

# Service Quality and Customer Satisfaction: Empirical Evidence from Saving Account Customers of Banking Industry

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## Abstract

Those organizations providing service are demanded to assess frequently the quality of their service delivery. By doing so and adjusting their service performance according to the expectations of their customers will enable them to survive, compete and ultimately assist them to sustain in that business line. Presently, organizations are attempting to achieve increased customer satisfaction by focusing on the quality of their service being provided. This article assess the quality of service that the Bank provides to saving account customers and thereby to evaluate their overall satisfaction level with the bank's service delivery. The researcher used descriptive survey research design to acquire pertinent and appropriate answers for the research questions. A total of 100 respondents were selected based on convenient sampling method and questionnaires were designed based on SERVQUAL model for measuring customer perceptions and expectations of service in five dimensions of service quality that consists of tangibles, reliability, responsiveness, assurance, and empathy. The result of this study demonstrated that in tangibility and assurance dimensions of service quality of the bank, the mean gap scores were positive indicating customers were satisfied on these elements of the bank. On the other hand, in some attributes of reliability, responsiveness and empathy service quality dimensions of the bank, the average mean gap scores were negative revealing that customers were dissatisfied on these areas. The study confirms the need for the managements of the bank to take into account customer perceptions of service quality and their expectations, and in those areas that have negative mean gap score, it should implement appropriate service quality improvement in order to improve its service delivery.

**Keywords:** SERVQUAL, service quality, customer satisfaction, saving account customers

## 1. Introduction

### 1.1. Background of the Study

Service sector has produced approximately two-thirds of world GNP for twenty first century (Kara et al., 2005 as cited by Zeynep and Mutlu, 2009). Since the 90's many service companies have pursued to enhance their performance and effectiveness in search of achieving differentiation in the market. An example of that is the attempt to convince customers that their qualities are superior to the competitors. In addition, the importance of service sector has sharply increased at both developed and developing countries. Over 75 percent of all US jobs now reside in services industries. Further, the services sector generates over 85 percent of all new jobs and 66 percent of the GNP of the US. In developing countries like Brazil, services correspond to 54.5 percent of the GNP (Cauchick and Salomi, 2004). The Service sector, accounting for 42 percent (1998 estimate) of the Ethiopia's GDP, is extremely important component of Ethiopia's economy. However, with only 12 percent of the labor force engaged in services and government employment, a relatively small percentage of Ethiopians work in the service sector (Encyclopedia of nations- <http://www.nationsencyclopedia.com>). A service is an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production. Services are economic activities that create value and provide benefits for customers at specific times and places, as a result of bringing about a desired change in or on behalf of the recipient of the service (Lovelock and Wright, 2002). Services are deeds, processes, and performances (Zeithaml and Bitner, 2000). Service Quality is defined as to what extent a service provided achieved or exceeds customer expectation. In other words, Service Quality is evaluated by comparison between customer perception and expectation ( $SQ = P - E$ ) (Parasuraman, Zeithaml and Berry, 1985).

Quality in a service organization is a measure of the extent to which a delivered service meets the customer's expectations. It is determined by the customer's perception and not by the perceptions of the providers of the service. It is, therefore, very important to determine customer needs & wants and, then design the service to meet these requirements. Service quality is considered a critical determinant of competitiveness. Service quality can help an organization to differentiate itself from other organizations and gain a competitive advantage. Superior service quality is a key to profitability.

In the service sector, the quality of service is a key strategic value and has become a strategic instrument for firms since 1990s. Because; service quality has close relationship with customer satisfaction, customer retention, and positive word of mouth (Zeynep and Mutlu, 2009). Service providing is characterized by its intangibility or lack of physical attributes of its outcome. Customers evaluate the quality of a service with

regard to the element they actually experience in the course of the service delivery and, of course, on their perception of the outcomes. Service is inseparable of production and consumption. The service quality can only be assessed against customer's subjective, nebulous expectation and past experiences. Services are produced and consumed simultaneously therefore they cannot be stored, inventoried or inspected prior to delivery as manufactured goods are (Grönroos, 1990 cited by Maria and Katerina, 2008).

Satisfaction is the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations. Failure to meet needs and expectations is assumed to result in dissatisfaction with the product or service (Zeithaml and Bitner, 2000). According to Kottler and Keller (2006), customer satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted. Derive from the service industry's advertising, the customers form service expectations, by word of mouth, and based on their past experiences, they would in turn compare the perceived service against the expected service. Realistically, if the perceived service is below the expected service, the customers will feel disappointed. On the other hand, if the perceived service meets or exceeds their expectations, they will be willing to patronize again (Kotler, 2003).

## **1.2. Statement of the Problem**

In a milieu which becomes increasingly competitive, service quality as a critical measure of organizational performance continues to compel the attention of banking institutions and remains at the forefront of services marketing literature and practice (Lassar et al., 2000 as cited in Avenier, 2008). Research indicated that service quality has been increasingly recognized as a critical factor in the success of any business (Parasuraman, Zeithaml & Berry, 1988). The topic of measuring service quality has been studied extensively in the past fifteen years. In 1988, Parasuraman, Zeithaml and Berry developed a multiple-attribute scale called SERVQUAL for measuring service quality in five dimensions as reliability, responsiveness, assurance, empathy, and tangibles. Therefore, service quality measurement is considered as first step to understand the achievement of business performance together with the excellence of the delivery of service quality. Since in service industry, there are increasing competition and constant change, service quality improvement becomes significant to business organizations. In this competitive and ever changing environment, banks can ensure their survival and gain a competitive edge through the emphasis on using service quality as a means of differentiation. Banks want to know how to improve the service encounter. Banks face intense competition, volatile costs of funds, diminished customer loyalty and an expensive high-tech. The challenge for banks is to lower costs, increase efficiency, while improving the quality of their service, and increasing customer satisfaction. They need to create and maintain good banking relationships. Attention has now turned to improving the quality of service encounter, when customers enter the bank and come into face-to-face contact with bank staff (Khalid, Abdullah and Fawzi, 2000). In retail banking, service quality is perhaps the most critical aspect of the customer experience. Accordingly organizations regularly monitor service quality and customer satisfaction in their quest to improve customer retention (Steve & John, 2006). Customer satisfaction largely depends on the degree with which a product or service supplied by an organization meets or surpasses customer expectation. By measuring customer satisfaction and its service quality, organizations are able to get indication of how successful they are actually in providing services to their customer and can discover their strengths and weakness in providing service to their customers.

The number of commercial banks is increasing in Ethiopia due to the attractive market opportunity available in the country, especially after the down fall of Derge regime. Nowadays, the performance of these commercial banks has come under question in terms of customer satisfaction. The researcher's preliminary survey in the bank, indicated that there is absence of adequately and recently organized and meaningful service quality and customer satisfaction survey yet. It is true that this is a dominant and critical data for the bank to manage its services and position itself well in the competitive banking industry, understanding the criticality of the topic, the researchers trigger off to conduct the study.

## **1.3. Objectives of the Study**

### **1.3.1. General Objective**

The main purpose of this research is to assess the quality of service that Dashen Bank, Mekelle Area Bank provides to saving account customers and thereby to evaluate their satisfaction level with the bank's service delivery.

### **1.3.2. Specific Objectives**

The following are the specific objectives of the study:-

1. To examine and compare customers' expectations versus perceptions towards the quality of service provided to them in the five service quality dimensions: *Tangibles, Reliability, Responsiveness,*

*Assurance and Empathy.*

2. To identify the gap between the customers' expectations and perceptions towards the level of service quality in the above five dimensions.
3. To assesses overall customers' satisfaction level on the quality of the service being delivered by the bank.
4. To determine the relative importance of the five service quality dimensions to the customers of the bank.
5. To provide relevant recommendations based on the findings.

#### **1.4. Hypotheses**

The following hypotheses were developed and tested under this study:

- Ho<sub>1</sub>: There is no significant difference or gap between customer expectations and their perceptions of service quality on the tangibility dimension attributes of Dashen Bank, Mekelle Area Bank.
- Ho<sub>2</sub>: There is no significant difference or gap between customer expectations and their perceptions of service quality on the reliability dimension attributes of Dashen Bank, Mekelle Area Bank.
- Ho<sub>3</sub>: There is no significant difference or gap between customer expectations and their perceptions of service quality on the responsiveness dimension attributes of Dashen Bank, Mekelle Area Bank.
- Ho<sub>4</sub>: There is no significant difference or gap between customer expectations and their perceptions of service quality on the assurance dimension attributes of Dashen Bank, Mekelle Area Bank.
- Ho<sub>5</sub>: There is no significant difference or gap between customer expectations and their perceptions of service quality on the empathy dimension attributes of Dashen Bank, Mekelle Area Bank.
- Ho<sub>6</sub>: Dashen Bank, Mekelle Area Bank saving account customers are neither satisfied nor dissatisfied with the service being delivered by the bank: they are neutrally satisfied.

## **2. Literature Review**

### **2.1. Introduction**

This chapter deals with a discussion on the theories and relevant literatures on the topics of the service, service quality, Gap model, SERVQUAL and its application and customer satisfaction and its measurements.

#### **2.1.1. Service**

A service is an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production. Services are economic activities that create value and provide benefits for customers at specific times and places, as a result of bringing about a desired change in or on behalf of the recipient of the service (Lovelock and Wright, 2002). Services are deeds, processes, and performances (Zeithaml and Bitner, 2000). Services are described as objects of transaction offered by firms and institutions that generally offer services or that consider themselves service organizations (Steve and Kim, 1995).

