

Hawassa University
College of Business and Economics
School of Management and Accounting



Assessing the Impact of Core Banking and Service Quality on Customer Satisfaction in Commercial Bank of Ethiopia (A case of Bishofftu Branch)

By:

Endalkachew Abebe

A research project submitted in partial fulfillment of the requirement for masters of business administration degree in marketing Management

June 2013

Hawassa, Ethiopia

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June, 2013

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**Project Title: Assessing the impact of core banking and service quality
in CBE (case of Bishoftu branch)**

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Declaration

I, the undersigned, declare that this research paper is my original work and that all sources of the materials in the research paper have been duly acknowledged. The matter embodied in this project work has not been submitted earlier for award of any degree or diploma to the best of my knowledge and belief.

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CERTIFICATE

We, hereby certify that, Mr. Endalkachew Abebe student of Masters of Business Administration at Hawassa University, College of Business and Economics, School of Management and Accounting, has completed his research project on “**Assessing the impact of core banking and service quality on customer satisfaction**”, under our advice, guidance and supervision.

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Acronyms

CBE: Commercial Bank Of Ethiopia

SERVQUAL: Service Quality

CSQ: Customer Satisfaction Questionnaire

CBQ: Core Banking Questionnaire

SQQ: Service Quality Questionnaire

SPSS: Statistical Package For Social Science

ICT: Information Communication Technology

ATM: Automated Teller Machine

IT: Information Communication

CBS: Core Banking Service

Abstract

This research project focuses on identifying the impacts of core banking and service quality on customer satisfaction in commercial bank of Ethiopia Bishoftu branch. The main objective of this project is to assess the impact of core banking and services quality on customer satisfaction in commercial bank of Ethiopia. A sample of 220 customers was selected using stratified sampling technique, and among these 200 was considered. For the purpose of the study primary data were collected using likert scale based questionnaire. And the data was analyzed using descriptive statistics and inferential statistics. The result of this study shows that, there was significant relationship between all service quality dimension and customer satisfaction in commercial bank of Ethiopia. At the same time, there was significant relationship between core banking and customer satisfaction. The three service quality dimension (reliability, assurance, empathy) have positive and significant impact on customer satisfaction at the bank. However, the rest two dimensions (responsiveness and tangibility) have no impact on customer satisfaction. Core banking also have positive and significant impact on customer satisfaction. Based on these, it is recommended that the bank should work more on the two service quality dimension (reliability and empathy) to enhance customer satisfaction.

Key words: *service quality, core banking, customer satisfaction, SERVPERF*

Chapter one

Introduction

1.1. Background of the study

New age business environment is very dynamic and undergoes rapid changes as a result of technological innovation, increased awareness and demands from customers. Business organizations, especially the banking industry of the 21st century operates in a complex and competitive environment characterized by these changing conditions and highly unpredictable economic climate. Information and Communication Technology (ICT) is at the center of this global change. Information technology is considered as the key driver for the changes taking place around the world. Due to a pervasive and steadily growth of information and communication technology, the world banking industry is entering into new phenomena of unprecedented form of competition supported by modern information and communication infrastructure. E-commerce has become a slogan for companies over a couple of years with increased awareness about the use of computers and internet. The Internet is the driving force for the growth of e-commerce (Bhaskar R. & Tewodros Sisay, 2011).

The information and communication applications are paramount concern to the banks in today's business environment and internet has become the major platform for all financial, banking and commercial transactions in the present scenario.

A strategic use of ICT helps an organization gain a competitive advantage through its contribution to the strategic goals of an organization and/or its ability to significantly increase performance and productivity.

As a result of this many banks in different countries changes their operation to the uses of advanced technologies that will enable them to compete with the growing tastes and preferences of the customers (<http://ethiopiaembassy.eu/cbes-core-banking-project-to-become-operational/>).

