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THE MEDIATING EFFECT OF CUSTOMER SATISFACTION ON THE RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER LOYALTY IN THE CASE OF SELECTED CBE BRANCHES

BY

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Abstract

The purpose of this study was to examine the mediating effect of customer satisfaction on the relationship of service quality and customer loyalty in the case of commercial bank of Tefera Degfe branch. Explanatory design was employed in this study. Total samples of 118 respondents were drawn out of 135 total populations for the study. SERVEQUAL model was adapted as the conceptual framework for analysis. Data were collected through structured questionnaire. Data were analyzed through descriptive statistics, narrative and regression analyses. The results indicated that customer satisfaction mediates the relationship between service quality and customer loyalty. All the five dimensions of service quality had significant, positive effect on the customer loyalty. It is observed that customers were most satisfied with tangibility dimension of service quality followed by assurance. The finding from the correlation result reveals that there is a positive and significant relationship between the service quality dimensions, customer satisfaction and customer loyalty. Overall service quality dimensions regressed with dependent variable customer satisfaction and customer loyalty results revealed in the model summery $R^2 = .330$ and $.314$ respectively. It implies that 33 % of variation in customer satisfaction and 31.4 % of the variation in customer loyalty is explained by independent variable service quality dimensions. Finally, the researcher recommend to the bank that in our current environment services preference of customers and their demands keeps on changing at a rapid speed and the bank should operate proactively in meeting its customers' needs and preferences. So that bank managers develop and implement customer-oriented service strategies to identify customers' needs and expectations in order to serve them better.

Key words: service quality, customer satisfaction, customer loyalty

INTRODUCTION

1.1 Background of the Study

In Ethiopia, financial sector is dominated by banking industry; Banks play a significant role in the growth of sustainable economic efficiency by intermediating between to those who have excessive funds and to those who have viable project which requiring funds for investment. Banks also play key role in facilitating trade activities and payments by reducing transaction costs and increasing trust among traders (NCA, 2006). In Ethiopia Modern banking system was started in 1905. When the time, Emperor Minelik II and a representative of the British owned National Bank of Egypt was agreed to open bank in Ethiopia. Based on the agreement Bank of Abyssinia inaugurated in Feb.16, 1906 by the Emperor himself (Damena, 2011). At a time the services of the bank were not widely known by the public, due to that its customers were foreigners and only few Ethiopians who knew the uses of a bank were customers. After Italian invasion the bank was bought by the Ethiopian government and the State Bank of Ethiopia was established by a proclamation issued in august 1942. This bank was later divided in to two different banks forming the National Bank of Ethiopia and the Commercial Bank of Ethiopia (Gedey.B, 1990).

The operation of the bank was criticized after Emperor Hailesselassie came to the power for being inappropriateness and it stands only for its own profit, as a result the Emperor reformed the bank with Ethiopian Bank. And the shares of the bank were opened for the public for sale. And with that sale a new bank emerged as the Ethiopian Bank. The new enterprise named as Ethiopian Bank and it was fully owned by Ethiopian's and it was became the first National Bank in Africa. The public started to be aware the service of the bank and the people starts to use the banking service, the role of the Bank in the Ethiopian economy accelerate to grow. According to some experts the reason for acceptance of the public trust was the bank fully owned by Ethiopians (Terefe, 2013)

To empower the role of banks in an economy, service quality is an important driving force; without quality service, it may not be possible to bring efficiency in a financial sector development. In the contrary, poor service quality may result in substantial social losses on account of higher price, higher transaction cost, lower credit supply, lack of innovation (Zerhun, 2013). Studies shows that the services delivered are met or exceeded the expectation of its customer, they will be likely to

get satisfied. Satisfied customers will be retained and become loyal to the service firm. To provide quality service, information about the customer's perception of the service quality is very much important. So that the improvements in quality standards bring a positive outcome for the firms when service firms well understand the fact that continuously improve service quality and offerings increase the satisfaction level of customers, they can better allocate resources to attain quality standards in order to meet their client's expectations. Hence, in this highly competitive era, delivering quality service exceeded beyond its customer expectation is base to takeover competitive advantage than its competitors. Therefore, this research mainly focuses to investigate the relationship between service quality, customer satisfaction and customer loyalty and the moderate effect of customer satisfaction on service quality and customer loyalty relationship in case of commercial bank of Ethiopia selected branches in Addis Ababa.

1.2. Statement of Problem

The baking sector has been growing rapidly in Addis Ababa in the past decade. The growth of banks in number makes available banking service to the whole public, investors and tourists. The availability and accessibility does not guarantee service quality and competitiveness in the globalized business environment (Tsegaye, 2016).The financial services, particularly banks, compete in the marketplace with generally undifferentiated products; therefore service quality becomes a primary competitive weapon (Stafford, 1996). Increasingly, service quality has used as a strategic tool by the various market players to position themselves effectively in the market. And it can be defined as "Service quality is the customer's perception of service excellence which means quality is defined by the customer's impression of the service provided" (Parasuraman A. Z., 1985)(Berry, 1988).

In the banking context one of the main elements determining customer satisfaction is the customer's perception of service quality. Customer satisfaction is described as the result of a comparison of the customers' expectations and its subsequent perceived performance of service quality (Herington, 2009). According to this conceptualization, perceived service quality is one of the antecedents to overall customer satisfaction. Previous studies showed the evidence support this relationship between customer satisfaction and service quality (Yee, 2011).

Most importantly, the cost of retaining current customers by improving product and services is significantly lower than the cost of winning new customers. Because the importance of service

quality and customer satisfaction as a route to competitive advantage and corporate profitability in banking industry. Here the problem is services are intangible in nature their success and failure is not easily measured or quantified as compare to the manufacturing sector. Further in a competitive era, the customer services preference keep on changing at a rapid speed and their demands and customer shifting to other service providers is high especially when they are dissatisfied with service provided(Mensah.R, 2006). Once the customers switch the firm, the cost of return is very high and enhancing service quality is very much essential for the banks to retain the customers for longer period of time (Portela.M.C.A.S & Thanassoulis, 2005). So that, maintaining customer satisfaction by understanding their expectation and delivering exceeded quality service is a key factor to customer loyalty. There is plentiful researches have been done in the field of service quality in various service industries across the world. But in Ethiopia a few researches conducted in a service industry specially in banking sector most of these studies entitled to link service quality with customer satisfaction or with customer loyalty independently. However these three constructs service quality, customer satisfaction and customer loyalty are closely interrelated but compressive study in its relationship is scarce. Therefore the researcher initiated to fill this research gap, in addition to that there is no research study conducted in commercial bank selected branches in Addis Ababa related to this topic. Hence, Finding out the relationship between service quality, customer satisfaction and customer loyalty and its effect is a valued issue in this study.

1.3. Basic Research Questions

This research will aimed to address the following research questions:

- ➢ What is the relationship between service quality dimensions and customer satisfaction?
- ➢ What is the relationship between service quality dimensions and customer loyalty?
- ➢ Is there any relationship between customer satisfaction and customer loyalty?
- ➢ What is the mediating effect of customer satisfaction on the relationship between service quality and customer loyalty?

1.4. Objective of the study

The general objective of the study will find out the relationship between service quality, customer satisfaction and customer loyalty in the case of commercial bank selected branches in Addis Ababa.

1.4.1. Specific objectives

The specific objective of this study will examine:

- ➢ The relationship between service quality dimensions and customer satisfaction.
- ➢ The relationship between service quality dimensions and customer loyalty.
- ➢ The relationship between customer satisfactions and customer loyalty.
- ➢ The mediating effect of customer satisfaction on the relationship between service quality and customer loyalty.

1.5. Scope of the Study

The study is limited in two scopes: Geographical and Subject scope. The geographic scope is that this study comprises commercial bank of Ethiopia selected branches in Addis Ababa. The subject scope: The study was focus on the relationship between service quality, customer satisfaction and customer loyalty. Further it investigated the mediating effect of customer satisfaction on the service quality and customer loyalty relationship.

1.6. Significance of the study

This research aimed to investigate the relationship between service quality, customer satisfaction and customer loyalty in selected branches of commercial bank of Ethiopia. Due to the exist of intense competition in the banking sector; its output provides insight to bank managers, board of directors and employees to understand customer perception of service quality and its relationship with customer satisfaction and customer loyalty. It test validity of SERVQUAL model in a given research area banking sectors. And the study will likely to help customers to express their feelings and perceived position on the way banks are delivering services, with expectation to receive improved service quality. Finally, its findings may serve as a reference for future studies in banking industries.

1.7. Definitions of operational terms

Service quality- is the customer's perceived value of the service by comparing between perceived quality and service expectation (Miranda et al. 2017)

Customer satisfaction- refers to the degree to which customer expectations of a product or service are met or exceeded as against the perceived performance (Murali et al. (2016).

Customer loyalty- is a customer's intention or predisposition to purchase from the same seller or the same brand again and is an outcome of the conviction that the value received from the said seller/ brand is higher than the value available from other alternatives" (Thakur 2016),

1.8. Organization of the study

The study will have five chapters. Chapter One is introduction to the study. It contains background of the study, problem statement, research questions, and objective of the study, and scope of the study, significance of the study and organization of the paper. Chapter Two contains related literature review. Chapter Three will presents the methodology of the study. This includes research design, population, sampling method and size, sampling technique, source data, and data collection instruments, method of data collection, variable measurement, reliability test, data analysis and ethical consideration. Chapter Four will covers data analysis and interpretation; while Chapter Five contains the summary of findings, conclusions and recommendations of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

In order to construct a research framework, relevant studies have been thoroughly reviewed and are presented to first elaborate the conceptual framework of all three constructs examined in the study. Attention is then focused on exploring the relationship among them from the perspective of service industries in general and banking industry in particular. Subsequently, the directional flows of the relationships are discerned through literature search and review. These steps then provides theoretical framework for this study and the research objectives to be formed.

2.1. Concepts of service quality, customer satisfaction and customer loyalty

2.1.1. Service Quality

Quality in service is also interrelated to other behavioral outcomes of the customers. The study understands the various customer perceptions about the service quality factors as multi-dimensional construct. Services are a day to day activity that interacts between customers and service providers comprising commonly based on customer judgments about service supplier and customer interactions and provided service itself (Cronin J. &., 1992) Service quality is seen as the difference between customer expectation and perceptions of service with the view of building competitive advantage over its competitors. This shows that delivering quality service means conforming to customer expectations on a consistent basis and could be assessed by probing whether perceived service delivery meets, exceeds or fails to meet customer expectations (Cronin J. &., 1992).

The satisfaction level of customers is dependent on their perception of service quality and the trust in service provider (Ismail, 2006) and (Parasuraman A. B., 1988). By providing better quality services to customers, a firm revives the perception of customers about quality of services. Particularly in banking industry, a number of intangible activities provided as premium service quality plays a pivotal role for customers in evaluating the performance of a service provider and is the key to gain customer satisfaction and customer loyalty. A bank can gain competitive advantage and build long term relationship with its customers by providing premium quality

services. Several evidences found in literature establish that there is a significant correlation between service quality and customer satisfaction (G.S Sureshshchndar chandrasekharan Rajendran, 2003); (Boulding.W, 1993) and (Bitner, 1990). According to (Sargeant, 2001), it is obvious that the perceptions of service quality and commitment are related to loyalty, but each of the aforementioned factors, may have a different impact on customer loyalty in a particular banking industry. There are two kinds of reasons that can determine relationship breakdown between the customer and the organization these are natural causes (customer demand extinction) and artificial causes (insufficient service quality) (Sargeant, 2001), It is obvious that in order to increase customer loyalty the organization must seek to eliminate both natural and artificial customer exit reasons.

SERVQUAL scale, developed by (Parasuraman A. B., 1988) is the most famous measure of service quality. It classifies and measures service quality in five dimensions. We have taken these five dimensions; tangibles, reliability, responsiveness, assurance and empathy. SERVQUAL scale has been the most widely used measure of service quality. In many private research studies SERVQUAL has been constructively deployed (Parasuraman A. Z., 1991). Moreover several published research studies have positively discussed the SERVQUAL framework (Crompton, 1989)(Webster, 1989)(Woodside, 1989)and (Jonson Lind L., 1988), and have assessed the validity and reliability of this measure(Babakus, 1992)(Brensinger, 1990) and (Finn David W., 1991), Furthermore following the criticism on SERVQUAL scale, proper refinements were made to it(Parasuraman A. Z., 1991)..

2.1.1.1. Dimensions of service quality

 Tangibility

Those things which have a physical existence and can be seen and touched. In context of service quality, tangibles can be referred to as Information and Communications Technology (ICT) equipment, physical facilities and their appearance (ambience, lighting, air-conditioning, seating arrangement); and lastly but not least, the services providing personnel of the organization(Blery, 2009). These tangibles are deployed, in random integration, by any organization to render services to its customers who in turn assess the quality and usability of these tangibles.

Reliability

Reliability means the ability of a service provider to provide the committed services truthfully and consistently (Babakus, 1992). Customers want trustable services on which they can rely. It also deals with ability to reliably and correctly fulfill the commitments to consumers.

Responsiveness

Responsiveness refers the availability of the provider's 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;

Assurance

Assurance is developed by the level of knowledge and courtesy displayed by the employees in rendering the services and their ability to instill trust and confidence in customer (Blery, 2009). It refers to service staff's knowledge and manners, and their ability to have customers depended; and assured.