#### **2.1.2. Service Quality**

Service quality is the ability of the organization to meet or exceed customer expectations. Customer expectation may be defined as the "desires and wants of consumers" i.e. what they feel a service provider should offer rather than would offer (Parasuraman, Zeithaml and Berry, 1988).

#### **2.1.3. Customer Expectations and Perceptions of Service**

##### **Customer Expectations**

Customer expectations are pretrial beliefs a consumer has about the performance of a service that are used as the standard or references against which service performance is judge (Kenneth and David, 2003). Customer expectations may be described as the desires or wants of the Consumer. The crux is that customer expectations are what the customer expects from the organization and its range of product or services, i.e. what customers feel the organization should offer them. These expectations are, in most instances, different from what the customer gets in real-life situations from the organization. What is important here is to focus on the customer perceptions, rather than on the reality of the performance (Brink and Berndt, 2005).

##### **Customer Perceptions**

A consumer perception is defined as the process by which an individual selects, organizes, and interprets stimuli in to a meaningful and coherent picture of the world. A stimulus is any unit of input to any of the sense. Examples of stimuli (i.e., sensory input) include products, packages, brand names, advertisements, and commercials (Leon and Leslie, 1997). Perceptions are defined in various ways; Strydom, Jooste and Cant (2000), define customer perception as the process of receiving, organizing and assigning meaning to information or stimuli detected by the customer's five senses and opine that it gives meaning to the world that surrounds the customer. Perceptions are also described as the end result of a number of observations by the customer. Customers perceive services in terms of quality of services provided and the satisfaction level attained.

#### **2.1.4. Customer Satisfaction**

Satisfaction is the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations. Failure to meet needs and expectations is assumed to result in dissatisfaction with the product or service (Zeithaml and Bitner, 2000). According to Kottler and Keller (2006), Customer satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted.

## 2.2. Service

### 2.2.1. Characteristics of a Service

According to Robin (1989) service has four characteristics. These are:

- a) **Intangibility**:-services are intangible i.e. they do not have physical substance. Consumers cannot touch, see, smell, or taste services before purchasing them. This poses difficulties for the services marketer because target customers may be reluctant to buy what they cannot physically examine.
- b) **Heterogeneity**:-services are heterogeneous i.e. they are not standardized. The nature of offering of any one seller may differ from one time period to another. Further, two or more employees of one firm may provide service that are quite different from each other.
- c) **Inseparability**:-marketers and services they provide are always inseparable –i.e. they are continually at the same place at the same time. Service cannot exist unless the marketer is present.
- d) **Perishability**:-Service tends to have very short life spans. Tangible goods can be produced and then placed in inventory, so that they are available when and where customers want them. Service, however, cannot be stored. Service companies therefore can suffer unnecessary costs unless demand can be accurately forecasted, because employees and facilities will be idle when customers do not demand services.

### 2.2.2. Dimensions of Service Quality

Exploratory research by Parasuraman, Zeithaml, and Berry (1985) revealed that the criteria used by consumers in assessing service quality fit 10 potentially overlapping dimensions. These dimensions were tangibility, reliability, responsiveness, communication, credibility, security, competence, courtesy, understanding/knowing the customer, and access. These ten dimensions and their descriptions served as the basic structure of the service-quality domain from which five items were derived for the current SERVQUAL scale. Various statistical analyses conducted in constructing SERVQUAL, revealed considerable correlation among items representing several of the original ten dimensions. In particular, the correlations suggested consolidation of the last seven dimensions into two broader dimensions labeled assurance and empathy. The remaining dimensions –tangibles, reliability, and responsiveness – remained intact throughout the scale development and refinement process (Parasuraman, Zeithaml and Berry, 1991). Original ten dimensions for evaluating service quality are the following:

Tangibles: Appearance of physical facilities, equipment, personnel, and communication materials.

Reliability: Ability to perform the promised service dependably and accurately.

Responsiveness: Willingness to help customers and provide prompt service.

Competence: Possession of required skill and knowledge to perform service.

Courtesy: Politeness, respect, consideration and friendliness of contact personnel.

Credibility: Trustworthiness, believability, honesty of the service provider.

Feel secure: Freedom from danger, risk, or doubt.

Access: Approachable and easy of contact.

Communication: Listens to its customers and acknowledges their comments. Keeps customers informed in a language which they can understand.

Understanding the customer: Making the effort to know customers and their needs.

Parasuraman, Zeithaml and Berry (1988) identified these five principal dimensions that customers use to judge service quality, which are listed below:-

- i. **Reliability**: The ability to perform the promised service both dependably and accurately. Reliable service performance is a customer expectation and means that the service is accomplished on time, in the same manner, and without errors every time.
- ii. **Responsiveness**: The willingness to help customers and to provide prompt service. Keeping customers waiting, particularly for no apparent reason, creates unnecessary negative perceptions of quality. If a service failure occurs, the ability to recover quickly and with professionalism can create very positive perceptions of quality.
- iii. **Assurance**: The knowledge and courtesy of employees as well as their ability to convey trust and confidence. The assurance dimension includes the following features: competence to perform the service, politeness and respect for the customer, effective communication with the customer, and the general attitude that the server has the customer's best interests at heart.
- iv. **Empathy**: The provision of caring, individualized attention to customers. Empathy includes the following



features: approachability, sensitivity, and effort to understand the customer's needs.

- v. **Tangibles:** The appearance of physical facilities, equipment, personnel, and communication materials. The condition of the physical surroundings (e.g. cleanliness) is tangible evidence of the care and attention to detail that are exhibited by the service provider. This assessment dimension also can extend to the conduct of other customers in the service (e.g. a noisy guest in the next room at a hotel) (Fitzsimmons and Fitzsimmons, 1998). From Parasuraman, Zeithaml and Berry (1988), marketing researchers use these five dimensions to form an assessment of service quality, based on the comparison between expected and perceived service.

### 2.2.3. Sources of Customer Expectations about the Service

Given the importance of understanding customer expectations in order to deliver quality service, it is also clearly important to understand how such expectations might be formed. Finding out what customers expect is essential to providing quality service (Zeithaml and Bitner, 2000). Figure 1 illustrates this but also shows that customer expectation of a given service is formed or influenced as a result of many factors, word of mouth, personal needs, past experiences and external communication.

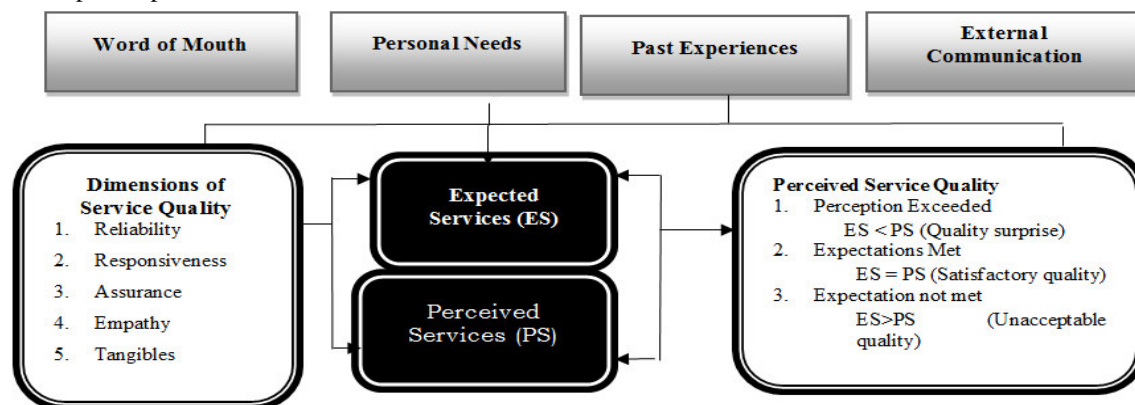


Figure 1: Customer's perceived service quality (Fitzsimmons and Fitzsimmons, 1998)

### Word of Mouth Communication

Customers will have their expectations shaped, in part by word-of-mouth communications about the service provider. Effectively, this relates to communication from sources other than the service provider itself. Friends, family, colleagues are obvious sources in this context. Equally, the media may be a source of such communication as many other organisations such as inspection and audit agencies and central government. An important question for a service is: do you know what others are saying about your service? (Accounts Commission for Scotland, 1999).

**Personal Needs:** any customer will have what they regard as a set of key personal needs which they expect the service to address. Clearly these will vary from service to service and importantly – from customer to customer. An inadequate understanding by the service of these personal needs will make it difficult to design an appropriate service (Accounts Commission for Scotland, 1999). Professional service providers must be aware of personal needs and desires of their clients. Client expectations can shift as a result of the circumstances surrounding the need expect (Kotler, Hayest and Bloom, 2002).

**Past Experiences:** some customers – many for some services – will be “repeat” customers in the sense that they have used the service before. Their previous experience as a customer will, in part, influence their expectations of future service. One customer, for example, may have low expectations because of previous poor service. Another may have high expectations because the service quality last time was high. However, customers may also use their previous experience of other organizations in this context (Accounts Commission for Scotland, 1999). Another factor that would be influenced by past experience is perceived service alternatives. The more competitors a professional service provider has and the more clients are aware of their existence, the greater the expectations of quality service. Clients are not likely to put up with poor service when they can get better attention across the street (Kotler, Hayest and Bloom, 2002).