Banking system occupies an important place in a nation's economy. It plays a vital role in accelerating the rate of economic growth by mobilizing the existing or potential savings and by making the disbursement of credit to commercial undertaking and priority areas. Banking industry is marked by aggressive competition and ever-changing customer demands. As a result, banks need to adopt themselves to the changing environment. It is essential for the banks to adopt appropriate various strategies to merge as the preferred bank of customers. Timely introduction of various products to suit the diverse needs of customers is a functional necessity to the banks. Technology gives the cutting edge to come out with customer centric products and delivery channels in time (Biju K, D. Devandhiran & Sreehari R. 2012).

1.1.1. The use of core banking in Ethiopia

In Ethiopia, the use of information communication technology (ICT) in banking industry is almost a recent phenomenon.

For example if we see the use of core banking and ATM, ATM is currently limited to only certain banks (CBE in some of its branches in Addis Ababa and large cities, Dashen bank in allover its area branches, Wogagen Bank in some selected branches and etc...), with limited services, even though the demand is higher than the service, but still it is a

promising trend. And at the same time the use of core banking is also limited to some commercial banks of Ethiopia.

According to National Bank of Ethiopia, currently there are 13 banks who have acquired CORE banking solutions that are required to interface with the National Bank.

The new IT infrastructure will also enable banks to strengthen and extend their relations with credit card providers such as Visa and Master Card as well as roll out new mobile and Internet banking services. Thus, the bank's customers will enjoy reduced waiting time and a greater choice of banking channels and services (www.nbe.gov.com).

1.2. Statement of the problem

Satisfying customers is the first major mission and purpose of any business organization.

It is when customers are satisfied the organizations achieves higher sales, profit and market share and vice versa.

Customer satisfaction also leads organizations to gain loyalty and achieve the desired objectives. Therefore, it is essential for organizations to satisfy their customers promptly so that they can achieve what they plan. Banks as a business organization should provide a great care for its customers' to attract, retain and gain their loyalty.

Nevertheless, banks found in our country (Ethiopia) have little care about their customers. This leads them to use more obsolete and traditional technologies that cause dissatisfaction and switching among customers.

This means the banks are not satisfying their customers enough due to many factors in which using traditional technologies is among them. Levesque and McDougall (1996) have confirmed and reinforced the notion that consistent poor customer experience as a result of poor service quality leads to a decrease in the levels of customer satisfaction and the chances of further willingness to recommend the service (i.e., word-of-mouth advertising or referrals) is lessened.

This is true for commercial bank of Ethiopia, which is the leading bank in the country.

Even though CBE has been providing many kinds of banking services since its establishment in 1942, it cannot go further in satisfying its customers.

Simply customers of the bank have not being satisfying by its services. This is due to poor service quality of the bank that results from absence of new and improved technologies.

The bank applied core-banking technology in 2004 E.C to integrate the services delivered in its all branch banks and to improve the quality of its services. The application of this technology is believed to have many contributions for the bank.

The researcher identifies the contribution of this technology on satisfying customers of the bank in Bishoftu branch. The purpose of this study is to examine the impact of core banking and service quality on customer satisfaction.

1.3. Objectives of the study

1.3.1. General objective

The general objective of this research project is to assess the impact of Core Banking and service quality on Customer Satisfaction in Commercial Bank of Ethiopia Bishoftu Branch.

1.3.2. Specific objectives

The specific objectives of this study are the following:

- A. To assess the changes that comes after the application of core banking service
- B. To identify the impact of core banking on customer satisfaction of the banks
- C. To identify the impact of service quality on customer satisfaction of the banks
- D. To analyze the customer satisfaction level in CBE
- E. To provide some recommendations for the bank

1.4. Research question

The study answers the following questions:

1. What are the changes that have come after the application of core banking?
2. How satisfied are customers with the application of core banking service in CBE?
3. How satisfied customers are with service quality in CBE Bishoftu branch?
4. What is the level of customer satisfaction in CBE Bishoftu branch?
5. What must be done to further improve the services in CBE Bishoftu branch?

1.5. Significance of the study

Since most bank services are easy to duplicate and provides nearly identical services, they can only distinguish themselves on the basis of quality of service (Kebede and Eshetu, 2012). Therefore, this study is greatly important to the bank to assess whether its application of core banking service enhance the level of customer satisfaction and identifies the position of service quality at the bank.