Empathy

Empathy means taking care of the customers by giving attention at individual level to them (Blery, 2009). It involves giving ears to their problems and effectively addressing their concerns and demands. 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. Tangible and intangible constituents of service quality were important in evaluating either customer view of an organization or customer trust in an organization (Doney, 1997) (Garbarino, 1999). It has been defined that service quality is very important for customer satisfaction, and by it service quality impacts customer loyalty (Cronin J. &., 1992)(Oliver R. , 1999)it can be stated, that the limitation of service quality studies is the inconsistency in determining the link between service quality and customer loyalty. Some studies have found that service quality determines customer satisfaction and affects customer loyalty through satisfaction (Cronin J. &., 1992) (Rust, 1994). Other studies, in contrast, have justified the influence of customer satisfaction on the quality of service (Bolton R. N., 1991).

2.1.1.2. Characteristics of Service

(Kotler P. B., 1999), stated that a service has four major characteristics that greatly affect the design of marketing programs for it. These characteristics are as following:

Intangibility

A service is intangible and cannot be seen, tasted, felt, heard or smelled before it is bought. For example, a person receiving a haircut cannot see the result before purchase.

Inseparability

Services are produced and consumed at the same time. For instance, as it is in car hiring. The person rendering the service becomes part of the service as how he does it affect the quality of the service.

Heterogeneity of Variability

Services are highly variable as they depend on who provides them and when and where they are provided. For examples, although branches of a particular bank may be selling and delivering the same service, the quality may not be uniform or homogenous from branch to branch

Perishability or Fluctuating Demand

Services are highly perishable since they cannot be stored. For example, hours when cashiers are idle at the bank cannot be used to expand service on a busy day when long queues are formed.

2.1.1.3. Model of Service Quality Gaps

There are seven major gaps in the service quality concept the model is an extension of (Parasuraman A. Z., 1985). According to the following authors (Systems, 1992)(Curry, 1999)(Luk, 2002)the three important gaps, which are more related with the external customers, are Gap1, Gap5 and Gap6; since they have a direct relationship with customers.

Gap1: Customers' expectations versus management perceptions: as a result of shortage in assessment of market demand, inadequate information communicating system or length of management hierarchy, delivery may quite different the expectation of customers.

Gap2: Management perceptions versus service specifications: as a result of inadequate commitment to service quality, inappropriate service quality standards or an absence of quality goal achievement.

Gap3: Service specifications versus service delivery: as a result of unforeseen problems which related to role ambiguity and conflict, poor employee skill and poor technology and lack of control a service provider may failure to meet service quality specifications

Gap4: Service delivery versus external communication: as a result of exaggerated premise of service provider there may be dissatisfaction with a service because of the extensively high expectations developed through the service provider's communications efforts delivery miss-match the premise.

Gap5: The discrepancy between customer expectations and their perceptions of the service delivered: as a result of the influences exerted from the customer side and the shortfalls (gaps) on the part of the service provider. In this case, the way in which customers perceived actual service delivery does not match with their initial expectations. Customer expectations are affected by the extent of personal desires and past service experiences.

Gap6: The discrepancy between customer expectations and employees' perceptions: as a result of understanding gap between customer expectations and employees of front-line service providers perception.

Gap7: The discrepancy between employee's perceptions and management perceptions: as a result of understanding gap between customer expectations and managers perceptions.

2.1.2. Customer Satisfaction

In customer service management satisfaction is considered as the result of a customer's perception of the value received in a transaction or relationship – where value equals perceived service quality relative to what is received against what is expected from the utilization of that good or service (Kotler P. a., 2009) relative to the value expected from transactions or relationships with competing vendors (Zeithaml, 1996).

 Customer satisfaction refers to the level to which customers` are delight with the products and services provided by the firm. Delivering high quality service beyond their expectation is increasing the levels of customer satisfaction; through in it organizations have belt their competitive advantage over the rivalry because satisfied customers less are influenced by competitors most likely to be loyal and to make repeat orders and to use a wide range of services

offered by a business (Zineldin M. , 2000)(Gerpott, 2001)noted customer satisfaction is measured by that a customer's estimated experience of the extent to which a provider's services fulfill his or her expectations.

(Ovenden, 1995), announced organizations to pay attention carefully to the way they treat their customers since some customers may not openly display their dissatisfaction with the kind of treatment meted them immediately. Complaint management is one important component in the concept of satisfaction (Nyer, 2000) investigated the relation between consumer complaints and consumer satisfaction and he found that encouraging consumers to complain to increase their satisfaction, and it was especially the cause for the most dissatisfied customers. Research has also found that the more intensive customer complains the greater the increases in satisfaction.(Johnston, 2001), argued that complaint management not only results in customer satisfaction, but also leads to overall operational improvement and financial performance.

2.1.3. Customer Loyalty

The concept of loyalty presented in the literature with two directions, behavior and attitude (Baumann, 2011). Behavior loyalty refers to customer behavior to purchasing frequently and while attitude loyalty refers to the emotional and psychological state of the customer to repurchase (Reichheld, 1993). It can be concluded that customer loyalty is a behavior that committed to the product or service and persuade to refer these products or service to others. (Oliver R. , 1993), pp. 34 defines loyalty as a "deeply held customer commitment with a product or service that is reflected by customers purchase repetitions of the same brand while ignoring any other influences to leave that brand.

 Overall, loyalty discussed in the literature is when a customer frequently purchases a service or product over time or when a customer has favorable attitude towards a service or product (Wong, 2003), (Baumann, 2011). In this study loyalty refers to the continuous belongingness to a particular bank by customer overtime (Ladhari, 2011). When customer evaluating the service delivery of a firm, they compares with their expectation prefer to purchase or consumption with actual service provided. If the service/product offered equals or is above their expectation the customer feels dissatisfied (Oliver R, 1980), According to (Reichheld, 1993)satisfied customers are more likely to persuade to refer the bank to others, thereby minimizing the banks expense of providing more services with of least complaints. Studies have noticed that the level of satisfaction that customers

experienced in respect of service or product with influence them to decide to retain as loyal customer to the bank e.g.(Levesque, 1996); (Amin, 2011)(Bearded, 1983), state that customer satisfaction is important as it guarantees purchase repetition and customer loyalty. When customers loyal to a bank, they will stay with the same bank and recommending the banks service to others. On the contrast, when customers dissatisfied with the banks service or products they will react negatively and shift to other bank (Amin, 2011).

Customer loyalty can be accomplished at times by offering a quality item with a firm certification or using alternative incentive for the customer. The long term goal is to get loyal customers. Geronikolas (2012) reports some considerations in the hotel business that are destined to push customers away include incompetent, rude or unfriendly staff, dirty premises, moderateness, and esteem for cash. Overall, loyalty standards are the most important in banks tangibles. They seem to be increasingly significant in creating both a loyal base of satisfied customers and driving dissatisfied customers away.

 In general every bank company aims to earn profit, expands its business by offering more diversified and quality service over time and capturing a large market share progressively. Customer loyalty can significantly contribute to achieve this basic objective of the bank (Hayes, 2008). As it is an effective tool to generate adequate income from the customers (Chu, 2009). Furthermore, these loyal customers can serve as effective promoter in marketing mechanism when they refer their bank to more people. In this was this existing customer contribute towards increasing their respective bank's customer base and market share. The financial base of any bank is largely dependent on this phenomenon.

2.2. Service quality and customer satisfaction

Service quality is one of the most important aspects in banking industry of the premium customer experience. Customer satisfaction is meeting properly customer demands and expectations and providing quality services stated as market standards (Gitomer, 1998),Most organizations attempt to improve service quality on a regular basis to ensure high level customer satisfaction and to enhance customer retention and loyalty. However, satisfaction does not guarantee repurchase, customer retention and loyalty. Thus, many organizational researchers provide that service quality has been strong predictors of customer retention and customer satisfaction. Finally conclude that service is a driving force of customer satisfaction and the result leads to customer loyalty(Cronin

J. B., 2000) So that the service quality is a key factor for customer satisfaction and it is an important tool particularly for banks to maximize their income and market share over its competitors (Muyeed, 2012).

2.2.1 Tangible and customer satisfaction

Tangible in banking industry context refers physical facilities and their appearance these can be seen and touched. Thus may attract the attention of customers impressively. Thus the appearance of banking environment contributes its positive impact on the degree of customer satisfaction. The relationship between quality and customer satisfaction in banking sector of Sweden is studied by (Zineldin M. , 2005). He ensures that tangible and non-tangible attributes of premium quality in products and services provided by bank are may create strong and long term relationship with the customers. This service quality dimension comprises of bank creating foremost impressions and all organizations desire that their customers get an exceptional and positive foremost impression by focusing on this particular dimension will help them to gain maximum benefit (Swar, 2012).

2.2.2 Reliability and Customer Satisfaction

The relationship between dimensions of service quality and customer satisfaction was examined by (Ibànez, 2006). They noticed that a significant relationship between reliability of services and the satisfaction level of customers. There are plenty of literatures revealed that an increased positive relationship between service quality dimensions, customer satisfaction and customer loyalty. Reliability refers the ability of a service provider to provide the committed services truthfully and consistently (Blery, 2009). Customers also want trustable services on which they rely. So that providing a reliable service has yielded many prospective competitive advantages including augmenting of productivity and enhanced revenue creation from new services (Muyeed, 2012).

2.2.3 Responsiveness and Customer Satisfaction

Responsiveness defined as the willingness or readiness of employees to provide service. It involves timeliness of services (Parasuraman A. Z., 1985). It is also involves understanding needs and wants of the customers, convenient operating hours, individual attention given by the staff, attention to problems and Customer satisfaction is a key factor in formation of customer's desires for future purchase (Mittal, 2001). Although satisfaction has been defined as the difference between

expectation and performance, but there are differences between quality and satisfaction. For example, (Parasuraman A. Z., 1991) say that satisfaction is a decision made after experience while quality is not the same. On the other hand, in satisfaction literature, expectations for goods is "would", while in service quality literature, expectations for goods is "should". Keeping your customers happy is the key to ensuring that your current clients don't become former clients. Failing to meet deadlines or ignoring customer inquiries can increase client dissatisfaction. When customer responsiveness is a priority, you'll find that opportunities to serve your clients increase, while problems and service issues decrease. Although good customer service is part of customer responsiveness, customer responsiveness takes customer service a step further. (Dawson, 2002), explain in a "Business Strategy Review" article that customer responsiveness is accurately and insightfully giving customers what they need, want or don't yet know they want and doing so more quickly than anyone else. Findings revealed that the Human Related Factors of perceived service quality have a greater impact on customer satisfaction whereas Reliability and Responsiveness are the most influential factors on customer satisfaction (H.M.G.Y.J.Hennayake, 2017).

2.2.4 Assurance and Customer Satisfaction

In addition to tangibles, reliability and responsiveness; assurance has been identified as a significant dimension of service quality by (Parasuraman A. B., 1988). Assurance refers the level of knowledge and courtesy showed by the employees to instill trust and confidence in customers in rendering the services (Blery, 2009). It is obvious that if the employee of bank shows their capability and trustworthy behavior, the level of customers' satisfaction can be increasing dramatically. It may contribute positive impact on repurchase intension of customers (Ndubisi N. O., 2006) and (Ndubisi N., 2005).

2.2.5 Empathy and Customer Satisfaction

Empathy refers taking care of the customers by giving attention at individual level to them (Blery, 2009). It involves giving ears to their problems and effectively addressing their concerns and demands. These study found that a positive and significant relationship between empathy and customer satisfaction (Iglesias, 2004). It was approved in another research study, if there is gap to pay attention to the problems individuals which encountered in the service delivery, customers

may remain unsatisfied. (Al-Marri, 2007), suggested that customer satisfaction is significantly impacted by empathy. It is an important predictor in improving customers' intention in the long-run serves as the financial performance of the organization. (Wieseke, 2012), empirically examined the role of empathy in service quality and its impact on customer satisfaction and he was found that customers handled emphatically are more frequent visitors and prone forgive any mistakes that may occur. Empathy creates an emotional relationship with customer, providing customer a touch of importance for business. This leads to retention and creation of new customers' pool and make familiar. (Juneja, 2011), has also studied the correlation between service quality dimensions and customer satisfaction in Bangladesh banking industry. He was found that empathy is a critical element to won customer loyalty. Empathy can play an important role in improving of service quality, customer loyalty and finally satisfaction (Karatepe, 2011), explored the service environment impact with empathy and reliability on loyalty. Empathy works as a moderator between quality and customer satisfaction. Empathy can change the behavior of customer ultimately.

2.3. Service Quality and Customer Loyalty

There are so many researchers had been found that a strong relationship between service quality and customer loyalty (Anderson, 2000)(Bloemer J. M., 1999).(Heskett, 1997), Evidences revealed that there are strong and direct relationship between customer loyalty and service quality. While (Bloemer J. M., 1999), have stated that service quality results in customer loyalty it may also act as a vital promoter whereas if level of customers' is also tends to be relatively high, However in a today's highly volatile and dynamic business environment especially in the services sector achieving higher levels of customer satisfaction and customer loyalty, may be a tough task for many organizations. Also many researchers found that service quality dimensions have strong positive impact on customer loyalty (Ehigie, 2006)(Wong, 2003)and (Bitner, 1990).