**External Communication:** this influencing factor can be divided into two sub-categories: Explicit external communication and implicit external communication. **Explicit Communication** – relates to statements about the service made by the service provider itself. Such statements may come from service staff or from the service in the form of leaflets, publicity and marketing material (Accounts Commission for Scotland, 1999). The clients' expectations will obviously be affected by what they are told they can expect (Kotler, Hayest and Bloom, 2002).

**Implicit Communication** – Because services are intangible, clients will look for some other clues as to the potential quality of the service. They look at the physical evidence provided by the professional service provider and the price they will be charged for services. An office furnished with Persian rugs, etched glass, and fine art

may communicate that a professional service provider is successful, and also expensive. Because there is an implied price-quality relationship, a higher price implies a higher quality. Thus, clients who are willing to pay higher fees do so because they expect a greater amount of attention and a more positive outcome (Ibid).

#### 2.2.4. Measuring Service Quality

Measuring service quality is a challenge because customer satisfaction is determined by many intangible factors. Unlike a product with physical features that can be objectively measured, service quality contains many psychological features. The multiple dimensions of service quality are captured in the SERVQUAL instrument, which is an effective tool for surveying customer satisfaction that is based on the service quality gap model (Fitzsimmons and Fitzsimmons, 1998). Finding out what customers expect is essential to providing service quality, and marketing research is a key vehicle for understanding customer expectations and perceptions of services. In services, as with any offering, a firm that does no marketing research at all is unlikely to understand its customers. A firm that done marketing research, but not on the topic of customer expectations, may also fail to know what is needed to stay in tune with changing customer requirements. Marketing research must focus on service issues such as what features are most important to customers, what levels of these features customers expect, and what customers think the company can and should do when problems occur in service delivery (Zeithaml and Bitner, 2000).

#### 2.2.5. Service Quality GAP Model

The GAP model was proposed by Parasuraman, Zeithaml, and Berry, in 1985. The model presupposes that service quality is the difference between expectation and performances relating to quality dimensions. These difference are referred to as gaps. The gap model (Figure 2) conceptualizes five gaps which are:

- Gap 1:** Gap between consumer expectations and management perception: Management may think that they know what consumers want and proceed to deliver it when in fact consumers may expect something quite different (not identifying what consumers expect).
- Gap 2:** Gap between management perception and service quality specification: Management may not set quality specifications or may not set them clearly. Alternatively, management may set clear quality specifications, but they may not be achievable (inappropriate service quality standards)
- Gap 3:** Gap between service quality specifications and service delivery: unforeseen problems or poor management can lead to failure of a service provider to meet service quality specifications. This may be due to human error but also to mechanical breakdown of facilitating or support goods (poor delivery of service quality).
- Gap 4:** Gap between service delivery and external communications: There may be dissatisfaction with a service because of the excessively heightened expectations developed through the service provider's communications efforts. Dissatisfaction developed through the service provider's communications efforts. Dissatisfaction occurs when actual delivery does not meet up to the expectations held out in a company's communications (promises mismatch delivery).
- Gap 5:** Gap between perceived service and expected service: This gap occurs as a result of one or more of the previous gaps. The way in which customers perceive actual service delivery does not match up with their initial expectations (Adrian and Catherine, 1995).

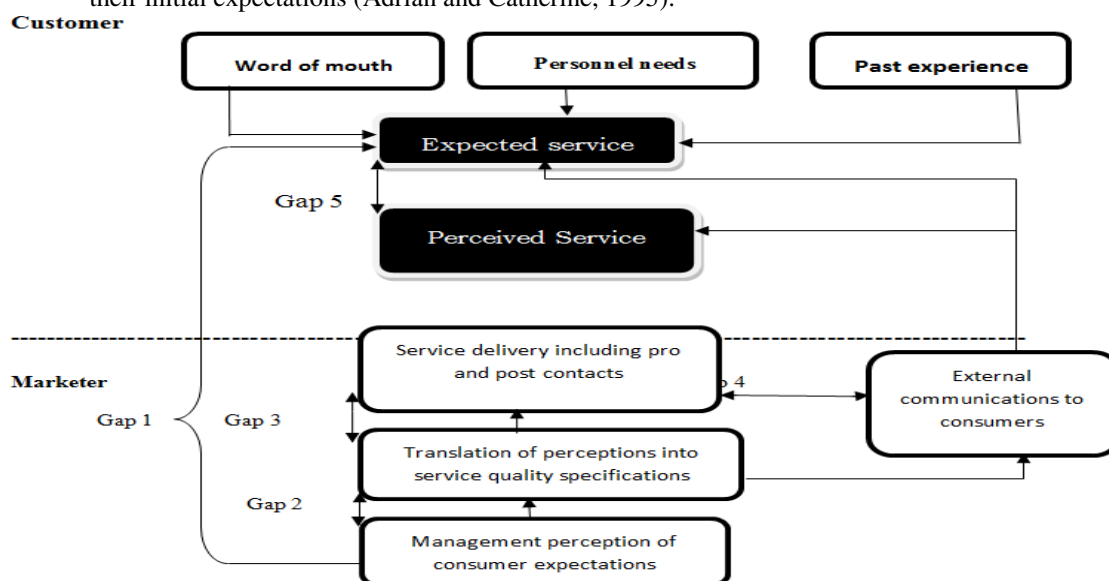


Figure 2: Service Quality Gap Model: Parasuraman, Zeithaml and Berry, 1985. "A conceptual Model of service

*quality and its implication for future Research” Journal of marketing*

### 2.3. SERVQUAL

#### 2.3.1. What is SERVQUAL?

SERVQUAL provides a technology for measuring and managing service quality. Since 1985, when the technology was first published, its innovators Parasuraman, Zeithaml and Berry, have further developed, promulgated and promoted the technology through a series of publications. The SERVQUAL method from Parasuraman, Zeithaml, and Berry (1985) is a technique that can be used for performing a gap analysis of an organization's service quality performance against customer service quality needs. The authors of the service quality gap model shown in above figure (2.2) developed a multiple-item scale called SERVQUAL for measuring the five dimensions of service quality. The methodology was originally based on the five service quality dimensions.

The two-part instrument has an initial section to record customer expectations for a class of service and followed by a second section to record a customer's perception for a particular service firm. The 22 statements in the survey describe aspects of the five dimensions of service. The score for the quality of service is calculated by computing the difference between the ratings that customers assign to paired expectation and perception statements. This score is referred to as Gap 5, as was shown in figure 2 scores for the other four gaps can also be calculated in a similar manner (Fitzsimmons and Fitzsimmons, 1998).

The SERVQUAL score is given by the equation:

$$SQ = \sum_{i=1}^{22} (P_i - E_i)$$

SQ = Perceived service quality

P<sub>i</sub> = Performance level perceived on attribute I for the delivered service

E<sub>i</sub> = Expected performance level on attribute I for the service generally.

An average score for each dimension is then calculated across all respondents. Also an overall service quality score is calculated by taking the mean score for the five dimensions. Positive scores show better than expected service while negative scores show poor quality. A zero score implies that quality is satisfactory (Llosas, Chandon and Orsinger, 1998). In Parasuraman, Zeithaml and Berry (1991), a more recent version of the instrument includes a third section that measures the relative importance of the five dimensions to the customer. These scores are then used to weight the perceived service quality measure of each dimension, the main purpose being to give a more accurate overall perceived service quality score (Robinson, 1999). Data gathered through a SERVQUAL survey can be used for a variety of purposes (Zeithaml and Bitner, 2000)

- To determine the average gap score (between customers' perceptions and expectations) for each service attribute.
- To assess a company's service quality along each of the five SERVQUAL dimensions.
- To track customers' expectations and perceptions (on individual service attributes and/or on the SERVQUAL dimensions) over time.
- To compare a company's SERVQUAL scores against those of competitors.
- To identify and examine customer segments those differ significantly in their assessments of a company's service performance.
- To assess internal service quality (that is, the quality of service rendered by one department or division of a company to others within the same company). Despite all well-documented criticism, it is still widely used as there are no other well established alternatives.

Parasuraman, Zeithaml and Berry (1988) claim that, the instrument is applicable to a wide variety of service industries although it may be necessary to reword and/or augment some of the items. This instrument spawned many studies focusing on service quality assessment and is used all over the world in service industries. Published studies have used SERVQUAL and adaptations of it in a variety of contexts: real estate brokers, physicians in private practice, public recreation programs, a dental school patient clinic, a business school placement centre, a tire store, motor carrier companies, an accounting firm, discount and department stores, a gas and electric utility company, hospitals, banking, pest control, dry cleaning, fast food, and higher education (Zeithaml and Bitner, 2000).

#### 2.3.2. Usage of SERVQUAL: Applications

SERVQUAL is widely used within service industries to understand the perceptions of target customers regarding their service needs. And to provide a measurement of the service quality of the organization, SERVQUAL may also be applied internally to understand employees' perceptions of service quality with the objective of achieving service improvement (Paul, 2003).

#### 2.3.3. Strengths of SERVQUAL: Benefits

Most users would agree that a comprehensive and thorough examination of service needs and service quality provides an invaluable approach to improving service quality. SERVQUAL provides detailed information about:

- Customer perceptions of service (a benchmark established by your own customers)
- Performance levels as perceived by customers
- Customer comments and suggestions
- Impressions from employees with respect to customers' expectations and satisfaction (Paul, 2003).