Moreover, the study will have the following significances:

- Identifies issues related to the application of core banking and service quality and thus provide feedback to managers.
- Identify the gap between what customer thinks about customer satisfaction and what actual customer satisfaction look likes in the bank.
- Result of this research project can be used as a base point for further studies in the related issues.

1.6. Scope of the study

This study was undertaken to evaluate customer satisfaction on core banking and service quality in CBE Bishoftu branch. Therefore it was delimited to the changes that come after the introduction of core banking in the bank. Moreover, the project focus area is only CBE Bishoftu branch; the result will not be extended to other branches of CBE.

1.7. Limitation of the study

This project report the result of the study of impacts of service quality and core banking on customer satisfaction in CBE Bishoftu branch and can therefore not be considered as a representative of the whole service quality of CBE; that is the generalizability of the finding and the conclusion drawn will be limited to CBE Bishoftu branch. Moreover, since this project is designed to be completed in four months time, it may not present detailed data to the intended level.

1.8. Organization of the study

The paper consists five chapters. The first chapter deals with the introduction part that consists of background of the study, statements of the problem, objectives of the study, significances of the study, scope of the study and limitation of the study. Chapter 2 contains a review of the related literature. The research design and methodology is presented in chapter 3. In chapter four, the results and findings of the study is discussed. Finally, the last chapter deals with the summary of findings, conclusions and recommendations that is forwarded both by the respondents and by researcher based on the result obtained.

Chapter Two

Literature Review

2.1. Overview

Like any business, banks often find it hard to keep up with change. First, they need the ability to spot it. This means tracking countless variables. Then, they need to take the right action. This can be especially tough in today's banking world. Change is coming at banks from many directions (IBM, 2012). And each change can trigger many more. Delayed or inadequate responses often make it even harder to overcome threats and capture opportunity. However, banks that reach this stage of core system transformation can start to dynamically respond to change. They can also sharpen those responses, reducing labor and capital costs while improving results.

2.2. IT in Banks

To-day, we cannot think about the success of a banking system without information and communication technology. It has enlarged the role of banking sector in the economy. The financial transactions and payment can now be processed quickly and easily. The banks with the latest technology and techniques are more successful in the competitive financial market. They have been able to generate more and more business resulting in their greater profitability (Kaur Rupinder 2012).

Information Technology has marked a turning point in the history of global banking and services with ever increasing availability of international bandwidth and powerful workflow management.

It is now possible to disaggregate any banking process, execute the sub-processes in multiple locations around the world, and reassemble it, at another location. Technology has opened up new markets, new products, new services and efficient delivery channels for the banking industry. Online banking, core banking, electronics banking, mobile banking and internet banking are just a few examples. Technological innovation not only enables a broader reach for consumer banking and financial services, but also enhances its capacity for continued and inclusive growth (R. Seranmadevi & M. G. Saravanaraj 2012).

It is evident that in improving customer services, management information system and ensuring high productivity, technology orientation has become inevitable. In creating a viable and efficient banking system, which can respond adequately to the needs of growing economy and tastes of customers, technology has a key role to play (Kaur Rupinder 2012). He also stated that technological challenge is to identify suitable areas of automation, selecting appropriate software and priorities the implementation on suitable and cost effective hardware so that in ultimate analysis, gains outweigh the cost.

2.3. Core banking services

CORE BANKING is one of the recent developments in the field of banking and it has proved to be very useful. It is a facility provided by banks in which a person having an account in one branch can operate his account in another branch (Kaur Rupinder, 2012).

This has become possible because each account holder is given a specialized computerized and unique account number.

In simple terms, CBS is a type of banking in which a person who opens a bank account in a particular branch of a bank will be a customer of the bank rather than being a customer of a particular branch. Core banking is all about knowing customers' needs; providing them with the right services at the right time through the right channels. The platform where communication technology and information technology are merged to suit core needs of banking is known as Core Banking Solutions. Here computer software is developed to perform core operations of banking like recording of transactions, passbook maintenance, and interest calculations on loans and deposits, customer records, balance of payments and withdrawal are done. This software is installed at different branches of bank and then interconnected by means of communication lines like telephones, satellite, internet etc. It allows the user (customers) to operate accounts from any branch if it has installed core banking solutions.