Distinctive studies have investigated the relationship between service quality and customer faithfulness. For example, in focusing on repurchase points as a measure of faithfulness, Cronin and Taylor, (1994) affirmed that service quality does not have a basic (positive) effect on repurchase objectives (instead of the immense beneficial outcome of satisfaction on repurchase objective). In any case, Boulding, et al, (1993), focusing on the segments of repurchasing and moreover the availability to recommend as measures of customer dedication, found positive

associations between service quality and repurchase desires and capacity to propose to others (Akbar and And have proved willingness to recommend and repurchase intention as dimensions of the customer loyalty. Parvez, 2009).

on an alternate note, a couple of customers may stay steadfast in light of high exchanging costs or the nonattendance of honest to goodness substitutes, while others will continue being dedicated since they are content with the services given (Lam and Burton, 2006). Service suppliers must abstain from being smug since loyal customers may not generally be the fulfilled ones and also not every fulfilled customer may dependably be loyal. Research has demonstrated that service quality decidedly influences customer dedication (Wong, 2005). This is in light of the fact that service quality has been found to identify with behavioral outcome particularly as informal, protestation, proposal and exchanging (Al-Rousan, Ramzi and Mohamed, 2010).

2.3.1 Tangibles and Customer Loyalty

The appearance of banking environment contributes its positive impact on the degree of customer satisfaction. The relationship between service quality and customer satisfaction in banking sector of Sweden is studied by (Zineldin M. , 2005), He ensured that tangible and non-tangible attributes of premium quality in products and services provided by bank are may create a strong and long-term relationship with their customers. (Jabnoun, 2003), realized that tangibles established by banks with better ambience enhance customer loyalty in a better way.

2.3.2 Reliability and Customer Loyalty

Stated as (G.S Sureshchandar, 2003)a research study conducted in Malaysian banking sector to investigate the relationship between service quality and customer loyalty, the ability and knowledge developed by the employee to provide trustful and consistence service is base for customer loyalty. And (Brown, 1993), found that reliability is the strongest dimension of service quality and it has close relationship with customer loyalty.

2.3.3 Responsiveness and Customer Loyalty

Responsiveness is defined as "the willingness to help customers and provide prompt service" (Parasuraman A. B., 1988). Furthermore, (Johneston, 1997) defines responsiveness such as speed and timeliness of service delivery. This consists of processing speed and service capabilities to

respond promptly to customer service requests, and wait a short and queuing time. More specifically, responsiveness is defined as the willingness or readiness of employees to provide services. Customer loyalty is also a deep and inner commitment which leads to repurchase or reuse of a specific product or service. It occurs when customers strongly feel that the desired organization can best meet their needs and responds their request promptly, so that competing organizations are excluded from customers' considerations, and customers only purchase from their desired organization (Shoemaker, 1999).

Loyalty of an individual to a bank consists of a targeted behavioral reaction that is created in that individual as a result of psychological factors. It also leads to selecting a bank from among different banks. Loyalty of an individual to a bank is composed of two parts: a. Behavioral, such as purchases and revisits in a targeted manner due to the fact that this behavior is not accidental. b. Psychological, which includes the assessment of the decision-making process in the mind of the individual. Finally, in this research, responsiveness is the readiness of banking service providers at a specific Arba Minch town banking sector to provide punctual services as perceived by a specific Arba Minch town banking customers. This is measured using 4 items of the responsiveness dimension of the 22-item SERVQUAL

2.3.4 Assurance and Customer Loyalty

Most customer loyalty experts would agree that loyalty is best defined as a state of mind, a set of attitudes, beliefs, desires etc. Loyalty is developed by approaches which reinforce and develop a positive state of mind and the associated behaviors (Foss, 2001). Customers want assurance from any service providing firms to remain loyal. (Bitner, 1990), was noticed that assurance much strongly impact customer loyalty than any other dimesion of service quality. Assurance in addition to customer loyalty it improves level of customers' satisfaction and financial performance banks.

2.3.5. Empathy and Customer Loyalty

In this highly dynamic and intense competitive business environment without individual care and attention to customer may not be expected loyal customer in services industry, particularly in banking sector (Jabnoun, 2003). The only means of way to won loyal customer the services delivery staff should be strongly committed to providing premium quality services as well as

should be able to effectively handle conflicts in a timely manner(Malhotra, 2005); and (Ndubisi N. , 2005).

2.4. Customer satisfaction and customer loyalty

In the literature, the impact of satisfaction on loyalty largely indicates that the former is a key determinant of the latter (Dick, 1994). Researches have widely investigated the relationship between customer satisfactions and customer loyalty focused on the impact of customer satisfaction, as it is a most significant predictor of customer loyalty. Furthermore, the two concepts often some time made confusion by both professionals and academics (O'Malley, 1998), Not everyone agrees, though. (Reichhold, 1994),for instance revealed that customers satisfied or highly satisfied claiming service provided may still cease to be loyal.

On the contrary, loyal customers are not necessarily the satisfied ones although satisfied customers do tend to be loyal (Fornell, 1992)(Oliver R. , 1999). Thus, a clear difference is made between the two concepts. From a more conceptual perspective, (Oliver R. , 1999), after a review of the relationship between Springer Received and reviewed by former editor, concludes that the one considers satisfaction and loyalty to be two distinct states in a best approximation, while it can concede that the first will likely lead to the second. Although the relationship between satisfaction and loyalty had been the focus of ample research deal, it continues to discuss studies many unanswered questions about its exact nature and strength (Mittal, 2001).

Likewise, (Patterson, 1997), declared that a contended customer exhibits greater retention and expressed significantly positive impact of customer satisfaction on customer loyalty. Similarly, (Zafar, 2012) found that positive relationship between customer satisfaction and customer loyalty

2.5. Relationships between Service Quality, Customer satisfaction and Customer Loyalty

Many researchers had been argued for long time in the issue of relationship between customer satisfaction and service quality (Jacobucci, 2001). Some researchers argued that service quality is the antecedent of customer satisfaction, the others while argued that the opposite relationship between in these two constructs (Parasuraman, Zeithaml., & Berry, 1994); (Oh, 1999). Most studies show that positive relationship among the two constructs (Suki, 2013). (Parasuraman A. B., 1988), briefly shows in his study the relationship between service quality and customer satisfaction as "service quality is a global judgment, or attitude, relating to the superiority of the

service, whereas satisfaction is related to a specific transaction" (p. 16). Previous studies showed that service quality can be expressed as a form of attitude that is relative but not equivalent to satisfaction, which results from the comparison of expectations with actual performance (Parasuraman A. B., 1988); (Bolton R. N., 1991); (Cronin J. &., 1992); (Lee, 2010a). These constructs, in business and marketing literatures, have been seen as a distinct, but intimately close related constructs researchers argued that service quality has impact on customer satisfaction and generates customer loyalty (Jacobucci, 2001), (Chang, 2009), when constructs a conceptual model that correlates Service Quality, Customer Satisfaction and Customer Loyalty in a single frame.

2.6. Theories of Service Quality, Customer Satisfaction and Customer Loyalty

Different researchers have developed alternative measures of service quality for specific service settings. Cronin and Taylor (1992) developed SERVPERF model to measure service quality in the banking industry.

2.6.1 The SERVQUAL Model

Service quality measurements have benefited extraordinarily from studies by Parasuraman, Zeithaml and Berry (1988) who built up the model and estimation approach which they named SERVQUAL, consisting of 22-items. SERVQUAL was developed on the basis of service levels of a group of firms or service providers, classified in one category (general) and the customers' assessment of the actual 15 performance of a selected firm in this category. The SERVQUAL model will be the hypothetical premise whereupon this contextual analysis will be established.

2.6.2 Performance Only Model (SERVPERF)

SERVPERF was made by Cronin and Taylor (1992) in their trial work which incorporated the adjustment of SERVQUAL concerning conceptualization and estimation of service quality. They developed an execution based measure of service quality called "SERVPERF" demonstrating that service quality is a sort of customer demeanor. It measures service quality on the basis of execution. Cronin and Taylor (1992) contended that execution is the measure that best clarifies customers' view of service quality, so perception ought not to be incorporated into the service quality estimation instrument. SERVPERF looks at the attributes of the 5 dimensions, worded the same as SERVQUAL however does not rehash the arrangement of explanations as expected items. SERVPERF hence contains a 22 items (Likert-type) with five measurements of dependability,

responsiveness, affirmation, sympathy and physical assets. 22 statements are then inferred to gauge the view of customers towards the quality of services of the association being surveyed. This examination adjusted the SERVPERF apparatus to quantify service quality among hotels in Nairobi Kenya.

2.6.3 The Disconfirmation Model

The Disconfirmation Model depends on the examination of customers and their perceived performance ratings. Individuals' expectations are met when an item or service performs according to his or her desires. It is adversely affirmed when an item performs more ineffectively than anticipated. The disconfirmation is certain when an16 item performs superior to expected (Churchill and Suprenant 1982). The four constructs that depict the customary disconfirmation worldview are desires, execution, disconfirmation and satisfaction. "Satisfaction is considered as a result of the experience that may be, buy and use, in connection to the purchasers' correlation of expected rewards and aggregate expenses of the buy in connection to the foreseen outcomes. In operations, satisfaction is by one means or another like demeanor as it can be assessed as the whole of satisfactions' inside a few components of an item. "Satisfaction is considered as a result of the experience that seems to be, buy and use, in connection to the purchasers' correlation of expected rewards and aggregate expenses of the buyer in connection to the foreseen outcomes

The theories can be used to understand the relationship between the customers' desires and the genuine encounter. It would help the administration to comprehend the crevices in the item. In instances where marketers over promise, this can help the team to evaluate and manager customer expectations; promise less and offer more At last, the customer is content with the experience.

2.7. Empirical literature Review

2.7.1. Service Quality in Banking Sector

Service quality is important in the banking sector. Some of the reviewed literatures are presented below: (Bahia, 2000) conducted a research to develop a valid measurement of perceived service quality in the Retail Banking sector in Canada. They argued that the SERVQUAL approach has not except from critics; therefore, they developed a new measurement for perceived service quality in Retail Banking. They proposed a scale that was called Bank Service Quality (BSQ). It comprises

31 items classified across six dimensions as: effectiveness and assurance, access, price, tangibles, range of services offered and accuracy and reliability.

(Angur, 1999), examined the applicability of alternative service quality measure in the Retail Banking industry in India. They conducted their research on the consumers of two major banks in India. They use SERVQUAL model to measure the overall service quality. They found that all the dimensions are not equally important in explaining variance in overall service quality. The result indicated that responsiveness and reliability seem to be the most important dimensions followed by the empathy and tangible dimensions; whereas, assurance appears to be the least important dimension. Finally, they concluded that SERVQUAL is the best measure of service quality in banking industry.

The applicability of the SERVQUAL measure is well established in the retail banking industry. As mentioned earlier, (Angur, 1999) stated that SERVQUAL is the best measure of service quality in the retail banking industry in the developing country. Most of the researchers use the SERVQUAL measure or the modified SERVQUAL measure in the retail banking industry. From the above discussion it can be concluded that SERVQUAL is still suitable as an assessment tool to measure the service quality perceptions in the retail banking industry, whether it is based on difference score, gap score or performance only.

2.7.2. Customer satisfaction in banking sector

Literature establishes that customer satisfaction is a key to long-term business success (Zeithaml, 1996).To protect/gain market shares, organizations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers(Tsoukatos, 2006). Banks need to understand customers" service requirements and how it impact on service delivery and customers" attitudes (Gerrard P, 2001), for a small increase of customer satisfaction can to customer loyalty and retention (Bowen and Chen, 2001). With better understanding of customers' perceptions, companies can determine the actions required to meet the customers' needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out paths for future progress and improvement (Magesh, 2010).

 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. Thus, both product and service

quality are commonly noted as a critical prerequisite for satisfying and retaining valued customers (Muslim A. and Isa, 2005). It is indeed true that delivery of high-service quality to customers offers firms an opportunity to differentiate themselves in competitive markets (Karatape, 2005).

2.7.3. Customer Loyalty in a Banking sector

The strategic objective which is the basis of the relationship marketing approach consists of achieving customer loyalty. A comprehensive definition of bank loyalty views the construct as " the biased (i.e. nonrandom) behavioral response (i.e. revisit), expressed over time, by some decision-making unit with respect to one bank out of a set of banks, which is a function of psychological (decision-making and evaluative) process resulting in brand commitment" (Bloemer J. R., 1998). An important statement which has to be remarked is the distinction between customer loyalty and customer retention.

According to Dick and Basu, loyalty is a complex construction, which comprises both psychological and behavioral components; different loyalty types are supposed to form a combination of repeated purchasing and relative attitude towards business firms (Dick, 1994). Therefore, customer loyalty can be defined both in terms of customer behavior, which will be synonymous with customer retention, and in terms of customer attitudes. In the first case, retention or behavioral loyalty is evaluated with the help of different quantitative indices like: the number of purchases made by the customer from the product portfolio of a company, the frequency of acquisition, the percentage from the total expenditures made by a customer for a certain product or service, with regard to a certain organization, the cross-buying potential of the customer. This type of loyalty or customer retention may be called spurious loyalty, if the repeated customer behavior happens without a strong attitude or a clear preference of the customer toward the current bank. In cases of spurious loyalty, customers continue to patronize a certain bank due to familiarity or habit, inertia, passivity, deals, low income or lack of others alternatives, but do not have a corresponding positive relative attitude.

In terms of attitudes, customer loyalty incorporates consumer preferences and their affective disposition toward the bank, which combined with repeat purchasing, describes the ideal situation of true loyalty. Thus, the value of psychological variables cannot be underestimated, because behavior reflects a current situation or, even more probably, a series of events from the past, whereas attitudes offer details regarding the customers' future behavior. Due to the reasons

mentioned above, simply repetitive customer behavior is not enough for them to be considered loyal towards the respective banks; repeated acquisitions or visits need to be doubled by a favorable attitude towards the company (Constantinescu, 2007).