#### **2.3.4. Criticisms of SERVQUAL**

While the SERVQUAL technique has attracted a lot of positive attention for its conceptualization of quality measurements issues, it has also attracted criticism. Some researchers debated whether the dimensions of SERVQUAL are consistent across industries. In addition, researchers have asked whether the calculated difference scores are appropriate from the measurement and theoretical perspective (Adrian and Catherine, 1995). Blanchard and Galloway (1994) argued that it confuses outcome, process and expectation; Chen (1994) stated that it neglects the price factor, and suffers from multicollinearity due to the averaging of measured gaps; Carmen (1990) argued that it is not generic and needs to be customized to the service in question. He also suggests that the instrument could only be used as a guide to research service quality in various industries. He also suggested a problem exists in Parasuraman, Zeithaml and Berry's treatment of expectations where a respondent error could exist due to different interpretations of questions. Expectations could be rated according to their importance, as forecasts, ideal, deserved and/or as minimum tolerable. Brown, Churchill and Petter (1993) reported psychometric problems with the use of the difference scores and suggested that the five dimensions may in fact represent a unidimensional construct.

According to Kenneth and David (2003) SERVQUAL instrument has three potential problems. First; SERVQUAL measures customers' expectations of the ideal firm in a particular service industry. This may or may not be relevant to the capabilities of a particular service firm or the set of service firms available to consumer. Second problem with SERVQUAL is its generic nature, since it is not industry specific, it does not measure variables that may not be important to a particular industry. The third problem with SERVQUAL deals with the gap theory methodology used for measuring the level of service quality. Measuring consumer expectations after a service has been provided will bias consumers' responses.

Despite numerous suggestions regarding reappraisal and restructuring, expectations of what service quality might be fed by the sheer mass of Parasuraman, Zeithaml and Berry inspired literature have now become our perceptions of what service quality really is; and this perception continues to inform mainstream service quality research today. Even where work is primarily focused on the technical and functional aspects of service quality, the SERVQUAL dimensions may still be used to inform, or even determine, their structure (Woodall, 2001). This instrument has been widely used in many service industries, including hotels, dentistry, travel, higher education, real estate, accountancy, architecture, hospitals and construction services (Foster, 2001).

#### **2.4. Customer Satisfaction**

Customer satisfaction is the individuals' perception of the performance of the product or service in relation to his or her expectations (Leon and Leslie, 2007). Satisfaction is the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations. Failure to meet needs and expectations is assumed to result in dissatisfaction with the product or service (Zeithaml and Bitner, 2000).

##### **2.4.1. The Relationship between service Quality and Customer Satisfaction**

According to Brink & Berndt (2005), customers perceive services in terms of the quality of service provided and the satisfaction level attained. These two concepts, service quality and customer satisfaction, are the focus of attention of organizations because they want to measure them. The reason for the focus on quality of service and customer satisfaction is the belief that organizations can differentiate themselves by means of providing better service quality and overall customer satisfaction.

##### **2.4.2. The Benefits of Customer Satisfaction Management**

Although every successful organization wants to provide a service that satisfies customers, this is not the only goal. Organizations can't lose sight of other basic business goals such as achieving a competitive advantage or making a profit. As figure 3 below shows, customer satisfaction provide many benefits for a firm, and higher levels of customer satisfaction lead to greater customer loyalty. In the long run, it is more profitable to keep good customers than to constantly attract and develop new customers to replace the ones who leave. Highly satisfied customers spread positive word-of-mouth and, in effect, become a walking, talking advertisement for a firm, which lowers the cost of attracting new customers (Lovell & Wright, 2002).



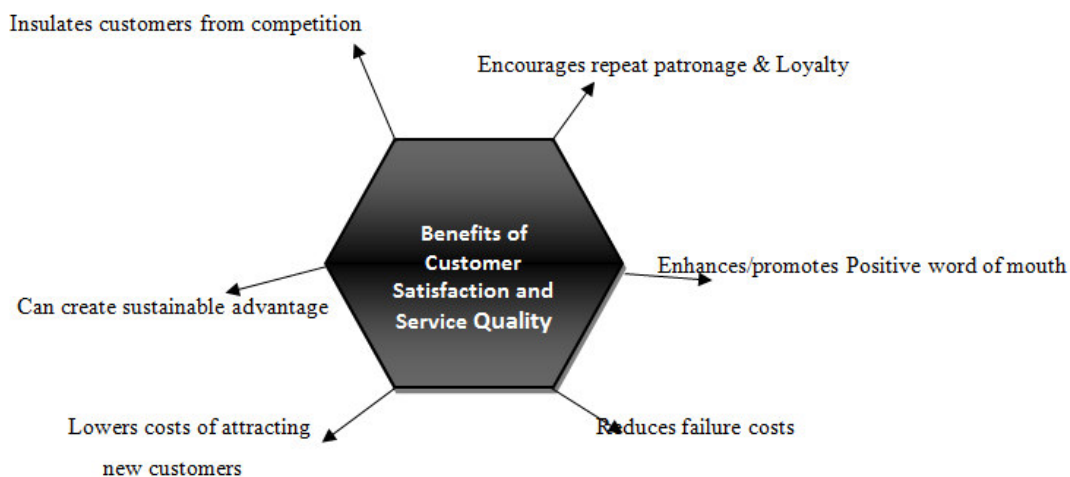


Figure 3 Benefits of customer satisfaction and service quality: Lovelock and Wright (2002). *Principle of Service Marketing and Management*

High levels of customer satisfaction are an insurance policy against something going wrong. Long-term customers tend to be more forgiving in these situations, because an occasional bad experience will be offset by previous positive ones, and satisfied customers are less susceptible to competitors' offerings. It's no wonder that many companies place so much emphasis on customer satisfaction, given its positive relationship to customer retention, market share, and profits (Lovelock and Wright, 2002).

#### 2.4.3. Expectation Disconfirmation Model

The Expectations Disconfirmation Model has been the dominant model in satisfaction research. The model has consumers using pre-consumption expectations in a comparison with post consumption experiences of a product/service to form an attitude of satisfaction or dissatisfaction toward the product/service. In this model, expectations originate from beliefs about the level of performance that a product/service will provide. This is the predictive meaning of the expectations concept (Willard, 2000).

Everyone enters into a purchase with certain expectations above what the product or service will do when it is used, and satisfaction is the hoped-for outcome. Satisfaction is defined here as a post-consumption evaluation that a chosen alternative at least meets or exceeds expectations. Richard Oliver spearheaded research on this subject with his expectancy disconfirmation model. Briefly, this theory postulates that satisfaction or dissatisfaction is the outcome of a comparison of pre-purchase expectations against actual outcomes, and it has been consistently validated in empirical research (Kenneth and David, 2003). The expectation disconfirmation model is one the main models researchers use for measuring satisfaction. In this model, customers compare their pre consumption experiences with post-consumption experiences of service or product. This model has been the principal model in satisfaction research. In order to form attitude towards satisfaction or dissatisfaction consumers compare their experiences of the product/service. In Expectation Disconfirmation model, expectations come from beliefs of consumers about the level of performance that a service will provide. Expectation is what consumers expect to receive from product or service which is usually ideal situation for the consumer. However, satisfaction is defined as a customer's perception of a single service experience, whereas quality is the accumulation of the satisfaction for many customers over many service experiences. Furthermore, service is equal to the perception of a single service as received and measured against the expected service received. The difference between the "perceptions" and "expectations" of a customer result in a level of satisfaction or dissatisfaction (Hill, 1992,). This difference between "perceptions" and "expectations" essentially forms what is commonly referred to as gap model. The gap model contains a minimum of two or sometimes three key concepts Satisfaction and quality service are often treated together as functions of a customer's perceptions and expectations. The gap model can be defined as a two component equation of  $Q = P - E$ . "Q" would be "satisfaction" and "quality"; "P" stands for "perceptions" and finally "E" stands for "expectations". Sometimes customers do not care about a service or do not have any expectations towards a service or product. However, when perceptions (P) are equal to expectations (E), service quality (Q) is satisfactory. If perceptions are lower than expectations, a customer's rating becomes negative and service quality becomes unsatisfactory (Cottle, 1990,). In order to increase customer satisfaction you either raise customer perceptions, lower their expectations, or both. Since an expectation is nothing more than an anticipation of receiving something favorable or acceptable, it is essential for any service company to develop realistic expectations among their customers. But "expectations and perceptions are factors that are hard to control" (Davidow and Uttal, 1989).

#### 2.4.4. Customer Satisfaction Measurement

Gauging the level of customer's satisfaction and its determinants is critical for every company. Marketers can

use such data to retain customers, sell more products and service, improving the quality and value of their offerings, and operate more effectively and efficiently. Customer Satisfaction measurement includes qualitative and quantitative measures, as well as a variety of contacts methods with the customers. Customer satisfaction surveys measure how satisfied the customers are with relevant attributes of the product or service, and relative importance of these attributes (using attribute scale). Generally, these survey use 5 –point semantic differential scales ranging from “very dissatisfied” to “very satisfied”. Research shows that customers who indicate they are very satisfied (typically a score of 5 on the satisfaction scale) are much more profitable and loyal than customers who indicate that they are satisfied (a score of 4). Therefore, companies that merely strive to have “satisfied” customers are making a crucial error. Some marketers maintain that customers’ satisfaction or dissatisfaction is a function of difference between what they had expected to get from the product or service purchased and their perceptions of what they received. A group of researchers developed a scale that measures the performance of service received against two expectations levels: adequate service and desired service. This approach is more sophisticated than standard customer satisfaction surveys and more likely to yield results that can be used to develop corrective measures for products and services that fail short of customers’ expectations (Leon and Lesile, 2007)

### **3. Methodology of the Research**

#### **3.1.1 Research Design**

Descriptive survey type of research was used because this method or type of research is commonly conducted to collect detail description of existing phenomena with the intent of employing data to justify current conditions and whenever possible to draw valid general conclusions from the facts discovered (Koul, 2006). As it fits to the purpose of the study, this research design was used to assess the quality of service delivery by asking customers about their expectations with regard to the bank’s service and their perception on the actual service delivered by the bank and finally to compare and contrast the two for the sake of reaching up on discrepancies, if any.