This new platform has changed the way of working in the banks. CBS enables banks to consolidate their technology platforms across functions and geographies leveraging cost and at the same time acquiring flexibility and scalability to adapt to a fast changing and competitive environment. In core banking, Banks are getting their data aggregation layers in place to facilitate projection of data in the form of static and dynamic reporting capability. This would be a logical extension of operational data aggregation using core banking systems. Systems such as core banking and business intelligence, if used synchronously, will add phenomenal enterprise value to business (Kaur Rupinder, 2012).

2.4. Benefits of Core Banking

2.4.1. Benefits to the bank

➤ Centralized Accounting

All the transactions of the bank directly impact the General Ledger and Profit and Loss Account. This provides a real time total picture about the financial position and situation of the bank. This helps for timely effective decision making for financial management; a very critical and dynamic function in today's banking (KULKARNI P. R. 2012).

➤ Centralized Product Control & Monitoring

Centralization helps in better product analysis, monitoring and rollout. Aspects like interest rate modifications, product modification and interest application can be done centrally from one place for all the branches. Bank can quickly respond to market scenario and customer needs. This gives competitive edge to the bank (KULKARNI P. R. 2012).

➤ Introduction of Technology Based Services

Service channels such as ATM, either on-site or off- site, can be started. Cheque Deposit Machines (CDM) can be installed. Such machine in WAN connectivity can allow any customer to deposit the cheque for collection at any branch (KULKARNI P. R. 2012).

➤ Centralized Customer Account Management

Any customer becomes the customer of the bank rather than of a branch. With unique ID / Account Number the accounts of the customers can be viewed centrally by the bank. As such, customer profile, details of the services availed by him and customer behavior about business of the bank can be well understood. Such customer view gives the bank opportunity to decide directions for business development and marketing strategies (KULKARNI P. R. 2012).

➤ Centralized Reporting

Presence of centralized data constantly live up-dated at any time ensures comprehensive report / statement generation. This tremendously helps in decision making as well as submission to various authorities. Operational efficiency of the bank gets increased due to quick report generation for bank as a whole (KULKARNI P. R. 2012).

➤ Centralized System Administration

Centralized system / I. T. administration enhances system security and user management. There is reduction in man-power need and cost. Due to single point resource available IT manpower is utilized properly (KULKARNI P. R. 2012).

➤ Growth opportunities

➤ Efficiency gains

➤ Risk mitigation for aging systems

2.4.2. Benefits to Customers

- Customer can operate his account from any of the branch of the bank.
- More service channels can be made available to the customer.
- Customer gets immediate credit if the transaction is between the branches of the bank. Even extension counters can provide all services to the customer.
- Customer gets full attention and service satisfaction at the branches as the branches are freed from all back office functions, clearing functions and almost all accounting functions.
- Customer can get SMS alerts on his mobile or e-mail alerts through net for transaction taking place in his account. This gives him comfort and security.
- Customer service improvements

2.5. Threats and Risks of Core Banking

- Total dependency on technology
- Any failure on technical ground can halt the working with uncertainty about restoring normalcy
- Stoppage of work has adverse effect on bank's image and reputation
- Technical person/s leaving the bank poses serious problem
- Network problem can discontinue the operation
- If not mitigated by generating profit out of benefits of core banking the recurring costs are heavy

2.6. Core Banking Service Quality

Due to an increasingly competitive, saturated and dynamic business environment, retail banks in many countries have adopted customer-driven philosophies to address the rapid and changing needs of their customers (Burnham, T. A., Frels, J. And Vijay, M. 2003).

Technological advances have changed the world radically, altering the manner in which individuals conduct their personal and business affairs.