2.8. Relationship between service quality, customer satisfaction and customer loyalty in banking sector

There was a numerous researchers attempt to find out the interrelationships between service quality, customer satisfaction and customer loyalty in the banking sector. Researchers argue that service quality and customer satisfaction are the predictors of customer loyalty (Tariq, 2009); (Ehigie, 2006). (Veloutsou, 2004), found the positive relationship among service quality, customer satisfaction and customer loyalty in the banking sector in Greece.

Caruana, (2000), developed a meditational model that links the service quality to the service loyalty through customer satisfaction. The constructed model is supported by (Santouridis, 2010), (Cheng, 2008),(Bei, 2006),(Lewis, 2006), (Butcher, 2001).(Caruana, 2000), assured that service quality, customer satisfaction and service loyalty are closely related to each other.

(Tsegaye, 2016), conducted their research to explore the relationship between service quality, customer satisfaction and customer loyalty in Ethiopian banking industry. The result confirmed that service quality, customer satisfaction and customer loyalty were found to be significantly correlated. Based on the above mentioned literatures it can be concluded that there is a positive relationship between the studies constructs in the banking sector.

(Kheng, 2010), conduct their research in Penang, Malaysia among bank customers to evaluate the impact of service quality on customer loyalty byemploying the SERVQUAL model developed by (Parasuraman A. B., 1988) with five dimensions. The findings show that service quality dimensions such as reliability, empathy, and assurance are significantly impact customer loyalty and improvement on these dimensions can enhance customer loyalty and retention. Customer satisfaction was used as an intermediate variable and the result proves customer satisfaction mediates in the relationship between service quality and customer loyalty.

In Ethiopia, some studies were conducted in area of bank service quality (Adem, 2015), (Ibrahim, 2015), (Shanka M. S., 2012) but no study has been conducted in this specific research area related to this topic and this has become the research gap for the study.

2.9. Conceptual Frame work of the study

Based on these theoretical underpinnings, the conceptual model guiding the study is depicted in Figure 2.1 The framework shows that the present study is examining the relationship of tangibility, reliability, responsiveness, assurance, empathy with customer satisfaction and customer loyalty. There are few studies has been conducted in relationship between service quality, customer satisfaction and customer loyalty in the Ethiopia Banking Sector. Literatures have laid down the foundation for developing the conceptual framework. After narrowing down the scope of literature, variables of service quality, customer satisfaction and customer loyalty were identified. In every organization, the performance of service quality is being evaluated mainly by the principal tool called "SERVQUAL" proposed and designed by (Parasuraman A. Z., 1985).
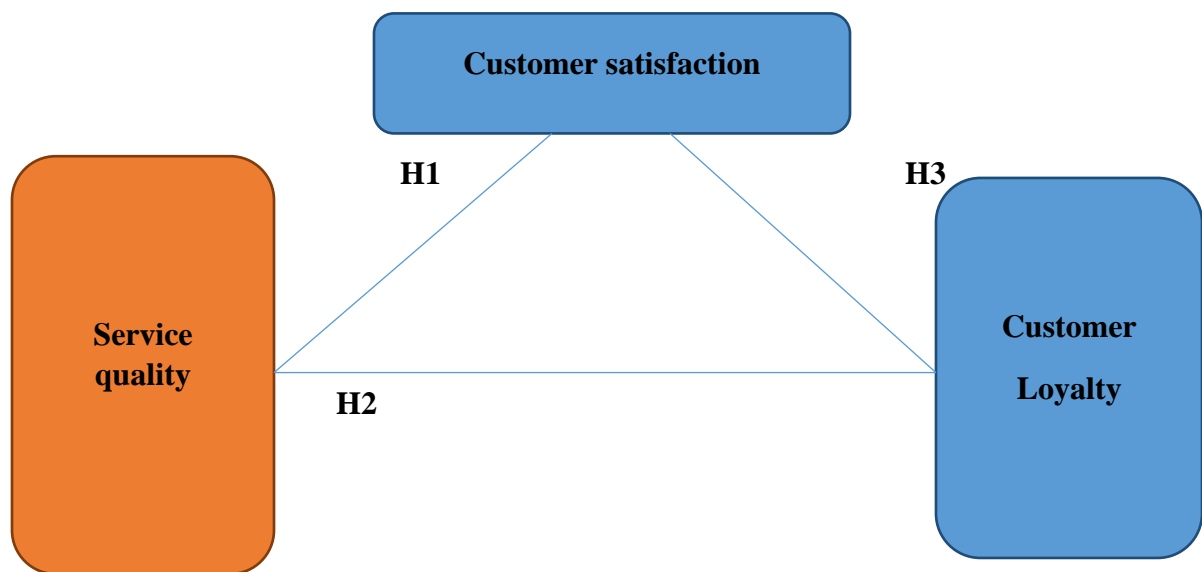
Figure 2.1. Conceptual framework of the study

Source: adopted from previous researchers and modified

Based on the above conceptual framework, the following research hypothesis has been formulated.

H1. There is a positive and significant association between service quality and customer satisfaction

H2. There is a positive and significance association between customer satisfaction and service loyalty.

H3. There is a positive and significance association between service quality and service loyalty

H4. There is a positive and significance relationship between service quality, customer satisfaction and service loyalty.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter will presents the methodology parts of the study in detail. Methodology is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge. This includes research design, population, sampling method and sample size, sampling technique, source data, and data collection instruments, method of data collection, variable measurement, reliability test, data analysis, pilot test and ethical consideration.

3.2 Research Design

Research design is basically master plan of a research that point out all of the major parts of the research focuses and decide on how the study is to be conducted(Salkind, 2002)). A research design focuses on the end-product and all the steps in the process to achieve that outcome. Thus, a research design is viewed as the functional plan in which certain research methods and procedures are linked together to acquire a reliable and valid body of data for empirically grounded analyses, conclusions and theory formulation. The research design thus provides the researcher with a clear research framework; it guides the methods, decisions and sets the basis for interpretation (Babbie, 2008).

In this sense, this study is a cross-sectional research design, which allowed the researcher to integrate service quality literatures, a pilot study and the actual survey as the main procedure to gather accurate and less bias data. And according to the time horizon; data will be collected from cross section of customers who are banking in selected branches of commercial bank of Ethiopia at one point in time (Creswell, 1998)(Sekaran, 2000). Survey research is used to quantitatively describe specific aspects of a given population. These aspects often involve examining the relationships among variables. This method is obtaining information based on questioning respondents as defined by (Das M., 2009). In this case, respondents will be asked various questions on service quality towards satisfaction and loyalty to their respective banks. According to (Malhotra, 2005) explanatory research is used it defined as a research used to investigate the relationship between variables. This will used to explore the relationship between the independent

variables, service quality dimensions and the dependent variable customer satisfaction and customer loyalty. In addition it tests the moderate effect of customer satisfaction on the relationship between service quality and customer loyalty.

3.3. Research Approach

There are two research approaches that provide in the research method such as Quantitative and Qualitative, where one of them is not better than the others, all of this depends on how the researcher want to do a research of study(Ghauri and Kjell, 2005). To achieve the aforementioned objectives, the study adopts a mixed research approach, where it can be use of a questionnaire provided predominantly descriptive and quantified data. Quantitative method is study involving analysis of data and information that are descriptive in nature and qualified (Sekaran, 2003). Qualitative research will be used to discuss theories and concepts related with the studying variables that service quality, customer satisfaction and service loyalty.

A quantitative approach is one in which the investigator primarily uses post positive claims for developing knowledge, i.e., cause and effect relationship between known variables of interest or it employs strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield statistics data (Creswell, 2003).

3.4. Data Type and Sources

The necessary data for this study is collected from both primary and secondary data sources. According to Kothari (2004), primary data are fresh data that are gathered for the first time and thus happened to be original in character. Louis, et al (2007), describes primary data are those that are original to the problem under study. The study mainly depends up on primary source data. Primary data were collected from customers of selected branches of commercial bank of Ethiopia, while they are being banking or getting services.

The study used mixed approach such as, both qualitative and quantitative data. The qualitative data includes those data that are primarily collected through interview whereas; quantitative data includes objective items through the questionnaire. Regarding the data source, the study was used primary source. The primary source has been collected through closed-ended questionnaire to the customers of the company.

3.5. Target Population and sample size

3.5.1. Target Population

Lavrakas (2008) defines a population as any finite or infinite collection of individual elements. To describe a population as the entire collection of things in which we are interested. According to Zikmund, (2010) and Khotari (2004), a population refers to all items in any field of inquiry and is also known as the 'universe'. Poilt and Beck (2003) refer to population as the aggregate or totality of those confirming to a set of specifications. A sample is found to be the most appropriate for determining the sample unit and the sample size in the study. The target population of this study was infinite. As a result, the researcher used random sampling technique to get the sample.

3.5.2 Sample Size

Sample size is a subset or part of the population being studied (Nwana, 2005). Purposive and simple random sampling methods was used to select from all senior staff, junior staff and management personnel so that all personnel had an equal opportunity of being selected. The researcher drawn conclusions on the basis of a sample and, therefore, sample size determination is an important element in any research, although it is a difficult one. Exact tests to check whether sample size is adequate for the analysis required can be carried out by using statistical methods such as significance tests. To determine the sample size for the study, the researcher used the following a simplified formula to calculate sample sizes. According to Cochran,1970, with 95% confidence level and 0.05 sampling error are assumed for the equation.

$$n= \frac{p\,(1\text{-}p)\,z^2}{e^2}$$

$$= \frac{(0.1)\,(1\text{-}0.1)2.58^2}{0.05^2}$$

$$= 240$$

Where n is the sample size, p is the population proportion, e is acceptable error and z is z value at reliability level or significance level. The level of precision or sampling error to this study was assumed to be ±5%

3.5.3. Sampling Technique

Sampling technique is technique used to select sample from population by reducing the number of respondents in manageable size. Sampling techniques broadly classified in to two namely sampling technique is technique used to select sample from population by reducing the number of respondents in manageable size. Sampling techniques broadly classified in to two namely probability and non-probability sampling techniques. Probability sampling technique was selected for the study. This technique enables the researcher to make decision about what elements to be included in the sample and it gives good estimation about the characteristics of the population (Malhotra, 2005). Further, using random sampling technique as a part of Probability Sampling, as per the, (Malhotra, 2005), random sampling method attempts to obtain a sample of convenient elements and fast, inexpensive, and easy to collect data and the subjects are readily available. Respondents were selected based on the convenience of the researcher as they happen to be at the right place at the right time

3.6. Data collection method Instruments

Data for this study was collected through primary source. The main tool that used for the collection of the data will be through the use of questionnaire. The questionnaire is divided into four sections which includes; the demographic characteristics section, the service quality, customer satisfaction and service quality section. Five – point Likert scale used for the questionnaire regarding the logistic inbound, logistic outbound and organizational performance. The Likert scale are coded with; 1= Strongly Disagree (SD), 2= Disagree (D), 3= Neutral/undecided (U), 4= Agree (A) and 5=strongly agreed (SA). The content validity will be used to test the accuracy of the methodology used to ensure that the tests accurately calculate the principles that should be checked (Sekaran, 2006).Primary sources was used to collect enough information in the study area and primary data are collected from the above mentioned samples through questionnaire and interview. In or-der to collect the intended amount of data, questionnaire was used. The questionnaire contains open ended questions in order to give the chance for respondents to explain issues in detail.

3.6.1 Procedure of Data Collection

As per the data collection tools and techniques, questionnaire were prepared having open ended and close ended questions. The questions were pre-pared based on the research questions. Then it was distributed and collected.

3.7. Methods of Data analysis

Once the data is collected from the field, it was checked for completeness, coded and entered. The entered data was leaned for any errors before the final analysis began. This was also help in testing the validity of measures used in the study. The demographic characteristics data of the respondent was analyzed using descriptive statistics especially the frequency and percentages. In order to determine the extent to which firms in the cement industry practice outbound logistics, an analysis of questions relating to this section carried out using their mean scores and standard deviations.

Correlation and regression analyses were run with customer loyalty the independent variable and organizational performance as the dependent variable. The regression was performed in order to fulfill objective that aims to evaluating the relationship between service quality, customer satisfaction and customer loyalty. The results interpreted based on their coefficients, the level of significance of the coefficient of the studying variables, the R-squared, adjusted R - squared, significance of F statistic. The whole analysis will be aided by the use of Statistical Package for Social Sciences (SPSS).

The collected data could be changed and interpreted into meaningful information. Therefore, the data would be analyzed, processed, and interpreted according to the nature of the data. Statistical package for Social Science (SPSS) software employed to analyze and present the data through the statistical tools used for this study, namely descriptive analysis, correlation and multiple relation analysis.

3.8. Methods of Data Analysis

Both descriptive and inferential statistics used to analyze and interpret the findings. Demographic variables of the respondents and mean scores of the service quality dimensions were interpreted using descriptive statistics (mean, standard deviations and median) whereas inferential statistics used to find out the relationship between service quality dimensions, customer satisfaction and

customer loyalty by using correlation analysis via SPSS Version 20. The study used Pearson correlation coefficient to summarize the degree and direction of relationship and preposition that service quality has significant relationship with customer satisfaction and customer loyalty. The regression coefficients will be used to test the magnitude of the relationship between dependent and independent variables and it applied f and t-significance from ANOVA to establish the significances of such relationship.