#### **3.1.2 Sampling Methods and Sample**

For this study, Dashen Bank was selected purposively by the researcher due to the personal interest of the researcher. From the two branches of Dashen Bank found in Mekelle city, Mekelle Area Bank was selected by the researcher’s personal judgment. From all customers of the bank, saving account customers were purposively selected. Because the researcher believed that they are the regular customer and can better sense the service of the bank than others. The target population of this study was all saving account customers who have been received saving account services from Dashen Bank, Mekelle Area Bank. It is impossible to examine the whole population of interest due to constraints of resources such as time, money, and people. For the purpose of the study a non-probability sampling design - convenience sampling method was adopted and considered appropriate to gather the data. By using this method, 100 samples from saving account customers were selected and questionnaires were distributed to customers during a specified period of time. Convenience sampling involves collecting information of members of the population that are near and readily available for research purposes. The justification for using this sampling method is due to the respondents being easily accessible, their availability, as well as it being less time consuming and inexpensive to gather the required data.

#### **3.1.3 Method of Data Collection**

Both primary and secondary data sources were used. Questionnaire was provided for selected customers of Dashen Bank, Mekelle Area Bank and was administered by a trained enumerator. The questionnaire designed for this study was based on the widely accepted SERVQUAL model. A total of 22 attributes were categorized under five dimensions: Tangibility (4 attributes), Reliability (5 attributes), Responsiveness (4 attributes), Assurance (4 attributes) and Empathy (5 attributes). Five-point Likert Scale ranging from strongly disagree = 1 to strongly agree = 5, was used to measure customers expectation and perception of service quality and respondents satisfaction level also measured by Likert scale. The service quality score for each of the 22 attributes were calculated by using the following formula: “Service Quality Score = Perception Score – Expectation Score”. By using this formula, it demonstrates the gap. If it turns out to be a negative gap, it will indicate the customer perceived service quality is not meeting the customer’s expectations. If it turns out a positive gap, it indicates the customer perceived service quality is exceeding the customer’s expectations. Moreover, to support the primary data, the researcher used the secondary sources books related to the research and articles.

#### **3.1.4 Method of Data Analysis and Interpretation**

After the collection of the necessary data, it was edited, coded and classified according to some predefined criteria. After that, it was analyzed and discussed by using descriptive method in the forms of mean, tables, percentage and charts. To analyze the data, Statistical Package for Social Science (SPSS) software version 16 was employed. One sample T-test was used to test the overall customer satisfaction level and Paired Sample T-Test analysis was used to test the hypothesis for the significant difference between customers’ expectation and perception of service quality under the five dimensions of service quality. The interpretation of the results was done at 95 percent level of confidence. Finally, based on the information obtained from the analysis part,

conclusions and recommendations were made.

## 4. Results and Discussions

### 4.1. Introduction

Delivering quality service is one of the important elements that help an organization to survive and compete in the competitive business environment. Customers always look for services with better quality. Hence, firms need to continuously improve their service quality to win the competition and lure the customer away from competitors. Unsurprisingly, the significance of evaluating the quality of services and customer satisfaction has become a prominent issue for companies in today's competitive business arena. Many researchers have applied SERVQUAL model to assess the quality of service delivery and customer satisfaction. By using this model, customers' expectations and perceptions about the quality of service, and the gap between the two can be determined and the gap between customers' expectation and perception of the service can be computed and so that customer' level of satisfaction or dissatisfaction level with the service delivered them can be determined. In this study, the standardized SERVQUAL instrument was used. It is constructed from 22 service quality attributes, which form five service quality dimensions, i.e.:- Tangibles, Reliability, Responsiveness, Assurance, and Empathy. The study analyzed customers' expectation and perception about the quality of Dashen Bank, Mekelle Area Bank's saving account service. It also identified the gaps between customers' expectation and their perceptions about the delivered service and thereby customers' satisfaction or dissatisfaction was determined. The chapters present the findings of the study. Data which was obtained through questionnaire is analyzed and interpreted as follow.

### 4.2. Service Quality Gap Analysis

Dashen Bank, Mekelle Area Bank's saving account service quality was determined from customers' comparison of their expectations about the service delivery before they get the service against their actual experience of the service. It is useful to have understanding on both customers' expectations and perceptions of the quality of service delivery to monitor service quality and adjust the service quality accordingly. Consequently, the objective of this study was to measure the gap between the expectations and perceptions of customers about the quality of the bank's saving account service based on 22 service quality attributes, which are grouped into five service quality dimensions. Each of the respondents provided an expectation rating and perception rating for each of the 22 questions on a five point Likert scale with 1 = Strongly agree; 2 = Agree; 3 =Neither agree nor Disagree; i.e. neutral ,4 = Disagree; and, 5 = Strongly Disagree scales. The differences between customer expectations versus perceptions of actual service delivery were computed for each of the 22 service quality attributes. This required analyzing and comparing the responses of study participants to the 22 questions for their expectations of service delivery vis-a-vis the 22 questions evaluating perceptions of service delivery after actual service. Based on the sample data obtained as aforementioned, mean differences between perception and expectation ( $SQ=P-E$ ) were computed for each of the 22 questions. A positive difference indicates that on average perceived service quality exceeded expected service quality; implying for satisfied customers. On the contra, a negative difference indicates that on average customers' perception of service quality delivered them fallen short of their expectation, indirectly producing dissatisfied customers. With this assumption, Paired T-test was conducted to test if there is any statistically significant difference between the means of bank saving account customers' expectations and the means of their perceptions of the quality of service for the 22 service attributes. With regard to the paired T-test decisions- if the two tailed significance value (sig-t) is greater than  $\alpha$  (error level) then  $H_0$  will be accepted and if the two tailed significance value (sig-t) is less than  $\alpha$  (error level),  $H_0$  will be rejected. The twenty-two attributes and the respective results were grouped into the five service quality dimensions. In what follows, the quality of service delivery by the bank is analyzed based on the aforementioned results and regrouping of the 22 items into the five quality dimensions.

#### 4.2.1. Gap between Customers Perceptions and Expectations on Tangibles of the bank

The tangible attributes relate to the physical aspects, equipment and appearance of personnel of the bank. To gain a better evaluation of customers' expectations compared to their perceptions on the tangible quality attributes of the bank's service , responses of study participants for the four attributes (tangible) shown in the table below are analyzed. The response results on the four attributes are presented in the next table (Table 1).

Table 1 Mean scores of customers' expectation, perception, and gap score for tangible attributes of the bank

Attributes	P	E	Gap score
PERTAN1- EXPTAN1	4.2200	4.1400	0.08000
PERTAN2- EXPTAN2	4.4100	4.2600	0.15000
PERTAN3- EXPTAN3	4.1600	4.1400	0.02000
PERTAN4- EXPTAN4	4.2200	4.1200	0.10000

Looking at Table 1 the tangible elements' mean differences, the gap scores for the four attributes is positive,

indicating that on the average sampled customers felt that their perceptions exceeded their expectations on the attributes in question. Following this, it can be said that customers were satisfied with the tangible elements of the bank.

$H_{01}$ : There is no significant difference or gap between customer expectations and their perceptions of service quality on the tangibility dimension attributes of Dashen Bank, Mekelle Area Bank.

	Paired Differences				t	df	Sig. (2-tailed)
	Mean	Std. Deviation	95% Confidence Interval of the Difference				
			Lower	Upper			
Pair 1 PERTAN1 - EXPTAN1	.08000	1.22829	-.16372	.32372	.651	99	.516
Pair 2 PERTAN2 - EXPTAN2	.15000	1.14922	-.07803	.37803	1.305	99	.195
Pair 3 PERTAN3 - EXPTAN3	.02000	1.09157	-.19659	.23659	.183	99	.855
Pair 4 PERTAN4 - EXPTAN4	.10000	.84686	-.06804	.26804	1.181	99	.240

\* Significant at  $\alpha=0.05$

Table 2 Paired Sample T-test statistics for tangibles of the bank

Table 2 shows the mean differences between perceptions and expectations of customers and further sets out the results of the paired T-test for each of the attributes in tangibility dimensions. In TAN1 the mean gap score of positive (0.080) suggests that respondents felt that the modernity of equipment at the bank exceeded their expectations. Therefore, respondents were satisfied on this attribute-modernity of equipments. But, to evaluate the extent of their satisfaction (i.e. are they just satisfied or delighted), it's necessary to look at the significance values. As the two tailed sig-t (0.516) shows statistically there is no significant difference between customers' expectations and perceptions on this element. That is, the respondents were just satisfied with the element, but no delighted-the modernity of the bank's equipments were not much more than what customers' expected them to be.

In TAN2 the mean gap score of positive (0.150) indicates that customers' perceptions exceeded their expectations and they were satisfied with regard to the physical facilities of the bank being appealing and the two tailed sig-t (0.195) shows that statistically there is no significant difference between customers' expectations and perceptions for this service attribute. Again, respondents were satisfied, but not much delighted, in this attribute of tangibility as in the first attribute.