Over the past two decades in particular, the banking industry has invested substantial resources in bringing ICT to customers. The banking industry is undergoing through the significant technological changes; it has several impacts on customer satisfaction and loyalty. It has revolutionized every industry including banking in the world by rendering faster and cost effective delivery of products and services to the customers (Walker et al., 2008).

According to Chakrabarty, (2007) core banking solution enables banks to extend the full benefits of ATM, tele-banking, mobile banking, internet banking, card banking and other multiple delivery channels to all customers allowing banks to offer a multitude of customer-centric services on a 24x7 basis from a single location, supporting retail as well as corporate banking activities.

Banks in Ethiopia are using Information Technology (IT) not only to improve their own internal processes but also to increase, facilities and to provide quality services to their customers. Particularly, in the banking sector ICT is one of the most important tools, because it provides many suitable alternative banking channels to the customers. It brings

connivance, customer centricity, enhance service quality and cost effectiveness in the banking services (Vijay M. Kumbhar 2012). Even now, customers are evaluating their banks based on availability of high-tech services. Therefore, implementation of ICT in the banking business continues to improve the banking service.

The researcher in order to conduct this research in addition to service quality dimensions employs some additional factors to evaluate the performances of core banking services in the bank. Those factors include the followings:

A. Reducing risks and errors

The security issue is of special concern in the Banking Industry, as banking is highly based on trust from its customers.

Hence, the risk of hackers, denial of service attacks, technological failures, breach of privacy of customer information, and opportunities for fraud created by the anonymity of the parties to electronic transactions all have to be managed. Depending upon its nature and scope, a breach in security can seriously damage public confidence in the stability of a financial institution or of a nation's entire banking system. Hence, by introducing the appropriate security measures and putting security concerns at ease, the Banking Industry might be able to attract the segments among consumers who previously were not inclined to use core banking. Furthermore, it is also in the banks' own interest to improve security, as digital fraud can be costly both in financial losses, and in terms of the damage it does to the brand of the bank in question (Broderick & Vachirapornpuc, 2002).

B. Accessibility

Rapid advancement in information and communication technology (ICT) has had a profound effect on the banking industry and the wider financial sector over the last 2 decades.

ICT is now a tool that facilitates the banks' organizational structures' business strategies & customer services. It enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risk and helps the financial intermediaries to reach geographically distant and diversified markets. Hence, the uses of core banking in commercial bank of Ethiopia are making its services that can be accessed easily. For instances, VISA card can facilitates you to make a purchase goods and services at an automated teller station that is set up to handle such transactions. Core banking helps to promote customer retention, convenience and satisfaction for customer in which the bank mightn't be got without the use of the system(Vijay M. Kumbhar 2012).

C. Speed

Transactions are also faster in banks via core banking. Core banking makes transactions faster through dissemination of required information or data at a quicker and faster rate.

The Banking Industry is currently being renewed in many areas. One of these areas related to the digitalization of formerly paper-based processes. Electronic mail is increasingly being applied for especially non-legal correspondence like account

statements, marketing and sales. On the other hand, the introduction of ICT increases efficiency of the employee in the bank (Kulkarni K, Kalkundrikar S. ,2002).

Core banking can be used to enhance customer service delivery, which could also pave the way for the reduction of the workload on tellers in banking halls. Such workload reduction could provide the tellers with opportunities for adequate interaction with customer and also help improve their functional efficiencies and effectiveness in customer service delivery. Therefore improving the service quality of the banking with the core banking could improve the overall customer perception of the banks functional suitability for service provision as rendered by tellers in the banking halls (Biju. et.,al 2012).