3.8.1. Specification of the Model

In order to run further analyses towards the variables as hypothesized, the relationships between the independent and dependent variables can be specified as follows:

Stage 1: On accounts of the theoretical relevance, the study formulates the following regression equation (relationships) to identify the determinants of customer satisfaction using three predetermined explanatory variables:

Y= α+ βx1+ βx2+ βx3 + βx4 + βx5

CS = α+ βTangibility + βReliability + βResponsiveness + βAssurance + βEmpathy

Stage 2: To address the determinants of service loyalty, the following regression model was formulated:

CL= α+ βTangibility + βReliability + βResponsiveness + βAssurance + βEmpathy

Stage 3: To examine the impact of customer satisfaction on service loyalty, the following simple linear regression was formulated:

CL =α+ βCs

Stage 4: To investigate whether customer satisfaction mediates service quality, towards service loyalty, the independent variables will be controlled and customer satisfaction will be considered as independent variable (mediator) to service loyalty. According to (Baron, 1986), in order to establish mediation, the following conditions must hold: First, the independent variable must affect the mediator; secondly, the independent variable must have an effect on the dependent variable; and thirdly, the mediator must affect the dependent variable. If these conditions all hold in the predicted direction, then the independent variable must have no effect on dependent variable when

the mediator is held constant (full mediation) or should become comparatively less significant.(partial mediation).

3.9. Validity and Reliability Test

3.9.1. Validity

Validity refers to the extent to which the concept one wishes to measure is actually being measured by a particular scale or index. According to Kothari (2004), validity aims establishing the results which are linked with the condition. It is concerned with the extent that the scale accurately represents the construct of interest. In order to assure the validity of the measurement instrument of the study was conducted based on the literally accepted associated with conceptual framework that clearly indicate the theoretical construct and associated with the measurements valid to evaluate the relationship between service quality, customer satisfaction and service loyalty. So that pre-questionnaire was distributed to check the validity of questions to further data collection process.

3.9.2. Pilot Test

A pilot test was carried out prior to the data collection stage. Das M. (2009) refers pilot study as a testing of questionnaire on a small sample of respondent to identify and eliminate potential problem. The appropriateness of questionnaire will be tested including question content, wording, sequence, form and layout. The pilot study carried out on 30 respondents and with the use of Cronbach Alpha and confidence interval test, reliability of the questionnaire was   checked.

3.9.3. Reliability

In order to determine the reliability of the instrument, a pre-study study carried out from two other companies other than the cement industry so as to confirm the consistency of the instrument used in the study. Furthermore, adding to validating the tools by professionals, the data was encoded with the Statistical Package for Social Sciences for reliability procedures. The Cronbach's alpha used for the test. The reliability coefficient obtained from the data will be used to determine the reliability of the instrument. However, for the data to be reliable and the statistically consistent, it is expected that the coefficient of the tool should not be less than 0.75 correlation coefficient.

Reliability test carried out to assess the consistency of each item in measuring that variable or the same underlying construct, whenever, two or more items are assigned to measure the same variable. According to George and Mallery (2003, as cited in Joseph & Rosemary, 2003) Cronbach's alpha is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examines. Cronbach's alpha reliability coefficient normally ranges between 0 and 1.

Table 3.1 Rule of Thumb of Cronbach's Alpha

No	Cronbach Alpha	Description
1	> to 0.9	Excellent
2	> 0.8 but less than 0.9	Very good
3	>0.7 but less than 0.8	Good
4	> 0.6 but less than 0.7	Questionable
5	>0.5 but less than 0.6	Poor
6	< 0.5	Unacceptable

Source: (Zikmund, 2010)

3.10. Ethical considerations

The research affirms the formality to comply with all the ethical standards in the beginning of primary analysis. The research strictly forbade partiality or self-disappointment. The legal challenges have been kept from being ignored. The commitments and agreements were met using knowledge and analysis methods correctly. In the context of data security, confidentiality and data privacy, the research study and survey were created. In addition the consent of the respondents was necessary for the survey and proactive mentoring was undertaken for the confidential correspondence, the details of the respondents and the documents. The professional competence has been granted to comply with the privacy and confidentiality policies and laws. In performing the study, a data protection law was observed. The manipulation or interpretation of data or respondents has been strictly regulated to ensure an honest study result. Information from respondents or the methods and correspondence will not be shared with others during the study, but only for research purposes. Therefore, the questionnaire was only issued to workers with consent approval because of the sensitive nature of the questions.

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

4.1. INTRODUCTION

This chapter presents the data analysis and discussion of the research findings obtained from data collected from the survey questionnaire. Responses for the measures on the questionnaire are summarized and presented using tables and charts to facilitate easy understanding. The demographic profiles of the study sample have been described using descriptive statistics and also different inferential statistics were employed in order to analyze data obtained from the survey. Accordingly, standard multiple regressions were used to test hypothesis and achieve the study objective that focuses on identifying an organizational culture trait with higher contribution to the dependent variable. Furthermore, Pearson correlation coefficient and Cronbach's Alpha coefficient were used to test goodness and internal consistency of the measure.

4.2 .Survey Response Rate

A Total of 135 questionnaires were administered and a total of 122 questionnaires were collected of which 4 were incomplete thus 118 questionnaires were subject for the analysis which is 87.4% response rate. According to Mugenda and Mugenda (2003) the statistically significant response rate for analysis should be at least 50%.

The questionnaire were developed in five scales ranging from five to one; where 1 represents strongly disagree, 2 agree, 3 neutral (no opinion), 4 agree, and 5 strongly agree. To make easy interpretation, the following ranges of values were reassigned to each scale: mean scored value less than 3 considered as "Disagree", mean scored value greater than 3 considered as "Agree" and the mean scored value equal to 3 considered as "Neutral" (cited in Yonas, 2013). Descriptive statistics were used and also correlation and regression analysis were conducted for scale typed questionnaires. In order to know the current information regarding the level of change management, the entire questionnaires were used to analysis the response of each respondent.

After coding and entry of data into SPSS version 25, the first analysis conducted was to check the reliabilities of the scales used in the data collection instrument. According to Malhotra& Birks

(2007), reliability is the extent to which a measurement reproduces consistent results if the process of measurement were to be repeated. Cronbach-alpha, a widely used measure of internal consistency, was run using SPSS version 25 and all of the scales used for this study are found to be reliable as their respective alpha values are higher than 0.7, and for most closer to 1. The cronbach - alpha of each scale is presented in the following table.

Table 4.2. Reliability Statistics

Cronbach's Alpha	N of Items
.746	3

Source: own survey result (2023)

4.2. Demographic Profile of Respondents

This section summarizes the demographic characteristics of the sample, which includes age of the respondent, gender, education level, and work experience. The purpose of the demographic analysis in this research is to describe the characteristics of the sample such as the proportion of males and females in the sample, range of age, and education level, so that the analysis could be more meaningful for readers.

4.3.1. Gender

In terms of gender, respondents were more of males as compared to male (female 28 %, male 72 %). This shows that females are not equally distributed with male in UNECA.

Table 4.3.Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	85	72.0	72.0	72.0
	Female	33	28.0	28.0	100.0
	Total	118	100.0	100.0	

Source: own survey result (2023)

4.3.2. Age

Regarding the age of respondents, the sample population is largely dominated by the age group of 41-50 (43.2%) followed by the group comprise age above 50 years (25.4%). This indicates that most of the sample populations are not youngsters. The age group between the years 20-30 and 31-40 years consists of 12.7 %, and 18.6 % respectively.

Table 4.4. Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30 years	15	12.7	12.7	12.7
	31-40 years	22	18.6	18.6	31.4
	41-50 years	51	43.2	43.2	74.6
	above 50 years	30	25.4	25.4	100.0
	Total	118	100.0	100.0	

Source: own survey result (2023)

4.3.3. Education level

In terms of education, the distribution is not very equally distributed. 11.9% of respondents were below high school grades, 15.3 % of respondents were high school complete diploma, 44.9 % of respondent's attained Diploma and the remaining 28 % of respondents have first degree and above.

Table 4.5. Educational level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below High School	14	11.9	11.9	11.9
	high school complete	18	15.3	15.3	27.1
	Diploma	53	44.9	44.9	72.0
	BA/Bsc	33	28.0	28.0	100.0
	Total	118	100.0	100.0	

Source: own survey result (2023)

Table 4.6. response rate on Reason for using the Bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Proximity	19	16.1	16.1	16.1
	Service quality	17	14.4	14.4	30.5
	Trustworthiness	77	65.3	65.3	95.8
	good relationship	5	4.2	4.2	100.0
	Total	118	100.0	100.0	

Source: own Survey result, 2023

As depicted in the table above majority of customers are using commercial bank of Ethiopia due to trustworthiness. Based the information above 16.1% use the bank due to proximity, 14.4% use the bank due to service quality, 4.2% due to good relationship. But the majority (65.3%) of respondents replied that they are using the bank due to Trustworthiness.

4.4. Descriptive Analysis

Descriptive statistics describe data in terms of measures of central tendency. Descriptive statistics are the most efficient means of summarizing the characteristics of large sets of data. In a statically analysis, the analyst calculates one number or a few numbers that reveal something about characteristics of large sets of data Cooper and Emory (1995).The descriptive statics used in this study were frequency, Mean and standard deviations.

According to Aakeret al. (2004), a frequency is a report of the number of responses that a question has received. The arithmetic mean (the mean) is defined as the sum of the values in the data group divided by the number of values. The square root of the variance is called the standard deviation, the variance being similar to the average deviation in that it is based on the difference between each value in the data set and the mean of the group (Kaizmier, 1988).The standard deviation records the extent to which scores deviate from the mean.

Table 4.7. Descriptive Statistics on Service Quality

	N	Mean	Std. Deviation
The bank has modern looking equipment	118	4.55	.500
The bank's physical features are visually appealing	118	4.47	.501
The bank's reception desk employees are neat appearing	118	4.55	.500
Materials associated with the service (such as pamphlets) are visually appealing at the bank	118	4.36	.483
When the bank promises to do something by a certain time, it does so	118	4.47	.501
When you have a problem, the bank shows a sincere interest in solving it.	118	4.51	.551
The bank performs the service right the first time.	118	4.32	.487
The bank provides its service at the time it promises to do so	118	4.45	.548
The bank insists on error free records	118	4.56	.515
Employees in the bank tell you exactly when the services will be performed	118	4.54	.500
Employees in the bank give your prompt service.	118	4.49	.502
Employees in the bank are always willing to help you	118	4.62	.488
Employees in the bank are never too busy to respond to your request	118	4.53	.501
The behavior of employees in the bank instills confidence in you	118	4.32	.487
You feel safe in your transactions with the bank	118	4.45	.548
Employees in the bank are consistently courteous with you	118	4.38	.538
Employees in the bank have the knowledge to answer your questions	118	4.35	.545
The bank gives you individual attention	118	4.47	.501
The bank has operating hours convenient to all its customers	118	4.61	.490
The bank employees who give your personal attention	118	4.38	.538
The employees of the bank understand your specific needs	118	4.38	.538
The bank has your best interests at heart	118	4.35	.545
Valid N (listwise)	118		

Source: own Survey result, 2023

The bank has modern looking equipment. The mean value and standard deviation for this study question result shows 4.55 and 0.500 respectively. This implies that the perception of respondents for this study was strongly agreed. We can conclude from this finding that the bank has modern looking equipment.

The bank's physical features are visually appealing. The mean value and standard deviation for this study question result shows 4.47 and 0.501 respectively. This result indicates that the bank's physical features are visually appealing.

The bank's reception desk employees are neat appearing. The mean value and standard deviation for this study question result shows 4.55 and 0.500 respectively. This implies that the perception of respondents for this study was agreed. This result shows that reveals that, the bank's reception desk employees are neat appearing.

Materials associated with the service (such as pamphlets) are visually appealing at the bank. The mean value and standard deviation for this study question result shows 4.36 and 0.483 respectively. This reveals that the perception of respondents for this study was agreed. Therefore, this result shows that, Materials associated with the service (such as pamphlets) are visually appealing at the bank.

When the bank promises to do something by a certain time, it does so. The mean value and standard deviation for this study question result shows 4.47 and 0.501 respectively. This reveals that the perception of respondents for this study was agreed. Therefore, this result shows that, the bank respects its promise to its customers

When you have a problem, the bank shows a sincere interest in solving it. The mean value and standard deviation for this study question result shows 4.51 and 0.551 respectively. This reveals that the perception of respondents for this study was strongly agreed. We can conclude from this finding that that When you have a problem, the bank shows a sincere interest in solving it.

The bank performs the service right the first time. The mean value and standard deviation for this study question result shows 4.32 and 0.487 respectively. This implies that the perception of respondents for this study was agreed. We can conclude from this finding that the bank performs the service right the first time.

The bank provides its service at the time it promises to do so. The mean value and standard deviation for this study question result shows 4.56 and 0.515 respectively. This reveals that the perception of respondents for this study was strongly agreed. Therefore, this result shows that, the bank provides its service at the time.

The bank insists on error free records. The mean value and standard deviation for this study question result shows 4.56and 0.515 respectively. This reveals that the perception of respondents for this study was strongly agreed. We can conclude from this finding that the bank insists on error free records.

Employees in the bank tell you exactly when the services will be performed. The mean value and standard deviation for this study question result shows 4.54 and 0.500 respectively. This result indicates that employees in the bank tell you exactly when the services will be performed.