The mean difference of a positive (0.020) and two tailed sig-t (0.855) indicated in TAN3 that customers' perception exceeded their expectations in regard to the professional-look and neatness of the bank's employees. Nonetheless, the sig-t shows again that, as in the previous two attributes, there is in this attribute also a statistically insignificant difference between customers' expectations and perception. Though satisfied, customers were not much delighted with this attribute.

TAN4 reflected a mean difference of positive (0.100) and the two tailed sig-t (0.24) indicating that customers' perceptions exceeded their expectations and like the above results, while customers were satisfied with regard to the bank's communication materials being visually appealing, they were not much delighted as the positive difference between customers' expectation and perceptions is statistically insignificant.

In all four of the tangibility attributes (modern looking equipment, appeal of facilities, appeal of materials and neat appearance employee), the customers' experiences exceeded their expectations. This translates into the bank's ability to live up to its promises – to deliver a level of tangible attributes that it promised to deliver. The higher mean values of expectations (in all cases more than 4 points in a 5 point Likert scale) further suggest that the bank has exerted much effort on creating higher level of image in the minds of its customers which helped it to develop confidence on customers and positive organizational image. This could be one reason for the insignificant mean differences between customers' expectations and perceptions.

#### 4.2.2. Gap between Customers' Perception and Expectation on Reliability of the bank's service

All five of the reliability attributes measure the level of performance of an organization's service provision as measured by the delivery of service on a timely manner, error-free records, and showing sincere interest in solving customers' problems. The difference between customers' perceptions and their expectations for the reliability dimension was assessed through the responses provided by sample customers to the five reliability attributes shown in the table below.

Table 3 Mean scores of customers' expectation, perception, and gap score for reliability attributes

Attributes	P	E	Gap score
PERREL1- EXPREL1	3.7000	3.9700	-.27000
PERREL2- EXPREL2	4.2100	4.0500	.16000
PERREL3- EXPREL3	3.8500	3.8100	.04000
PERREL4- EXPREL4	3.7700	4.2200	-.45000
PERREL5- EXPREL5	4.0900	3.9100	.18000

Table 3 illustrates the average differences between customers' perceptions versus expectations and gap score for each of the attributes with regard to the bank's reliability in the service delivery. For REL2, REL3 and REL5 attributes the mean gap scores were positive indicating that, customers' perceptions exceeded their expectations. So that, customers were satisfied on this attributes. On the other hand, on the other two reliability dimensions, REL1 and REL4, the gap scores are negative, and, therefore, customers' were not satisfied since their expectations were unmet.

Ho<sub>2</sub>: There is no significant difference or gap between customer expectations and their perceptions of service quality on the reliability dimension attributes of Dashen Bank, Mekelle Area Bank.

Table 4 Paired Sample T-test statistics for reliability of the bank

	Paired Differences				t	df	Sig. (2-tailed)
	Mean	Std. Deviation	95% Confidence Interval of the Difference				
			Lower	Upper			
Pair 1 PERREL1 - EXPREL1	-.27000	1.16216	-.50060	-.03940	-2.323	99	.022
Pair 2 PERREL2 - EXPREL2	.16000	1.16965	-.07208	.39208	1.368	99	.174
Pair 3 PERREL3 - EXPREL3	.04000	1.34780	-.22743	.30743	.297	99	.767
Pair 4 PERREL4 - EXPREL4	-.45000	1.04809	-.65796	-.24204	-4.294	99	.000
Pair 5 PERREL5 - EXPREL5	.18000	1.25835	-.06968	.42968	1.430	99	.156

\* Significant at  $\alpha=0.05$

Table 4 depicts the mean differences between perceptions and expectations of respondents and further shows the results of the paired T-test for each of the attributes under reliability dimension. On REL1 attribute the mean difference of negative (0.270) and the two tailed sig-t (0.022) gave evidence that customers' expectations were not met concerning the bank delivering its promises in a timely manner and shows that statistically there is significant difference between customers' expectations and perception of the quality of service being delivered by the bank. Hence, customers were not satisfied on this aspect.

The mean difference for REL2 attribute was positive (0.160) indicating that customers' perceptions exceeded their expectations with regard to bank's employees showing sincere interest to solve customer problems and customers were satisfied on this attribute. The two tailed sig-t (0.174) shows that, statistically, there is no significant gap. This purports that aside that the bank's employees sincerely interest to solve customers' problems was not much more than what customers' expected of them.

On the third service reliability attribute, REL3, there is a positive (0.040) mean difference between customers' expectation and perception. That is, per the result, customers' perceptions exceeded their expectation to get their saving account service demands be performed right the first time and, therefore, satisfied. But, the two tailed t-test (0.767) indicates there is no statistically significant difference between customers' expectations and perceptions on this attribute making the case for customers' who were served just as per their expectation, and no more.

A different picture than the above results was observed on the REL4 attribute, that is, on time delivery of service. Here, as can be seen in Table 4.12, the mean difference score is negative (0.045), which suggests that customers' expectation on the speed with which service would be delivered them at the bank filed to be met. Whether this would turn out to make them dissatisfied customers is supported by the statistically significant difference indicated by two-tailed T-test (0.000). It can be thus concluded that the difference was indeed significant making customers really dissatisfied.

The survey result demonstrated a positive mean difference of (0.180) which is statistically insignificant difference (0.156) on attribute REL5. This indicates that customers perceptions were exceeded their expectations with regard to the bank insisting on error-free records and shows that, statistically, there is no significant difference between customers' expectations and perceptions of the quality of service being delivered by the bank on this aspect.



From the analysis so far one important observation is that despite the reasonably good performance on the three service reliability attributes, there are significant gaps with respect to the other two attributes (delivering on promises and providing services at the time the bank promised). It was shown that customers' perceptions were less than their expectations in regard to these two attributes. This recommends it that more effort is needed to improve the service quality level of the bank in these two attributes. The bank must deliver what is promised within the specific time frame set out. If this delivery is done in a proper manner, it will enhance the perceived service quality of customers'.

#### 4.2.3. Gap between Customers' Perceptions and Expectations on the Responsiveness of the bank

Responsiveness in service delivery refers to fulfilling important customer requirements such as prompt service delivery, helpfulness in meeting customers' needs, responding to customer requests. This study considered four attributes of service responsiveness as shown in Table 4.13. The survey results on customers' perception and expectation on each of the four attributes are presented in Table 4.14.

Table 5 Mean scores of customers' expectation, perception, and gap score for responsiveness attributes of the bank

Attributes	P	E	Gap score
PERRESP1- EX PRESP1	3.6200	3.9100	-.29000
PERRESP2- EXPRESP2	3.5900	3.8700	-.28000
PERRESP3- EXPRESP3	4.2500	4.0100	.24000
PERRESP4- EXPRESP4	4.1500	3.8600	.29000

Table 5 depicts the gap score for RESP1 and RESP2 is negative and for ESP3 and RESP4 is positive meaning that customers were satisfied in the former case and dissatisfied in the latter.

H<sub>03</sub>: There is no significant difference or gap between customer expectations and their perceptions of service quality on the responsiveness dimension attributes of Dashen Bank, Mekelle Area Bank.

Table 6 Paired Sample T-test statistics for responsiveness of the bank

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair1	PERRESP1 – EXPRESP1	-.29000	1.25766	.12577	-.53955	-.04045	-2.306	99	.023
Pair 2	PERRESP2 - EXPRESP2	-.28000	1.36389	.13639	-.55063	-.00937	-2.053	99	.043
Pair3	PERRESP3 – EXPRESP3	.24000	5.07543	.50754	-.76708	1.24708	.473	99	.637
Pair 4	PERRESP4 - EXPRESP4	.29000	.99793	.09979	.09199	.48801	2.906	99	.005

As Table 6 illustrates the mean differences between customers' perceptions and their expectations towards the quality of service and presents the results of the paired T-test for each attribute under the responsiveness service quality dimension. The assessment of the responses on RESP1, which states that the bank tells its customers exactly when services will be provided, shows a mean difference of negative (0.290), indicates that customers' expectations exceeded their actual experience of the service and the two tailed sig-t (0.023) implies that the gap between perception and expectation were statistically significant. Hence, customers were dissatisfied on the mentioned attribute.

When it comes to the second responsiveness attribute (RESP2), that the employees of the bank give prompt service, the mean difference of negative (0.028) shows that customers' expectations exceeded their perceptions. The two tailed sig-t (0.043) confirmed that there is a significant difference between customers' expectations and their perceptions of the service being delivered on this attribute. This makes it that respondents' were dissatisfied with the level of quality delivered them on this attribute.

With a positive mean difference of (0.24) between customers' expectation and perception, which difference is insignificant on a two-tailed T-test (sig-t: 0.637), customers were satisfied on the level of quality of service on the third responsiveness attribute (RESP3), the willingness of employees of the bank to help customers.

The mean difference on RESP4 is positive (0.290) and the two tailed sig-t (0.7971) which illustrate customers' perceptions exceeded their expectations with regard to employees of the bank never too busy to respond to customer requests and they were satisfied on this aspect. On the other hand, the result of the paired t-test result indicates that there is no significant difference between customers' expectations and their perceptions of the quality service being delivered by the bank.

