) "found that service quality is significant predictor of customer satisfaction by using SERVQUAL instrument." Service quality and customer satisfaction "have been identified as key elements of the service-profit chain" (Hartman et al., 1993). The successfulness of organization is, therefore, determined partly by the customer satisfaction.

Therefore, this research is concerning about service quality and its relationship to customer satisfaction in the case of selected private banks in Dessie Town.

STATEMENT OF THE PROBLEM:

Customer satisfaction and service quality are most important elements in achieving organizational goals. Organization tries to have constant customer satisfied with the service provided by it. Because of, service quality plays a pivotal role in determining customer satisfaction (Kotler et al, 2009). In a way, quality needs to be understood and manage throughout the services of an organization. Hence, quality services are considered as most important aspect. Satisfaction and quality have evolved along parallel tracks (Strandvik & Liljander, 1995).

Furthermore, improving service delivery in the banking business is expected to affect the quality of service and customer satisfaction. On the other hand, the client will use a variety of dimensions / attributes that are important to customers to identify the quality of service through the customer satisfaction. These service dimensions/attributes play a significant role within service measurement, since they serve as indicators of service quality and customer's satisfaction (Suresh Chandar, 2002).

Excellence in service quality is a key to achieve customer satisfaction and profitability. Today, the increasing awareness among bank customers of their rights, changing demands and high competition requires constant progress in service quality from the bank for their customers to stay loyal (Jabnoun & Al-Tamimi, 2003). Additionally, the bank need to improve performance on all the dimensions of service quality in order to increase customer satisfaction since customers expect more than what is been offered by the bank. This will enable the bank to maintain high level of competitiveness. (Yassin et al, 2015)

According to (Arasli et al, 2005) state that more gaps are giving individual attentions, extended working hours to meet customer needs, employees give customer personal attention, employees understand the specific needs of the customers, employees are never too busy to respond to customer's request.

(Levesque & McDougall 1996) have confirmed and reinforced the notion that consistent poor customer experience as a result of poor service quality leads to a decrease in the levels of customer satisfaction and the chances of further willingness to recommend the service (i.e., word-of-mouth advertising or referrals) is lessened.

Therefore, several studies have been done on service quality and customer satisfaction in service organizations in Ethiopia like EEPSCO, Ethio-Telecom, Hotel, Insurance and Bank. Few studies have been done on banking sector, but those studies have been conducted only on one specific bank. It is not sufficient to give generalization about banks with one bank and especially want see the big region in Dessie Town, Ethiopia. Therefore the researcher intended to investigate the impact of service quality on customer satisfaction on five private banks in Dessie Town.

OBJECTIVES OF THE STUDY:

General Objective:

The general objective of this study is to examine the impact of service quality on customer satisfaction evidence from select private banks in Dessie Town, Ethiopia.

Specific Objectives:

The specific objectives of the research are:

- ♣ To examine the impact of service quality dimensions on customer satisfaction of the select private banks.
- ♣ To analyze the relationship between service quality and customer satisfaction.

SIGNIFICANCE OF THE STUDY:

The significance of the study is greatly important to the banking industry to examine or identifies the impact of service quality at bank and enhances the level of customer satisfaction.

Moreover, the study will be the following significances

- ♣ It helps the bank to assist in decision making, in identifying key variables in order to develop strategies to address and improve service quality.
- ♣ To the management of Bank, the findings and results that were reported in this study will provide a more reliable scientific measure and perspective for describing and evaluating the level of their customer satisfaction with the services they deliver.
- ♣ To other stakeholders like investors, shareholders, employees, pressure groups, consumer associations, among others, the study will provide invaluable information that will allow them to provide useful suggestions to the improvement in service delivery of their respective Banks.
- ♣ The study will provide additional evidence as to the relationship between Bank service quality and customer satisfaction.

LIMITATION OF THE STUDY:

The limitation of this study focus the impact of service quality on customer satisfaction Evidence from selected private banks in Dessie Town, the fact that is only conducted in five private banks and therefore, it will not be considered as a representative of the whole service quality of some selected private banks in Dessie Town, that is the generalization of the finding and the conclusion drawn was limited to some selected private banks in Dessie Town, Ethiopia.

RESEARCH DESIGN AND APPROACH :

A research design is the program that guides the researchers in the process of collecting, analyzing and interpreting the data. Both descriptive and explanatory study design were used.

The researcher also used explanatory study design, to explaining, understanding, predicting and controlling the relationship between variables.

The study was used mixed approach. That means both quantitative and qualitative approach will be used. Quantitative approach was employed in this study; since mainly statistical analysis is based on quantitative data using appropriate measurement of their variables and it can be measured numerically. Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior.

DATA TYPE AND SOURCE:

In this study both primary and secondary types of data was employed.

Primary Data:

Primary data are fresh data that are gathered for the first time and thus happened to be original in character. Primary source of the study was information gathered from customers of the bank. Questionnaires that have both open and closed end question was prepared and delivered to customers in order to gather the primary data.