Employees in the bank give your prompt service. The mean value and standard deviation for this study question result shows 4.49 and 0.502 respectively. This implies that the perception of respondents for this study is agreed. This result reveals that, Employees in the bank gain prompt service.

Employees in the bank are always willing to help you. The mean value and standard deviation for this study question result shows 4.62 and 0.488 respectively. This implies that the perception of respondents for this study was strongly agreed. This result reveals that, Employees in the bank are always willing to help customers.

Employees in the bank are never too busy to respond to your request. The mean value and standard deviation for this study question result shows 4.53 and 0.501 respectively. This reveals that the perception of respondents for this study was strongly agreed. We can conclude from this finding that Employees in the bank are never too busy to respond to your request.

The behavior of employees in the bank instills confidence in you. The mean value and standard deviation for this study question result shows 4.32 and 0.487 respectively. This reveals that the perception of respondents for this study was agreed. Therefore, this result shows that, The behavior of employees in the bank instills confidence in customers.

You feel safe in your transactions with the bank. The mean value and standard deviation for this study question result shows 4.45 and 0.548 respectively. This reveals that the perception of respondents for this study was strongly agreed. Therefore, this result shows that, customers feel safe in your transactions with the bank.

Employees in the bank are consistently courteous with you. The mean value and standard deviation for this study question result shows 4.38 and 0.538 respectively. This implies that the perception of respondents for this study was agreed. We can conclude from this finding that Employees in the bank are consistently courteous with customers.

Employees in the bank have the knowledge to answer your questions. The mean value and standard deviation for this study question result shows 4.35 and 0.545 respectively. This implies that the perception of respondents for this study was agreed. This result reveals that, Employees in the bank have the knowledge to answer customer's questions

The bank gives you individual attention. The mean value and standard deviation for this study question result shows 4.47 and 0.501 respectively. This implies that the perception of respondents for this study was agreed. We can conclude from this finding that the bank gives customers individual attention.

The bank has operating hours convenient to all its customers. The mean value and standard deviation for this study question result shows 4.61 and 0.490 respectively. This reveals that the perception of respondents for this study was strongly agreed. Therefore, this result shows that, the bank has operating hours convenient to all its customers.

The bank employees who give your personal attention. The mean value and standard deviation for this study question result shows 4.38 and 0.538 respectively. This reveals that the perception of respondents for this study was agreed. Therefore, this result shows that, manager spends time teaching and coaching employees.

The employees of the bank understand your specific needs. The mean value and standard deviation for this study question result shows 4.38 and 0.538 respectively. This reveals that the perception of respondents for this study was agreed. Therefore, this result shows that, The employees of the bank understand your specific needs.

The bank has your best interests at heart. The mean value and standard deviation for this study question result shows 4.55 and 0.45 respectively. This implies that the perception of respondents for this study was strongly agreed. We can conclude from this finding that The bank has your best interests at heart.

Table 4.8. Descriptive Statistics on customer satisfaction

	N	Mean	Std. Deviation
I think I did a right thing that I selected my bank	118	4.47	.518
Bank always exceed in my expectation while offering me the services	118	4.38	.538
Bank's service exactly meets my requirement	118	4.62	.488
I feel good that branch manager knows me personally	118	4.53	.501
I feel happy after every visit of the bank	118	4.32	.487
Bank is having strong mechanism in case of service failure	118	4.35	.545
Bank offers me compensation in case of service failure	118	4.38	.569
Bank apologizes if they fail to serve me on time	118	4.46	.517
Bank always takes care of my special requirement	118	4.58	.495
Bank is having many no. of the branches	118	4.35	.545
Location of bank is very convenient to commute	118	4.38	.569
Valid N (listwise)	118		

Source: own survey result, 2023

I think I did a right thing that I selected my bank. The mean value and standard deviation for this study question result shows 4.47 and 0.518 respectively. This reveals that the perception of respondents for this study was agreed. This implies that customers were right in selecting the bank.

Bank always exceed in my expectation while offering me the service. The mean value and standard deviation for this study question result shows 4.38 and 0.538 respectively. This reveals that the perception of respondents for this study was agreed. Therefore, this result shows that, Bank always exceed in customers expectation while offering them the service.

Bank's service exactly meets my requirement. The mean value and standard deviation for this study question result shows 4.62 and 0.488respectively. This implies that the perception of respondents for this study was strongly agreed. We can conclude from this finding that Bank's service exactly meets my requirement.

I feel good that branch manager knows me personally. The mean value and standard deviation for this study question result shows 4.53 and 0.501 respectively. This implies that the perception of respondents for this study was strongly agreed. We can conclude from this finding customers feel good that branch manager knows them personally.

I feel happy after every visit of the bank. The mean value and standard deviation for this study question result shows 4.32 and 0.487 respectively. This implies that the perception of respondents for this study was agreed. We can conclude from this finding that customers feel happy after every visit of the bank.

Bank is having strong mechanism in case of service failure. People are willing to stick their necks out and take risks. The mean value and standard deviation for this study question result shows 4.35 and 0.545 respectively. This implies that the perception of respondents for this study was agreed. We can conclude from this finding that Bank have a strong mechanism in case of service failure. Bank offers me compensation in case of service failure. There is an emphasis on being on the cutting edge. The mean value and standard deviation for this study question result shows 4.38 and 0.569 respectively. This reveals that the perception of respondents for this study was agreed. Therefore, this result shows that, Bank offers me compensation in case of service failure.

Bank apologizes if they fail to serve me on time. The mean value and standard deviation for this study question result shows 4.46 and 0.517 respectively. This implies that the perception of respondents for this study was agreed. We can conclude from this finding Bank apologizes if they fail to serve me on time.

Bank always takes care of my special requirement. The mean value and standard deviation for this study question result shows 4.58 and 0.495 respectively. This implies that the perception of respondents for this study was strongly agreed. We can conclude from this finding that Bank always takes care of my special requirement.

Bank is having many no. of the branches. Trying new things and prospecting for opportunities are valued. The mean value and standard deviation for this study question result shows 4.35 and 0.545 respectively. This implies that the perception of respondents for this study was agreed. We can conclude from this finding that Bank is having many no. of the branches.

Location of bank is very convenient to commute. The mean value and standard deviation for this study question result shows 4.38 and 0.569 respectively. This implies that the perception of respondents for this study was agreed. We can conclude from this finding that Location of bank is very convenient to communicate. The mean value and standard deviation for this study question result shows 4.38 and 0.569 respectively. This implies that the perception of respondents for this

study was agreed. We can conclude from this finding that the glue that holds the UN-ECA together is the emphasis on achievement and goal accomplishments, aggressiveness and winning are common themes.

Table 4.9. Descriptive Statistics customer Loyalty

	N	Mean	Std. Deviation
I always recommend my bank to others	118	4.38	.569
I get best value for money from my bank	118	4.46	.517
I am never interested in the various service offerings of the competitors	118	4.58	.495
I would not prefer to switch to the other bank	118	4.55	.500
I am having personal emotions attached with the bank	118	4.49	.502
Overall I am very happy with my bank	118	4.58	.496
I consider myself loyal to the bank	118	4.37	.486
Valid N (list wise)	118		

Source: own survey result, 2023

I always recommend my bank to others. The mean value and standard deviation for this study question result shows 4.46 and 0.517 respectively. We can conclude from this finding that the institution has a clearly defined vision and strategy and changes are continually communicated with all stakeholders.

Priorities are set and continually communicated regarding change projects and other competing initiatives. The mean value and standard deviation for this study question result shows 4.46 and 0.517 respectively. This implies that the perception of respondents for this study was agreed. We can conclude from this finding that Priorities are set and continually communicated regarding change projects and other competing initiatives.

I would not prefer to switch to the other bank. The mean value and standard deviation for this study question result shows 4.55 and 0.500 respectively. This implies that the perception of respondents for this study was strongly agreed. We can conclude from this finding that change initiatives in the organization have an executive staff identified.

I am never interested in the various service offerings of the competitors 0. 4.58 and the mean value and standard deviation for this study question result shows 4.58 and 0.495 respectively. This

implies that the perception of respondents for this study was strongly agreed. We can conclude from this finding that I am never interested in the various service offerings of the competitors

Change is managed effectively and change success is celebrated, both in private and in public. I am having personal emotions attached with the bank mean value and standard deviation for this study question result shows 4.49 and 0.500 respectively. This implies that the perception of respondents for this study was agreed. We can conclude from this finding that Change is managed effectively and change success is celebrated, both in private and in public.

Change initiatives are accurately tailored to the particular needs and concerns of each stakeholders group. The mean value and standard deviation for this study question result shows I am having personal emotions attached with the bank 4.49 502 respectively. This implies that the perception of respondents for this study was strongly agreed.

4.5. Inferential Analysis of the studying variables

4.5.1 Correlation Analysis

Correlations are the measure of the linear relationship between two variables. The correlation and regression analysis can be used to examine the presence of a linear relationship between two variables. They measure the strength and direction of a relationship between variables. A correlation coefficient has a value ranging from -1 to 1. Values that are closer to the absolute value of 1 indicate that there is a strong relationship between the variables being correlated whereas values closer to 0 indicates that there is little or no linear relationship. As described by Andy (2009), the correlation is a commonly used measure of the size of an effect: values of ± 0.10 - 0.29 represent a small effect; ± 0.30 - 0.49 is a medium effect and ± 0.50 and above is a large effect. The relationship between waste management practices environmental protection was investigated using Pearson correlation analysis. This provided correlation coefficients indicated the strength and direction of relationship. The p-value also indicated the probability of this relationship's significance. Correlation analysis shows the relationship between the variables of interest, hence to answer the proposed research questions the following correlation analysis is undertaken by the researcher.

Table 4.10. Correlations Table

		SQT	CST	SLT
SQT	Pearson Correlation	1	.726**	.565**
	Sig. (2-tailed)		.000	.000
	N	118	118	118
CST	Pearson Correlation	.726**	1	.579**
	Sig. (2-tailed)	.000		.000
	N	118	118	118
SLT	Pearson Correlation	.565**	.579**	1
	Sig. (2-tailed)	.000	.000	
	N	118	118	118

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

4.5.1.1 The Relationship between the studying variables

As table 4.10 above depicts, the Correlation coefficient customer satisfaction is found to be positive and significant with customer loyalty. (r = 0.579**.565, $p < 0.05$). Similarly, a positive and significant correlation coefficient found between environments (r = 0.577, $p < 0.05$).

4.5.2. Tests of Assumptions of Regression Analysis

According to Field (2009) to run a linear regression, checking critical assumptions is essential and it is helpful to draw conclusion about the population under study. In this regard, multi co linearity and autocorrelation between variables were checked, and the results presented as follows.

4.5.2.1. Multicollinearity Test.

Multicollinearity occurs when more than two independent variables inter-correlated. When the predictor variables in the same direction model are correlated, they cannot independently predict the value of the independent variable. Thus, multi co linearity and autocorrelation between variables were checked to the determine relationship among independent variable.

Multicollinearity was tested in this study using the variance inflation factor (VIF) which quantifies the severity of multicollinearity in regression analysis. The VIF factor should not exceed 10, and should ideally be close to one. The below table shows there is no multicollinearity exist. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model. If this value is very small (less than one), it indicates that the multiple correlation with other variables is high, suggesting

the possibility of multicollinearity. The below table confirms the absence of multicollinearity according to Collinearity Statistics. VIF factor did not exceed 10 and the tolerance is above 0.1 which shows us there is no multi- Collinearity problem.

Table 4.11. Coefficients table

Model		B	Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	VIF
1	(Constant)	12.054	2.368		5.090	.000		
	CST	.198	.059	.357	3.345	.001	.473	2.116
	SQT	.099	.034	.306	2.862	.005	.423	2.006

a. Dependent Variable: SLT

Source: own survey result (2023)

The result shows that the tolerance value for each independent variable is (0.473, and, 0.423) respectively which is less than one; therefore, multi Co linearity assumption is not violated. This is also supported by the VIF value, which is 2.116 and 2,006 respectively and which is well below the cut-off 10 as shown in the coefficient table.