D. Satisfactory customer service delivery

The ability of most banks in Ethiopia to deliver effective and satisfactory services to their clients remains a challenge as a result of the continued use of traditional approaches in the delivery of banking services. In this regard, such banks were faced with a situation where the functions of their employees and the traditional service delivery functions they offered were no longer their first interest. Instead such banks are increasingly depending on technology with their attendant quality issues (Charles 2006). In bids to overcome this challenge, most of these banks have moved away from using traditional approaches in customer service delivery and have introduced information and communication technologies in their place to enable effective and satisfactory customer service delivery. Thus, the proliferation of new core banking application within the financial industry has significantly influenced the way banks deliver services to their clients. Such technologies

have enabled banks in developed economies to provide satisfactory customer services by enhancing their capacities to develop sophisticated products, design better market infrastructure, and implement reliable techniques for controlling risks. A semblance of this influence is highlighted by the introduction of self-service technologies that have enabled banks to develop electronically mediated multi-channel service delivery platforms for clients. These platforms, which include the ATMs, core banking, telephone banking, Internet banking, and mobile banking, are efficient means for selling products and servicing customers. In this wise, the banking industry in Ethiopia has experienced rapid legal and technological change (Grönroos 2000).

Among the many changes is the introduction of money counting machines and automated teller machines (ATM) to reduce workload and meet customer demands and the implementation of core banking solution to make the service flexible and fast (Vijay M. Kumbhar 2012).

2.7. Service Quality

“Quality research in the goods sector was established long before it was established in the service sector” (Gummesson, 1991). Bandyopadhyay 2003, pp. 187-188) claimed that quality in goods sectors is “commonly defined as the product’s fitness for its intended use, which means how well the product meet the needs and the expectations of its customer”.

Garvin (1983) referred to “the product oriented quality approach as ‘objective quality.’” (Clemes, Gan, and Kao, 2007). However, “understanding quality in the goods sector is inadequate for understanding service quality because of the fundamental difference

between the two terms” (Parasuraman, et al., 1985). (Parasuraman, et al., 1985, pp. 42) “Suggest that service quality is performance based rather than objects, therefore precise manufacturing specifications concerning uniform quality can rarely be set”.

Service quality is “more difficult for consumers to evaluate than product quality; this is due to a lack of tangible evidence associated with the service” (Hong and Goo, 2004). In the past decades, researchers (Carman 1990; Garvin 1983; Parasuraman et al, 1985, 1988) have defined and measured service quality by examining the attributes of service quality, while others (Bitner and Hubbert 1994; Iacobucci, Grayson, and Ostrom, 1994; Oliver, 1993; Oliver and DeSarbo, 1988; Parasuraman, Zeithaml, and Berry, 1994) focused on the application in services to conceptualize the relationship between service quality and customer satisfaction. Therefore, a combination of the service quality and customer satisfaction literature has formed the foundation of service quality theory (Clemes et al., 2007; Parasuraman et al., 1985).

Bitner and Hubbert (1994) “define service quality as the customers’ overall impression of the relative inferiority or superiority of the organization and its services.” Gronroos (1984) “identified service quality as the evaluation process outcome, in which customers are involved and where a certain experience is always compared to the perceived service received.” “Service quality is not objectively measured according to some technical standards but is subjectively felt by customers and measured relative to customer-determined standards” (Kwortnik, 2005).

Berry et al., (1990) also “defined service quality as the discrepancy between customers’ expectations or desire and their perceptions.”

“The previous literature suggests that the evaluation of quality in services is more difficult than goods (Parasuraman et al., 1985) and that delivering quality services is increasingly recognized as the key to success for service providers” (Cronin and Taylor, 1992). But, “perceived service quality has confirmed to be a complex concept to understand” (Brady and Cronin, 2001, pp.34). Therefore, Rust and Oliver (2000) propose that it is essential for companies to develop the awareness of customers’ perceptions of service quality.

2.8. Characteristics of Services

According to Bitner et al., (1993) service has four characteristics: intangibility, inseparability, heterogeneity and perishability.

A. Intangibility of Services

Regan (1963) “introduced the idea of services being activities, benefits or satisfactions which are offered for sale, or are provided in connection with the sale of goods”. The degree of intangibility has been suggested as a means of differentiating tangible products with services (Levitt, 1981). Most of the time, services are explained as being intangible since their outcome is considered to be an action rather than a physical product (Johns, 1999). (Darby and Karni 1973 and Zeithaml 1981) highlight the fact that the degree of tangibility has implications for the ease with which consumers can evaluate services and products. Other researchers propose that intangibility cannot be used to differentiate clearly services with all products.