Dealing on the most critical and time sensitive resource i.e. money, banks, in order to assure their survival, should manage to give a prompt service as per the customers' requirement. Notwithstanding with this

reality, and in spite of the satisfactory performance levels on two attributes of responsiveness, the bank proved to be weak on two (RESP1 and RESP2) of the four responsiveness attributes. The significant level of dissatisfaction reported by sample respondents of the survey in relation with the bank's telling exactly of when services will be provided and giving of prompt service to the customers suggest that a lot is expected of the bank in improving its service responsiveness. Especially bank customers' sensitivity to service promptness, on which the bank's performance was poor, entails possibilities to losing important customers of the bank unless immediate corrective measures are taken.

#### 4.2.4. Gap between Customers' Perception and Expectations of service on Assurance of the bank

The assurance attributes relate to providing customers with a degree of comfort by making customers feel safe in their transactions, in the courteous treatment of customers, and possessing knowledge sufficient to answer customers' questions. Via an assessment of customers' expectations compared with their perceptions on four attributes of assurance, this study tried to evaluate the level of assurance Dashen Bank, Mekelle Area Bank availed to its saving account customers.

Table 7 Mean scores of customers' expectation, perception, and gap score for assurance attributes of the bank

Attributes	P	E	Gap score
PERASSU1- EXPASSU1	4.2800	4.0200	.26000
PERASSU2- EXPASSU2	4.2600	4.0600	.20000
PERASSU3- EXPASSU3	4.1900	3.8700	.32000
PERASSU4- EXPASSU4	4.0800	4.0000	.08000

Table 7 provides the mean scores of customers' expectation and their perception and the gap scores between the two for each of the four assurance attributes. In all four of the assurance attributes the mean gap score is positive indicating customers were satisfied with these service attributes of the bank.

H0<sub>4</sub>: There is no significant difference or gap between customers' expectation and their perception of service quality on all the four assurance dimension attributes of Dashen Bank, Mekelle Area Bank.

Table 8 shows the mean differences between customers' perceptions and their expectations along with the paired T-test for each attributes in the assurance dimension. On the first attribute of assurance (ASSU1), that is, the extent to which the bank's employees' behavior instills customer confidence, the positive mean difference (0.260) was tested for its significance difference. The two-tailed test of significance, sig-t (0.026), was significant, suggesting that customers' perceptions exceeded their expectations significantly. This result indicates an exceptional performance level by the bank, as it entails that customers' expectations were exceeded by and large, resulting in delighted customers.

On ASSU2 attribute a positive mean difference of (0.200) and the two tailed sig-t (0.075) show that, the actual service experience of customers exceeded their expectations of feeling safe in all their transaction with the bank; but, the difference was so insignificant that the service level on this attribute just matched customers' expectations.

Table 8 Paired sample T-test statistics for assurance dimension

	Paired Differences				t	df	Sig. (2-tailed)
	Mean Difference	Std. Deviation	95% Confidence Interval of the Difference				
			Lower	Upper			
Pair 1 PERASSU1 - EXPASSU1	.26000	1.15137	.03154	.48846	2.258	99	.026
Pair 2 PERASSU2 - EXPASSU2	.20000	1.11010	-.02027	.42027	1.802	99	.075
Pair 3 PERASSU3 - EXPASSU3	.32000	1.18816	.08424	.55576	2.693	99	.008
Pair 4 PERASSU4 - EXPASSU4	.08000	.96064	-.11061	.27061	.833	99	.407

\* Significant at  $\alpha=0.05$

Whether and to what extent the employees of the bank were consistently courteous with customers was evaluated with survey responses on ASSU3, the third assurance attribute. Besides a positive mean score difference (0.320) between customers' expectation and actual service experience, the two-tailed T-test sig-t (0.008) confirmed that the difference was statistically significant; that is, customers' expectations were more than met by the bank indicating an exceptionally outstanding performance of the bank's employees being consistently courteous with customers of the bank.

Finally, on ASSU4, the results revealed that there was a mean difference of a positive (0.080), confirming that customers' perception exceeded their expectations that employees of the bank have sufficient knowledge to answer customers' questions. And the two tailed sig-t (0.405) confirmed that the difference was insignificant- that is, the bank was able no more than match customers' expectations.

As the results afar unveiled it, customers were satisfied with the actual service performance of the bank

on the four attributes of the assurance dimension. The results made it evident that the bank has employees who had the ability to inspire confidence and trust on customers; customers' feeling of safety in their transactions with the bank is more than satisfactory. It appears that the bank might have paid more attention on this dimension and provided more opportunities to develop staffs to instill customers' confidence in its service.

#### 4.2.5. Gap between Customers Perceptions and their Expectations of service on Empathy of the bank

The elements of empathy relate to giving the customer individual attention, having convenient operating time, understanding customer needs, and having the customers' best interests at heart. Table 4.19 purports that the current study included five attributes under the empathy dimension of service quality.

Table 9 Mean scores of customers' expectation, perception, and gap score for empathy attributes

Attributes	P	E	Gap score
PEREMP1- EXPEMP1	3.9200	4.3700	-.45000
PEREMP2- EXPEMP2	4.4200	4.2400	.18000
PEREMP3- EXPEMP3	4.0400	4.4000	-.36000
PEREMP4- EXPEMP5	4.3100	4.5700	-.26000
PEREMP5- EXPEMP5	3.7900	3.7500	.04000

Table 9 displays the mean differences between customers' perceptions of the actual service quality and their expectations on each of the five attributes under empathy. The results are mixed. For EMP1, EMPA2 and EMPA4 the gap score is negative indicating that in this service attributes customers were dissatisfied. On the other hand on EMPA2 and EMPA5 the opposite was true.

Ho<sub>5</sub>: There is no significant difference or gap between customer expectations and their perceptions of service quality on the empathy dimension attributes of Dashen Bank, Mekelle Area Bank.

Table 10 shows the mean differences between customers' perceptions and their expectations and the paired T-test for each attributes in the empathy dimension. The mean difference of a negative (0.450) and the two tailed sig-t (0.000) indicated on EMPA1 attribute customers' expectations exceeded their perceptions with regard the bank giving individual attention to customers'-recognizing regular customers and the two tailed significant t-value revealing the fact that there is significant gap between their actual experience and expectation about the quality of service being delivered by the bank on this element. Consequently, customers were dissatisfied on this aspect.

EMPA2 attribute illustrates a mean difference of positive (0.180) and the two tailed sig-t (0.072) indicating that, customers' perception were exceeded their expectations with regard to the bank's operating hours being convenient to all customers of the bank and the paired T- test result also shows that there is no significant difference on mean gap of their perceptions and expectation towards this attributes. Therefore, customers were satisfied on the mentioned attribute.

In examining the results obtained from EMPA3, a mean difference of a negative (0.360) and the two tailed sig-t (0.001) indicating that customers' expectations were exceeded their perceptions of the employees of the bank giving personal attention and for that matter customers were dissatisfied and it also shows that, there is significant difference on this element.

Table 10 Paired sample T-test statistics for empathy dimension

		Paired Differences				t	df	Sig. (2-tailed)
		Mean	Std. Deviation	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1	PEREMPA1 - EXPEMPA1	-.45000	1.10440	-.66914	-.23086	-4.075	99	.000
Pair 2	PEREMPA2 - EXPEMPA2	.18000	.98862	-.01616	.37616	1.821	99	.072
Pair 3	PEREMPA3 - EXPEMPA3	-.36000	1.09655	-.57758	-.14242	-3.283	99	.001
Pair 4	PEREMPA4 - EXPEMPA4	-.26000	1.08823	-.47593	-.04407	-2.389	99	.019
Pair 5	PEREMPA5 - EXPEMPA5	.04000	1.23026	-.20411	.28411	.325	99	.746

\* Significant at  $\alpha=0.05$

On EMPA4 the mean difference of a negative (0.260) portrays that the customers' expectations were not met with regard to the bank having customers' best interests at heart, hence, they were dissatisfied on this aspect. The two tailed sig-t (0.019) also shows that on this attribute there is statistically a significant difference between the actual experience of the service and their expectations.

EMPA5 indicates a mean difference of a positive (0.040) and the two tailed sig-t (0.746) showing that customer perceptions were exceed their expectations with regard to employees of the bank understanding specific needs of the customers and they were satisfied. The paired T-test reveals that, there no significant

difference between customers expectations and their exception of the service being delivered on motioned attribute.

With regard to the three empathy attributes (the bank giving individual attention, the employees of the bank giving personal attention, and the bank having the customers' best interest at heart), the customers expectation were exceeded their perception of the actual service; the customers expressed a level of disappointment with these attributes and implies that the bank has weakness on the above mentioned attributes. On the rest two attributes -convenient operating hours and employees understanding customers' specific need the bank is functioning efficiently as it renders service including lunch hours.

### 4.3. Overall Customer Satisfaction

A five point Likert scale question was designed in a way to collect about the overall level of customer satisfaction or dissatisfaction with the saving account service being provided by Dashen Bank, Mekelle Area Bank. So, the result of this is depicted in the below table.

Table 11 Overall Customer Satisfactions or Dissatisfaction Level

Overall customer satisfaction level/dissatisfaction level		Frequency	Percent
1.	Very dissatisfied	2	2.0
2.	Dissatisfied	6	6.0
3.	Neutral	29	29.0
4.	Satisfied	41	41.0
5.	Very satisfied	22	22.0
Total		100	100.0

As Table 11 demonstrates that (41%) of the respondents were satisfied, (22%) of the respondents were very satisfied with the bank's saving account service and (29 %) of the respondents were neutrally satisfied. On the other hand only (6%) and (2%) of the respondents were dissatisfied and very dissatisfied with the banks service respectively. This result confirms that most Dashen Bank; Mekelle Area Bank saving account customers were satisfied with the bank service delivery.