4.5.2.2. Auto-correlation Test

To determine the autocorrelation between observations Durbin – Watson test was used. The Durbin-Watson statistic ranges in value from 0 to 4. A value near 2 indicates non-autocorrelation; a value toward 0 indicates positive autocorrelation; a value toward 4 indicates negative autocorrelation. With Durbin Watson value of 2.611 which is close to 2, it can be confirmed that the assumption of independent error has almost certainly been met

Table 4.12. Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.616[a]	.380	.369	.987	.380	35.223	2	115	.000	2.611

a. Predictors: (Constant), SQT, CST
b. Dependent Variable: SLT

4.5.3. Normality Test

As Field (2009), noted, the assumption of normality is important in research while using regression and helpful to generalize the results of the analysis beyond the sample collected. Accordingly, among several ways to check for the normality assumptions for linear regression analysis, it is advisable to inspect to see if a distribution is normal through a P–P plot (probability–probability plot). Therefore, to establish the validity of these assumptions, the researcher also checks for the normality for the residuals with bivariate through P-P plot as follows. The straight line in this plot represents a normal distribution, and the points represent the observed residuals. Therefore, in a perfectly normally distributed data set, all points will lie on the line (Field, 2009). Therefore, the assumptions of simple linear regression have been met and we can possibly assume that the model is accurate and can probably generalize to the population. The study used both methods of assessing normality; graphically using Normal Probability Plot (P-P) graph and numerically using Skewness and Kurtosis.
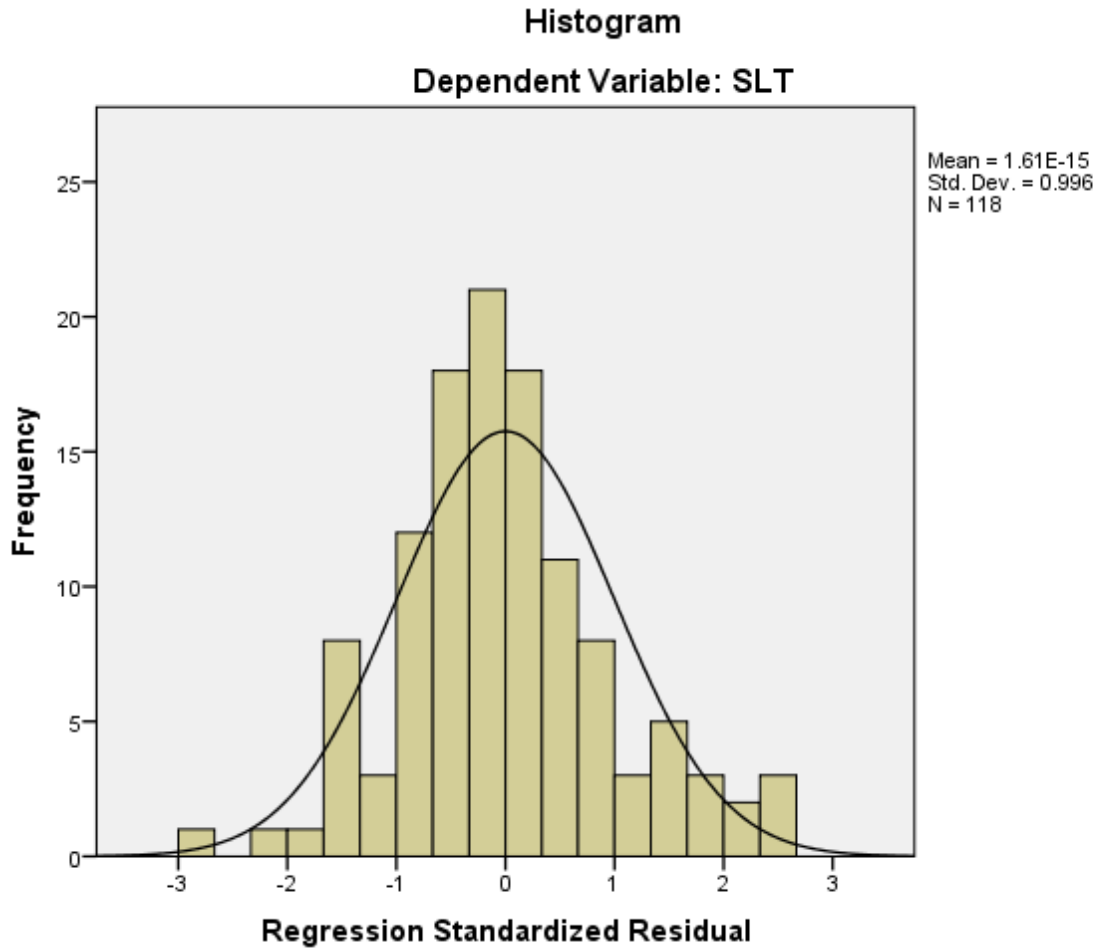
Figure 2. Histogram, Normality test

   Source:-Own survey result (2023)

As the above figure shows, the frequency of distribution is normal curve, demonstrating that the data witness to the normality assumption. Moreover, the histogram is bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed. Thus, no violations of the assumption normally distributed error term.

The normal probability plots were also used to test the normality assumption as shown on the normal p-plot figure. It shows the residuals were normally distributed around its mean of zero which indicates that the data were normally distributed and it was consistent with a normal distribution assumption. The p-plot figures confirmed the normality assumption.

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: SLT
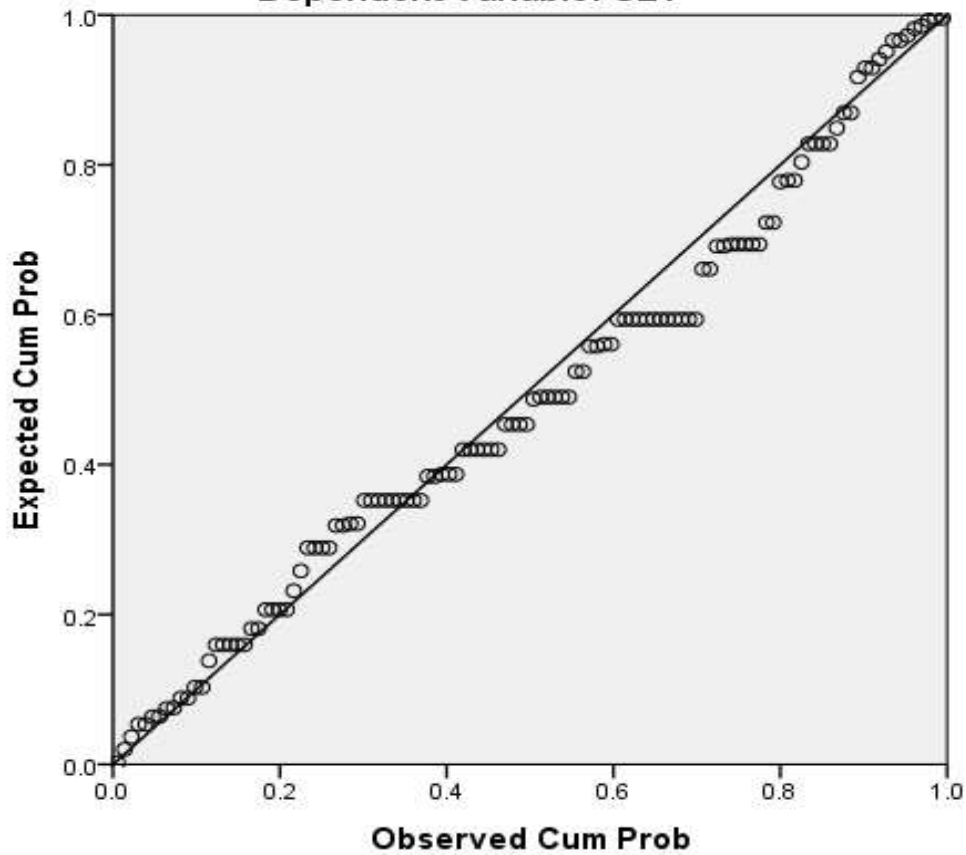
Figure 3. Normality P-P plot

Source: - Own survey result (2023)

4.6.4. Homoscedasticity

Homoscedasticity is the extent to which the data values for the dependent and independent variables have equal variances (Field 2009). At each level of the predictor variables, the variance of the residual terms should be constant. This just means that the residuals at each level of the predictors should have the same variance, therefore checking for this assumption is helpful for the fitness of the regression model. In this regard, to plot the Homoscedasticity analysis, as suggests by Field (2009), the researcher plot the standardized residuals, or errors (ZRESID) on the Y axis and the standardized predicted values of the dependent variable based on the model (ZPRED) on the X axis and the result is presented as follows. In this regard, as Field (2009) describes, the graph of *ZRESID and *ZPRED should look like a random array of dots evenly dispersed around zero,

if the assumption of Homoscedasticity has to be met. Likewise, as we shown in the below figure, the points are randomly and evenly dispersed throughout the plot and there are no obvious outliers on this cloud of dots which are spaced around zero. According to Garson (2012), Homoscedasticity helps as to check for the relationship under investigation is the same for the entire range of the dependent variable and lack of Homoscedasticity is shown by higher errors (residuals) for some portions of the range, which can be seen on the scatter plot? The variability in scores for independent variables should be similar at all values of the dependent variable. The scatter plot should show a fairly even rectangular shape along its length. The plot must show scores below and above zero points that means both positive and negative values. There should be Homoscedasticity before running multiple regression analysis, (the difference between the values of the observed and predicted dependent variable) is normally distributed, and that the residuals have constant variance (Burns & Burns, 2008). If the assumption of Homoscedasticity is violated (i.e. there is heteroscedasticity). Since the errors (the dots) are close to the line the graph has demonstrated Homoscedasticity of the study.

4.6. Multiple Regressions

After the study fulfilled the regression assumptions tests, next the researcher examined the mediating effect of customer satisfaction on the relationship between service quality and customer loyalty. The researcher tested the four hypothesis set out to be tested at the beginning based on the regression analysis. The researcher believes that company can use the result of the regression analysis for future decision making via identifying which factors got the highest effect on customer loyalty.

Table 4.13. service Quality on customer satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.726ᵃ	.527	.523	1.547	.527	129.481	1	116	.000

a. Predictors: (Constant), SQT
Source: own survey result (2023)

Table 4.14. Service Quality on Customer Loyalty

	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.565ᵃ	.320	.314	1.029	.320	54.468	1	116	.000	2.580

a. Predictors: (Constant), SQT
b. Dependent Variable: CLT

Table 4.15. Customer satisfaction on Customer Locality

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.579ᵃ	.336	.330	1.017	.336	58.622	1	116	.000	2.620

a. Predictors: (Constant), CST
b. Dependent Variable: CLT

Source: own survey result (2023)

The result of regression analysis of the independent variables service quality on the dependent variable customer loyalty indicates existence of positive and statistically significant effect. The model summary table Adjusted R-square value is 0.314 which means that 31.4 % of customer loyalty is explained by the variation of the independent variables and the other 62.6% is due to other independent variables not included in the model and the random error.

The result of regression analysis using customer satisfaction as independent variables on the dependent variable customer loyalty indicates existence of positive and statistically significant effect. The model summary table Adjusted R-square value is 0.314 which means that 33 % of customer loyalty is explained by the variation of the independent variables and the other 67% is due to other independent variables not included in the model and the random error.

Table 4.16. Service Quality ON Customer Satisfaction ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	309.757	1	309.757	129.481	.000[b]
	Residual	277.506	116	2.392		
	Total	587.263	117			

a. Dependent Variable: CST

b. Predictors: (Constant), SQT

Source: own survey result (2023)

Table 4.17. customer satisfaction on customer Loyalty ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	60.646	1	60.646	58.622	.000[b]
	Residual	120.006	116	1.035		
	Total	180.653	117			

a. Dependent Variable: CLT

b. Predictors: (Constant), CST

Source: own survey result (2023)

Table 4.18. Service Quality on Customer Loyalty Coefficients[a] Table

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.509	2.428		5.564	.000
	SQT	.182	.025	.565	7.380	.000

a. Dependent Variable: CLT

Source: own survey result (2023)

Table 4.19 Service quality on customer satisfaction Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.343	3.648		2.013	.046
	SQT	.423	.037	.726	11.379	.000

a. Dependent Variable: CST

Source: own survey result (2023)

Table 4.20 Customer satisfaction on Customer Loyalty Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.726	2.051		7.666	.000
	CST	.321	.042	.579	7.656	.000

a. Dependent Variable: CLT

Source: own survey result, 2023

Table 4.21. Service quality on Customer Loyalty Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.509	2.428		5.564	.000
	SQT	.182	.025	.565	7.380	.000

a. Dependent Variable: CLT

Source: own survey result, 2023

Table 4.22. Aggregate Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.054	2.368		5.090	.000
	SQT	.099	.034	.306	2.862	.005
	CST	.198	.059	.357	3.345	.001

a. Dependent Variable: CLT

Source: own survey result, 2023

In order to test the magnitude of the relationship between service quality and customer loyalty, a linear regression was performed. Results of regression analysis indicate that the regression model was valid (F=98.792, p= 0.000). However, the explanatory power of the regression model is medium as indicated by the adjusted R square value (.314.The table 4.16 above presents the coefficient of determination (R-squared) indicates the proportionate amount of variation in the response variable (customer loyalty) explained by the independent variable (service quality) in the

linear regression model. The larger the R-squared is the more variability is explained by the linear regression model.

In order to test the relationship between the customer satisfaction and customer loyalty, linear regression also performed. Results of regression analysis indicate that the regression model was valid (F=58.622, p= 0.000). However, the explanatory power of the regression model is very low as indicated by the high adjusted square value (0.33). Table shows the regression coefficients of customer satisfaction as independent variables and customer Loyalty dependent variable. Results indicate that customer satisfaction (p<0.05) influenced in a positive manner customer Loyalty.

From the above regression analysis table it can be seen that there is a positive and statistically significant relationship between service quality (the independent variable) and customer satisfaction (as the dependent variable). Thus 52.3% (R2 =.523) variation level customer satisfaction is explained by the independent variable service quality. On the coefficient table it finds the beta value which measures of how strongly each independent variable influences the dependent variable. From this the regression equation is derived as:

Regression Equation

Y = a + bX1 + bX2+e

Y= 12.05+ 0.09SQ+0.198CS+e

Customer satisfaction = 4.23+0.09SQ

Customer Loyalty= 3.21+.198CS +e

4.7. Multiple Linear Regression Equation Interpretation

The regression result of the mediating effect of customer satisfaction on the relationship between service quality and customer loyalty showed, customer satisfaction was the predictor variable that contributes to the variation of the dependent variable customer loyalty. Coefficient of 0.198 indicates that one unit increase in customer satisfaction results in the improvement of customer loyalty by 0.198 units, holding other factors constant. Therefore, customer satisfaction were the significant factor that causes the increase of customer loyalty.