(Bowen 1990 and Wyckham, Fitzroy and Mandry 1975) suggest that the intangible-tangible concept is difficult for people to grasp. Bowen (1990) “provides empirical evidence to support this view.” Onkvisit and Shaw (1991) “feel that the importance of intangibility is over- emphasized”.

B. Inseparability of Services

Inseparability is taken to reflect the simultaneous delivery and consumption of services (Regan 1963; Wyckham et al 1975; Donnelly 1976; Grönroos 1978; Zeithaml 1981; Carman and Langeard 1980; Zeithaml et al., 1985; Bowen 1990 and Onkvisit and Shaw 1991) and it is believed to enable consumers to affect or shape the performance and quality of the service (Grönroos, 1978; Zeithaml, 1981).

C. Heterogeneity of Services

Heterogeneity “reflects the potential for high variability in service delivery” (Zeithaml et al., 1985). This is a particular problem for services with high labor content, as the service performance is delivered by different people and the performance of people can vary from day to day (Rathmell, 1966; Carman and Langeard, 1980; Zeithaml, 1985; Onkvisit and Shaw, 1991). Onkvisit and Shaw (1991) consider “heterogeneity to offer the opportunity to provide a degree of flexibility and customization of the service.” Wyckham et al., (1975) suggest that “heterogeneity can be introduced as a benefit and point of differentiation.”

D. Perishability of Services

In general, services cannot be stored and carried forward to a future time period (Rathmell, 1966; Donnelly, 1976; and Zeithaml et al., 1985 as cited in Wolak et al., 1998). Onkvisit and Shaw (1991) suggest that “services are “time dependent” and “time important” which make them very perishable.” Hartman and Lindgren (1993) claim that the “issue of perishability is primarily the concern of the service producer” and that the consumer only becomes aware of the issue when there is insufficient supply and they have to wait for the service.”

2.9. Service Quality Dimensions

Service's unique characteristics of intangibility, heterogeneity, and inseparability lead them to possess high levels of experience and credence properties, which, in turn, make them more difficult to evaluate than tangible goods (Bitner 1990; Zeithaml 1981). “Identification of the determinants of service quality is necessary in order to be able to specify measure, control and improve customer perceived service quality” (Johnston 1995).

The most frequently used scales in the measurement of perceived service quality are SERVQUAL (Parasuram, Zeithaml, and Berry 1988) and SERVPERF (Cronin and Taylor 1992). Both are the result of research work from the US school of quality. SERVPERF directly measures the customers’ perceptions of service performance and assumes that respondents automatically compare their perceptions of the service quality

levels with their expectations of those services. The SERVPERF scale is identical to the SERVQUAL scale in its dimensions and structure.

Cronin and Taylor (1992) argued on the framework of Parasuraman et al. (1985), with respect to conceptualization and measurement of service quality and developed performance only measurement of service quality called SERVPERF by illustrating that service quality is a form of consumer attitude and the performance only measure of service quality is an enhanced means of measuring service quality.

They argued that SERVQUAL confounds satisfaction and attitude. They stated that service quality can be conceptualized as “similar to an attitude”, and can be operationalized by the adequacy-importance model. In particular, they maintained that Performance instead of “Performance-Expectation” determines service quality. Service quality is evaluated by perceptions only without expectations and without importance weights.

The SERVPERF model was carved out of SERVQUAL by Cronin and Taylor in 1992. SERVPERF measures service quality by using the perceptions of customers. Cronin and Taylor argued that only perception was sufficient for measuring service quality and therefore expectations should not be included as suggested by SERVQUAL (Baumann et al, 2007 as cited in Mesay S 2012). The SERVPERF scale is found to be superior not only as the efficient scale but also more efficient in reducing the number of items to be measured by 50% (Hartline and Ferrell, 1996; Babakus and Boller, 1992; Bolton and Drew, 1991 as cited in Mesay S 2012). In this study, the SERVPERF scale is used to measure to service quality in retail banking.