In order to test the hypothesis with regard to the overall customer satisfaction or dissatisfaction level with the service being delivery by the bank, a one sample T-test was conducted. The results of this presented in the below table.

Table 12 One-Sample Statistics of Overall Customer satisfaction level

	N	Mean	Std. Deviation	Std. Error Mean
Overall customer satisfaction or dissatisfaction level	100	3.7500	.93609	.09361

Table 12 shows the overall mean and standard deviation of customer satisfaction. The mean of overall satisfaction of customers is slightly higher than the test value three.

As it can be seen from Table 13, with test value of three, the mean difference in overall customer satisfaction level is positive (0.75) and two tailed sig-t (.000) showing that the sampled mean (3.75) is significantly greater than the mean of test value (3) providing strong evidence to reject the null hypothesis i.e. *Dashen Bank, Mekelle Area Bank saving account customers are neither satisfied nor dissatisfied (they are neutral satisfied) with the service of the bank*. Therefore we can safely conclude with 95% confidence level that saving account customers of Dashen Bank, Mekelle Area Bank were satisfied (i.e. more than neutral) with the bank's service delivery.

Table 13. 24 One Sample T-test of Customer overall Satisfaction.

Hypothesis	Test value=3						Assessment of null hypothesis
	t	df	Sig. (2-tailed)	Mean Difference	95% confidence interval		
					Lower limit	Upper limit	
<i>Ho<sub>6</sub>: Dashen Bank, Mekelle Area Bank saving account customers are neither satisfied nor dissatisfied i.e. they are neutral satisfied with the service of the bank</i>	8.012	99	.000	.75000	.5643	.9357	Rejected

### 4.4. The Relative Importance of Service Quality Dimensions to Bank Customers

For the sake of converging the banks focus and resource allocation, it is believed by the researcher that knowledge of what customers value at most from the existing five service quality dimensions should be known.

To this end, customers were asked to rank them; once their priority has been identified and known, the bank can plan and allocate its resources according to the priority. The results of this study are discussed as follows.

Thirty one percent of the respondents rated reliability as the most important service quality dimension to Dashen Bank, Mekelle Area Bank customer. Therefore, the findings suggest the bank to focus its effort on delivery of service in a timely manner, error-free records, and showing sincere interest in solving customers' problems. Twenty three percent of the respondents rated responsiveness as the second important element to the bank's customers – reacting to customer needs such as prompt service, helpfulness in meeting customers' needs, responding to customers' requests. On the other hand, eighteen percent of the respondents rated assurance as the third important element in the banks service provisions- providing customers with a degree of comfort in the areas of making a customer feel safe in their transactions, in their courteous treatment of customers, and knowledge sufficient to answer customers questions. Tangible of the bank in the delivery of service was rate as fourth important service quality dimension by fifteen percent of the respondents. Astonishingly, thirteen percent of the respondents rated empathy as the lesser important dimension in the bank's service delivery. This could simply mean the bank customers also need a caring and individualized attention although the dimension is not as important as the reliability, responsibility, tangibility and assurance.

## 5. Conclusions and Recommendations

### 5.1. Conclusions

This study aims to assess the quality of service that Dashen Bank, Mekelle Area Bank provides to saving account customers and thereby to evaluate their satisfaction level with the bank's service delivery. Based on the assessment made by the researcher, in relation to customers' actual experience of the service of the bank and their expectations about the provision of the service and thereby evaluating the overall of customer satisfaction level, the researcher concluded the following points.

Saving account customers of Dashen Bank, Mekelle Area Bank were satisfied with the tangible elements related to the physical aspects, equipment and appearance of personnel's of the bank. This implies that the bank has managed to achieve this service quality dimension and exerted much effort on creating reputation and good image in the minds of its customers which helped it to develop confidence on customers and positive organizational image.

On reliability service quality dimension attributes; with regard to bank employees showing sincere interest to solving customer problems, the bank performing the service right the first time and insisting on error-free records, customers were satisfied. On the other hand, an element as to the bank's delivering of the service on timely manner, it was noted that customers were dissatisfied and this implies that more effort is needed to improve the service quality level of the bank with the mentioned attributes. The bank must deliver what is promised within the specific time frame set out. If this is done in a proper manner, it will enhance the perceived service quality of the customers.

The responses of the customers on responsibility service quality dimension attributes; in relation to the bank telling customers exactly when the services will be provided and the employees of the bank giving prompt service. On these elements customers were dissatisfied. The bank is weak on these areas and this implies that dissatisfied customers of the bank may shift to other banks and the bank will lose certain percentage of customers due to slowness in service delivery. On the other hand, customer perceptions exceeded to their expectations with regard to the employees of the bank are always willing to help customers and the employees in the bank never too busy to respond to customer requests, hence customers were satisfied on these mentioned elements.

As the finding of the study reveals that, the result of all of the assurance attributes shows that the bank has employees who have the ability to inspire confidence and trust on customers. This implies that the bank has paid more attention on this dimension and provided more opportunities to develop staffs to instill customers' confidence in its service.

The empathy attribute mean differences scores indicated that, customers felt in the three of the five service quality attributes their expectations exceeded than their perceptions-with regard to getting individual attention, receiving personal attention, and the bank keeping customers' best interest, the customers expressed a level of disappointment with these attributes and implies that the bank has weakness on the above mentioned attributes. In the remaining elements – the bank having convenient operating hours and employee understanding customers' needs, there was an indication that their expectations were exceeded; hence customers were satisfied on these areas. This implies that the bank is functioning efficiently as it renders service including lunch hours.

With regard to the relative importance of service quality dimension to the customers' of the bank, reliability is the most important service quality dimension, respondents rated responsiveness as the seconded important element, assurance as the third important element in the banks service provisions, tangibility is the fourth element and surprisingly, empathy rated as the lesser important service quality dimension in the bank service delivery. This could simply mean the bank customers also need a caring and individualized attention



although the dimension is not as important as the reliability, responsibility, tangibility and assurance. This implies that the bank customers place more emphasis on reliability compared to empathy. Once their priority has been identified and known, the bank can plan and allocate its resources according to the priority. The result of this study demonstrates that, (41 %) of the respondents were satisfied with the service performance of the bank and (22%) of the bank customers were very satisfied. Overall, we can conclude that saving account customers of the Dashen Bank, Mekelle Area Bank were satisfied with the service delivery of the bank. Generally speaking, this study revealed that, the bank is providing quality service to saving account customers of the bank, apart from some above mentioned weakness areas.

## 5.2 Recommendations

This study attempted to find out customers perception and their expectation of service quality by using the SERVQUAL model. The study focused on five service quality dimensions; tangibles, reliability, responsiveness, assurance, and empathy that the banking sector should focus to enhance customers' satisfaction. On the basis of the findings and conclusions reached, the following recommendations were forwarded in order to improve the quality of service delivery and boost saving account customers' satisfaction level of Dashen Bank, Mekelle Area Bank. It is advisable for the bank to apply strategies to reduce the negative gaps between customers' perceptions and expectations of service.

1. Giving training: - It is desirable to train its employees in order to deliver prompt service. The management should focus on training employees to improve reliability (performing the promised service both dependably and accurately), responsiveness (willingness to help customers and to provide prompt service) and as well as empathy (provision of caring and individualized attention to customers) service quality dimensions to satisfy customers. It is advisable to train staff in service quality improvement programmes e.g. Customers' service improvement.
2. Expanding its operation: - as perceived the bank has high demand which is incompatible with its current capacity. So, to keep on meeting customers' requirement, the bank should open another branch or expand its operations in order to cease the current overcrowding of customers and thereby it can provide prompt service.
3. Service performance evaluation: - It is important to evaluate the level of its service quality frequently, this will allow the bank to measure frequently its effectiveness of quality service provision from the eyes of its customers and can determine their satisfaction level, by doing so, it can maintain its customers and be able to attract a wide range of customers. The highly competitive nature of banking industry needs the provision of quality service not only to retain existing customers, but also to obtain new customers. In support of the above recommendation, Parasuraman, et al., (1988), suggests that SERVQUAL is most valuable when it is used periodically to track service quality trends of the organization.
4. It is advisable for the bank to plan and allocate its resources according to the relative importance of the service quality dimensions-as indicted in the above.
5. Carrying out in depth and overall research:- It is also recommended that, future research should be carried on to assess the bank's quality of service delivery and customer satisfaction level with the bank's overall service offerings on other customer groups in order to become competent and be winner in the banking sector in its diverse services. It is necessary to conduct research regularly in order to identify customers' perceptions and expectations, which may vary over time. Neglecting research may lead to incorrect or incomplete manager perceptions. More investment in consumer research means more knowledge about customers' expectations, therefore less gap between what customers want and what managers think customers want. This will probably allow customers provide input for the improvement of the bank's service.

## 5.3. Recommendation for Further Research

This study was focused on an assessment of the quality of service delivery and customer satisfaction of saving account customers. It would further be interesting to conduct more focused research in different banking service; such as current account service, local money transferring service, automatic teller machine (ATM) service etc. SERVQUAL model was adapted to measure the service quality and customer satisfaction of saving account customers of Dashen Bank, Mekelle Area Bank. It would be further interesting to conduct research with this model to make a comparative study and to investigate whether there are any differences in quality service delivery and customer satisfaction between different banks.

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