The regression result of the effect of leadership styles on organizational culture showed, leadership styles was the predictor variable that contributes to the variation of the dependent variable

organizational culture by considering the mediating variable organizational culture as a dependent variable. Coefficient of 0.617 indicates that one unit increase in leadership styles results in the improvement of organizational culture by 0.617 units, holding other factors constant. Therefore, a leadership style was the significant factor that causes organizational culture.

The regression result of the effect of customer by taking the mediating factor as an independent variable on customer loyalty showed, customer satisfaction was the predictor variable that contributes to the variation of the dependent variable customer loyalty. Coefficient of 0.321 indicates that one unit increase in organizational culture results in the improvement of customer loyalty by 0.321 units, holding other factors constant. Therefore, organizational customer satisfaction was the significant factor that customer loyalty.

Regarding the mediating effect of customer satisfaction on the relationship between service quality and customer loyalty, the regression result shows that, when customer satisfaction mediates the independent variable service quality) and dependent variable (customer loyalty), the effect reduced by 19.3%. Therefore, customer satisfaction couldn't be the mediating factor that predicts the variation in the relationship between service quality and customer loyalty.

4.8. Hypothesis Testing

A statistical hypothesis is an assertion or conjecture concerning one or more populations. To prove that a hypothesis is true, or false, with absolute certainty, we would need absolute knowledge. That is, we would have to examine the entire population. Instead, hypothesis testing concerns on how to use a random sample to judge if it is evidence that supports or not the hypothesis.

Hypothesis 1

There is a positive and significant association between service quality and customer satisfaction.

The outcome of correlation coefficient, as presented in table 4.14 above, showed that service quality has a positive and significant relation with customer satisfaction (β=.423), at 95% confidence level (p<0.05). Therefore, the researcher accepted the hypothesis that stated service quality has positive and significant relationship with customer loyalty.

Hypothesis2.

There is a positive and significance association between customer satisfaction and service loyalty.

According to the correlation coefficient, as presented in table 4.14 above, indicated that customer satisfaction has a positive and significant relation with customer loyalty ($\beta = 0.321$), at 95% confidence level (p<0.05). Hence, the research accepted the hypothesis that stated customer satisfaction has a positive effect on customer loyalty.

Hypothesis 3

There is a positive and significance association between service quality and service loyalty.

In order to check the mediating effect of the relationship customer satisfaction and customer loyalty, first, whether the independent variable service quality is significantly predict the mediator variable customer satisfaction was checked, when regresses service quality on customer satisfaction, the result showed that coefficient β= .423 . This indicates that service quality is a significant predictor of mediating variable that predict customer loyalty. Secondly, whether the service quality is a significant predictor of the dependent variable customer loyalty was checked, when we regressed the service quality on customer loyalty, the result showed that the coefficient = .182 Sig.000. This indicates that that leadership styles is significantly predicting dependent variable change management. Therefore, the mediating customer satisfaction had no a mediating role because the effect of service quality on customer loyalty reduced by .241. Therefore, customer satisfaction is not a good mediating predictor between the relation service quality and customer loyalty.

Hypothesis 4

There is a positive and significance relationship between service quality, customer satisfaction and service loyalty

The outcome of correlation coefficient, as presented in table 4.14 above, showed that service quality, customer satisfaction and customer loyalty has a positive and significant relation among each other.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1. Introduction

This chapter deals with summary of major finding, conclusions and recommendations. The main purpose of the study was to evaluate the mediating effects of customer satisfaction on the relationship between service quality and customer loyalty in the case of commercial bank of Ethiopia Tefera Degfe Branch. To achieve the objective of the study, relevant literature was reviewed and quantitative and qualitative data were collected through questionnaire and interview filled by employees or teachers. The data collected through questionnaire were presented, analyzed, interpreted and discussed using statistical package for social science (SPSS 25) version. Thus, based on the analysis the following findings were written, conclusions drawn, and recommendations forwarded for commercial bank of Ethiopia Tefera Degfe Branch practitioners.

5.2. Summary of Findings

➢ The results bring to the following important findings on the mediating effect of customer satisfaction on the relationship between service quality and customer loyalty. The findings are likely to have great implications for commercial bank of Ethiopia Tefera Degfe Branch.

➢ SERVQUAL model was used to measure service quality dimensions. A total of 118 customers provided usable data for analysis. Descriptive statistics, Pearson product moment correlation analysis and regression analysis. In order to achieve the objectives of this research, SERVQUAL instrument was considered to be reliable and valid measure of dimensions of service quality.

➢ From the mean result it could understand that respondents slightly satisfied and loyal to their respective banks. It is observed that customers were most satisfied with tangibility dimension of service quality followed by assurance. The finding from the correlation result reveals that there is a positive and significant relationship between the service quality dimensions, customer satisfaction and customer loyalty.

➢ Overall service quality dimensions regressed with dependent variable customer satisfaction and customer loyalty results revealed in the model summery R^2 = .330 and .314 respectively. It implies that 33 % of variation in customer satisfaction and 31.4 % of the

variation in customer loyalty is explained by independent variable service quality dimensions. This shows that these three constructs are strongly and positively correlated each other. If banks deliver superior quality service customers will be satisfied and become loyal to their respective bank.

➢ Further mediation effect of customer satisfaction has been tested by more conveniently using regression analysis. The result revealed that mediating effect of customer satisfaction on service quality and customer loyalty relationship is 0.16 with a 95% confidence interval which did not include zero; that is said to be the effect was slightly significantly greater that of the direct effect of service quality on customer loyalty.

5.3. Conclusion

The study was conducted to examine the mediating the mediating effect of customer satisfaction on the relationship between service quality and customer loyalty. Therefore, the following conclusions were drawn based on summary of findings. From this result of all service quality dimensions it can said that customers who get from Tefera Degfe branch were slightly satisfied with the banking service. This indicates that improvements of service quality should be conducted in all the five service quality dimensions, especially the dimensions of responsiveness and empathy. Pearson correlation result indicates that there is positive and significant relationship between the service quality dimensions, customer satisfaction and customer loyalty.

Customer satisfaction also positively correlated with customer loyalty. Accordingly, the results of this study confirmed the theory of literatures regarding the relationship between service quality dimensions, customer satisfaction and customer loyalty. In addition five dimensions of service quality are positively correlated in each other thus indicates that the change in one of the service quality dimension will positively affect the other service quality dimension. However the regression analysis revealed that responsiveness, assurance and empathy dimensions are a significant predictor of customer satisfaction. Thus responsiveness has the highest beta value on the regression model and is the dominant service quality dimension with the highest effect on customer satisfaction. But responsiveness has lowest mean value 2.867 compared with other service quality dimensions as showed in descriptive analysis which implies that employees of Tefera Degfe branch are not meet the expectation of customers with the responsiveness dimension of service quality so that banks should work hard to maintain it in the future.

Accordingly we look to the overall regression result 52.3% of variation in customer satisfaction was explained by the service quality dimensions which imply that 67% of variation in customer satisfaction is explained by other factors. When we look to customer loyalty 31.4% of variation in customer loyalty is explained in independent variable service quality and 30.8% of variation in loyalty explained by other factors. Customer satisfaction is a significant predictor of customer loyalty and 33% of variation in customer loyalty explained by customer satisfaction. The study empirically demonstrates Customer Satisfaction as an intervening variable that offers directional influence to the relationship between Service Quality and Customer Loyalty. Another interesting finding stems from the statistical significance of the direct relationship between service quality and customer loyalty which implies that customer satisfaction partially mediates the aforementioned relationship. In ended it can be concluded that there is positive relationship between service quality, customer satisfaction and customer loyalty. Customer satisfaction has a positive and strong relationship with customer loyalty. Further customer satisfaction is mediates in the relationship between service quality and customer loyalty in Tefera Degafe branch. The result confirmed with previous studies (Shanka M. S., 2012) (Srivastava, 2009) (Tsegaye, 2016)(Fasih, 2014).

5.4. Recommendation

Based on the above findings, to improve change management, the researcher recommends the followings.

➢ In this study customers not well satisfied and loyal in all service quality dimensions thus, improvement of service quality is a critical issue to satisfy and retain customers. Therefore it is better that banker's work hard to deliver superior quality service to the customer's which is base for sustainable differentiation and competitiveness in the banking industry

➢ In our current environment services preference of customers and their demands keeps on changing at a rapid speed and the bank should operate proactively in meeting its customers' needs and preferences. So that bank managers develop and implement customer-oriented service strategies to identify customers' needs and expectations in order to serve them better.

➢ It is better banks have to train customer service officers and tellers especially in responsive, assurance and empathy dimensions of service quality to satisfy and retain its customer.

> It is better that bank managers should measure service quality regularly to assure they are keep meeting customers' expectations, and consider customizing their superior services to enhance customer satisfaction and customer loyalty.

5.3. Limitations

The current study presented exhibit limitations that should be considered. The limitations are as follows:

> This study covers only Tefera Degfe Branch customers. The remaining banks that have a role in the banking sector in Addis Ababa town were excluded from this study.

> The scope of the study limited only in Addis Ababa town so that the result of this study may not generalize banks operating out of research area.

> Other variables may influence customer satisfaction and loyalty in the banking industry, like price, convenience, interest rates loan policy etc.

5.4. Recommendations for Future Research

Several issues, associated with the limitations inherent in this study, require further research considerations. So that a better, future researchers include all types of banks operate in Addis Ababa town. In addition, better it should be consider factors influence customer satisfaction and customer loyalty in the research model.

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ST. MARRY UNIVERSITY
SCHOOL OF POST GRAGUATE STUDIES
DEPARTMENT OF MANAGEMENT
MASTERS OF BUSINESS ADMINSTRATION (MBA) PROGRAM

Dear

I am Maramawit Solomon, a graduate student at St. Marry University School of post graduate. I am conducting research on studying **THE MEDIATING EFFECT OF CUSTOMER SATISFACTION ON THE RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER LOYALTY IN SELECTED BRANCHES OF COMMERCIAL BANK OF ETHIOPIA** in partial fulfillment of Master of Arts in Business Administration. I kindly request you to spend some minutes of your time in filling the questionnaire. Your response and participation form a critical part of the success of my research. I would be very grateful if you could take some time to fill the questionnaire. I would like to assure you that your response will be kept strictly confidential and will only be used for the purposes of this academic research.

DIRECTION:

There are scales (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly agree). The higher the number means the more I agree with the statement. The lower the number means the more you disagree with the statement. If you feel your agreement is between these two extremes, please pick any answer from within the scale.

Part 1 Personal Information of Respondents

1. Sex:

    Male ( )   Female ( )

2. Age

      1. 20-30 ( )   2. 31-45 ( )   3. 45-50 ( )   4. Above 50 ( )

3. Education level

 1. High school ( ) 2. Diploma ( )   3. Degree ( ) 4 above degree ( )

3. Reason for using the service from Tefera Degfe Branch

      1. Proximity ( )   2. Service quality ( ) 3. Trustworthiness ( )   4. Good Relationship ( )

Part Two: studying Variables

No	Service Quality	1	2	3	4	5
I	**Tangible**					
1	The bank has modern looking equipment					
2	The bank's physical features are visually appealing					
3	The bank's reception desk employees are neat appearing					
.4	Materials associated with the service (such as pamphlets) are visually appealing at the bank					
Ii	**Reliability**					
5	When the bank promises to do something by a certain time, it does so					
6	When you have a problem, the bank shows a sincere interest in solving it.					
7	The bank performs the service right the first time.					
8	The bank provides its service at the time it promises to do so					
9	The bank insists on error free records					
Iii	**Responsiveness**					
10	Employees in the bank tell you exactly when the services will be performed					
11	Employees in the bank give your prompt service.					
12	Employees in the bank are always willing to help you					
13	Employees in the bank are never too busy to respond to your request					
Iv	**Assurance**					
14	The behavior of employees in the bank instills confidence in you					
15	You feel safe in your transactions with the bank					
16	Employees in the bank are consistently courteous with you					
17	Employees in the bank have the knowledge to answer your questions					
V	**Empathy**					
18	The bank gives you individual attention					
19	The bank has operating hours convenient to all its customers					
20	The bank employees who give your personal attention					
21	The employees of the bank understand your specific needs					
22	The bank has your best interests at heart					
II	**Customer satisfaction**	1	2	3	4	5
1	I think I did a right thing that I selected my bank					
2	Bank always exceed in my expectation while offering me the services					
3	Bank's service exactly meets my requirement					
4	I feel good that branch manager knows me personally					
5	I feel happy after every visit of the bank					
6	Bank is having strong mechanism in case of service failure					
7	Bank offers me compensation in case of service failure					
8	Bank apologizes if they fail to serve me on time					
9	Bank always takes care of my special requirement					

10	Bank is having many no. of the branches					
11	Location of bank is very convenient to commute					
III	**Customer loyalty**	**1**	**2**	**3**	**4**	**5**
1	I always recommend my bank to others					
2	I get best value for money from my bank					
3	I am never interested in the various service offerings of the competitors					
4	I would not prefer to switch to the other bank					
5	I am having personal emotions attached with the bank					
6	Overall I am very happy with my bank					
7	I consider myself loyal to the bank					

If you have comments or suggestion regarding to this study or the questions asked in this survey, please use the space provided below to express your own comments and opinions.

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If you would like to receive the findings of this study please write your email address below:

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