Secondary Data:

The secondary data was collected from different sources such as, websites, books, and journals, periodicals released by the bank and articles national and international newspaper and magazines.

Population:

The target population for the study was comprised all individual customers and bank managers of the selected private banks which are operating in Dessie Town, Ethiopia.

SAMPLING METHOD AND SAMPLING SIZE:

The researcher used convenience sampling methods to select the sample from the available population. A convenient sampling technique, which is a non-probabilistic sampling technique, was used to select the respondents for two reasons. First the customers are very difficult to contact each of them individually. Again, it is difficult for getting the exact number of customers for each of the Bank companies in Dessie Town which is required for the use of any random sampling technique.

Out of 10 private banks in Dessie town, the researcher was selected 5 banks for the study based on the years of establishment. The selected banks are Awash International Bank, Bank of Abyssinia, Dashen Bank, United Bank and Wagagen Bank.

This formula is used since the total population of the organization’s customers is unknown. (Cochran, 1963) developed the equation to yield a representative sample for proportions of large sample.

$$n = Z^2 pq / e^2$$

$$n = (1.96)^2 \times 0.5(0.5) = 384$$

$$0.05^2$$

Therefore, n = 384

Where,

n= sample size

z = 1.96 for 95% confidence level

p = population proportion 0.5 (50%) since this will provide the maximum sample size.

q = 1-p

e = allowable error at 5% (0.05)

QUESTIONNAIRE DESIGN:

A questionnaire was used to measure the impact of service quality on customer satisfaction of private banks in Dessie Town. Five-point likert scale was used where 1 stands for “Strongly Disagree”, 2 stands for “Disagree”, 3 stands for “Neutral”, 4 stands for “Agree” and 5 stands for “Strongly Agree.” The questionnaire is divided into three sections which cover the dependent and independent variables of the research.

Table 01: Customer Satisfaction

Level of customer satisfaction	Scale	Frequency	Percent	Valid Percent	Cumulative Percent
1. I feel satisfied bank uses modern and appropriate equipment and technology.	Strongly Disagree	3	.8	.8	.8
	Disagree	1	.3	.3	1.1
	Neutral	45	12.3	12.3	13.4
	Agree	198	54.2	54.2	67.7
	Strongly agree	118	32.3	32.3	100.0
	Total	365	100.0	100.0	
2. I am satisfied with bank provides accurate information on customers demand	Strongly Disagree	1	.3	.3	.3
	Disagree	6	1.6	1.6	1.9
	Neutral	189	51.8	51.8	53.7
	Agree	103	28.2	28.2	81.9
	Strongly agree	66	18.1	18.1	100.0
	Total	365	100.0	100.0	

Level of customer satisfaction	Scale	Frequency	Percent	Valid Percent	Cumulative Percent
3. I am satisfied with the Responsiveness to customer preference.	Strongly Disagree	2	.5	.5	.5
	Disagree	10	2.7	2.7	3.3
	Neutral	159	43.6	43.6	46.8
	Agree	129	35.3	35.3	82.2
	Strongly agree	65	17.8	17.8	100.0
	Total	365	100.0	100.0	
4. I am satisfied of being a client of this bank.	Strongly Disagree	3	.8	.8	.8
	Disagree	22	6.0	6.0	6.8
	Neutral	161	44.1	44.1	51.0
	Agree	93	25.5	25.5	76.4
	Strongly agree	86	23.6	23.6	100.0
	Total	365	100.0	100.0	
5. I am satisfied with the respectful behavior of employees.	Strongly Disagree	1	.3	.3	.3
	Disagree	4	1.1	1.1	1.4
	Neutral	165	45.2	45.2	46.6
	Agree	121	33.2	33.2	79.7
	Strongly agree	74	20.3	20.3	100.0
	Total	365	100.0	100.0	

Source: Own Survey, 2016

Satisfied customer is the real asset for any organization that ensures long-term profitability even in the era of great competition. It is found that satisfied customer repeat his/her experience to buy the products and also creates new customers by communication of positive message about it to others (Darby, 1973). On the other hand, dissatisfied customer may switch to alternative products/services and communicate negative message to others. So, organizations must ensure the customer satisfaction regarding their goods/services (Grönroos, 2004). The above table shows the level of customers' satisfaction to use the modern and appropriate equipment and technology. The result indicates that, 32.3% of the respondents are strongly satisfied, 54.2% of the respondents are satisfied, 12.3% of the respondents are neither satisfied nor dissatisfied, 0.3 % of the respondents are dissatisfied and the rest 0.8% of the respondents are strongly dissatisfied with the bank uses modern and appropriate equipment and technology. From the above analysis it is clearly indicating that, majority of the respondents are highly satisfied with bank uses modern and appropriate equipment and technology. The bank should try to enhance the satisfaction level of entire customer's in relation to the banks use modern and appropriate equipment and technology.

The table shows the level of customers' satisfaction to provide accurate information on customers demand. And the result implies that, 18.1% of the respondents are strongly satisfied, 28.2% of the respondents are satisfied, 51.8% of the respondents are neither satisfied nor dissatisfied, 1.6% of the respondents are dissatisfied and 0.3% of the respondents are strongly dissatisfied. It shows that, customers are neither satisfied nor dissatisfied with bank provides accurate information on customers demand. Definitely, Most of the customers of the bank are neither satisfied nor dissatisfied in accurate information on customers demand; but the bank should improve this situation and work more to create better satisfaction to entire customers.

Above table represents the level of customers' satisfaction to responsiveness to customer preference. It implies that, 17.8% of the respondents are strongly satisfied, 35.3% of the respondents are satisfied, 43.6% of the respondents are neither satisfied nor dissatisfied, 2.7% of the respondents are dissatisfied and 0.5% of the respondents are strongly dissatisfied. It shows that the majority (43.6%) of the respondents are neither satisfied nor dissatisfied with Responsiveness to customer preference. From the above analysis majority of the customers are neither satisfied nor dissatisfied by to responsiveness to customer preference; but it is not enough to the bank work more to create better satisfaction to entire customers.

The above table shows the level of customers' satisfaction to being a client of this bank. And the result of the above table shows that, 23.6% of the respondents are strongly satisfied, 25.5% of the respondents are satisfied, 44.1% of the respondents are neither satisfied nor dissatisfied, 2.7% of the respondents are dissatisfied and 6% of the respondents are strongly dissatisfied. From the above analysis most customers are neither satisfied nor dissatisfied by being a client of the bank and significant number of respondents is

dissatisfied. So that, the banks should make better services renders to the customer and this may increase the satisfaction level of customer.

Finally, with regard to the level of customers’ satisfaction to the respectful behavior of employees, the result indicates that, 20.3% of the respondents are strongly satisfied, 33.2% of the respondents are satisfied, 45.2% of the respondents are neither satisfied nor dissatisfied, 1.1% of the respondents are dissatisfied and the rest 0.3% of the respondents are strongly dissatisfied with the respectful behavior of employees. It can be concluded that, the levels of customers are neither satisfied nor dissatisfied with respectful behavior of employees.

Table 02: Mean and standard deviation for the five bank’s Service quality dimensions and Customer Satisfaction

Dimensions	N	Mean	Std. Deviation
Tangibility	365	4.4493	.65531
Reliability	365	3.6586	.58943
Responsiveness	365	4.0411	.54220
Assurance	365	4.2315	.54518
Empathy	365	3.7089	.58456
Customer Satisfaction	365	3.7666	.64235
Valid N (listwise)	365		

Source: Own Survey, 2016

Table-02 indicates that tangibility has the highest mean value; empathy and reliability have least mean value. Therefore, it may be concluded that, respondents are highly satisfied with tangibility dimensions with a mean and standard deviation of 4.4493 and 0.65531 respectively. The same has been followed by assurance and responsiveness. However, customers are less satisfied with empathy and Reliability dimensions at a mean of 3.7089 and 3.6586 respectively. Finally, it can be concluded that, the customer satisfaction has a mean score 3.7666 which indicates that overall customers are slightly satisfied with the service quality of banks.

CONCLUSION:

The study was intended to investigate the impact of service quality on customer satisfaction evidence from selected private banks in Dessie town on the questionnaire consisting of 365 randomly selected customers of five Private Banks. The results of the descriptive statistical analysis indicated that, customers were most satisfied with the tangibility dimensions of service quality followed by assurance and responsiveness. However, customers were less satisfied with empathy and reliability dimensions of service quality

The correlation result shows that, there is a positive and significant relationship between all items of service quality dimension, tangibility and customer satisfaction, reliability and customer satisfaction, responsiveness and customer satisfaction, assurance and customer satisfaction, empathy and customer satisfaction.

Furthermore, the multiple regression results shown that the five service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) have positive and significant impact on customer satisfaction.

The R square value of 0.628, demonstrates that 62.8% of variation in customer satisfaction can be accounted by the service quality dimensions. The findings of this study also indicated that reliability is the most important factor to have a positive and significant impact on customer satisfaction, followed by empathy, responsiveness, assurance and tangibility.

RECOMMENDATIONS:

Based on the conclusions of the study, the researcher forwards the following recommendations to the management of the banks and suggestion for other researchers.

Reliability is one of the most important factors influencing customer satisfaction. But customers of the bank are less satisfied with this dimension. The bank managers should enhance customers’ reliability on the bank by providing the service at the promised time, showing a deep interest in solving customer’s problems, insisting on error free record, provides consistent service and Provide accurate information to customers.

DIRECTION FOR FUTURE RESEARCH:

This study was conducted to examine the impact of service quality on customer satisfaction in selected private bank in Dessie. The sample was drawn from only five private banks, thus this study may be limited in its generalizability of the findings to others private banks. So, future research should have to draw sample of respondents on more number of private banks for the sake generalizing the results of the study.

Further research can be performed with similar concepts in different areas of service industry (insurance companies or telecommunication industry) to better generalize the results. This investigation would also help to analyze different ways to serve the customer by improving the service quality and produce more revenue for the companies.

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