2.10. Customer Satisfaction

Early concepts of satisfaction have typically defined satisfaction as a post utility evaluation and judgment concerning a specific purchase decision (Churchill and Sauprenant 1992; Oliver, 1980). Most researchers agree that satisfaction is an attitude or evaluation that is formed by the customer by comparing what they expect to receive to their subjective perceptions of the performance they actually get (Oliver, 1980).

Definition

Several authors have defined customer satisfaction in various ways:

- According to Kotler (2000), 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 expectation.
- Gaither (1994) defines customer satisfaction as the determination of customer requirements and demonstrated success in meeting them.
- Kotler (2006) again defined customer satisfaction by giving details on the attributes of a highly satisfied customer. According to him, a highly satisfied customer stays loyal, longer, and buys more as the company introduces new products and upgrades existing products; talks favorably about the company and its products, pays less attention to competing brands and is less sensitive to price, offers service or product ideas to the company and costs less to serve him than new customers because transactions are routine.

- Kotler and Armstrong (2001) in their Principles of Marketing, define customer satisfaction as the extent to which a product's perceived performance matches a buyer's expectations. They continued that, if the product's performance falls short of expectations, the buyer would be dissatisfied but if performance matches or exceeds expectation, the customer will be satisfied or highly satisfied. In service quality literature , customer expectations are understood as desires or wants of consumers (Zeithaml, Berry & Parasuraman 1993) or "what they feel the service provider should offer rather than would offer" (Parasuraman et al., 1988). Customer perceptions are defined as "the customer's judgment of the service organization's performance" (Parasuraman et al., 1988).
- Customer satisfaction is a "psychological concept that involves the feeling of well-being and pleasure that results from obtaining what one hopes for and expects from an appealing product and/or service" (WTO, 1985);
- CS "as an attitude-like judgment following a purchase act or a series of consumer product interactions." (Lovelock & Wirtz, 2007);
- "Satisfaction is merely the result of things not going wrong; satisfying the needs and desires of consumers." (Besterfield, 1994);
- "Satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's performance (outcome) in relation to his or her expectation." (Kotler & Keller, 2006 p. 144).

Again, CS may be described as a process or an outcome. One area that has received considerable debate in customer satisfaction literature is whether customer satisfaction

should be defined as an outcome or a process. Many early definitions conceptualized satisfaction as a process which is currently the dominant view held by most scholars (Oliver, 1980, Parasuraman et al., 1988). The process perspective presupposes that customer satisfaction is a feeling of satisfaction that results from the process of comparing perceived performance and one or more predictive standards, such as expectations or desires (Khalifa& Liu, 2002). This perspective is grounded in the expectancy disconfirmation theory proposed by Richard Oliver (Oliver, 1980). The customer is satisfied if the performance of product/service is equal to his/her expectations and he/she is dissatisfied if the product/service performance is perceived to be below his/her expectation (negative disconfirmation). If expectation exceeds perceived performance, the customer is highly satisfied.

By taking satisfaction as a process these definitions do not focus on satisfaction itself but things that cause satisfaction, the antecedents to satisfaction, which occur primarily during the service delivery process (Vavra, 1997).

Recent studies have found that satisfaction as an outcome or end result during the process of the consumption of a service; it is viewed as a post-purchase experience (Vavra, 1997). This view has its roots in motivation theories that postulate that people are driven by the desire to satisfy their needs (Maslow, 1954) or that their behaviour is directed at the achievement of relevant goals (Vroom, 1964). In this way satisfaction is perceived as a goal to be achieved and can be described as consumer fulfillment response (Rust & Oliver, 1994). In the context of this study, customer satisfaction is defined from process perspective because the researcher believe that in core banking arena, customers'

evaluation of core banking service quality takes place primarily during the service delivery process and continues, but not just an outcome that customers strive to achieve.

2.11. Factors that cause Customer Satisfaction

A customer satisfaction is an ambiguous and abstract concept. Actual manifestation of the state of satisfaction will vary from person to person, product to product and service to service. The state of satisfaction depends on a number of factors which consolidate as psychological, economic and physical factors.

The quality of service is one of the major determinants of the customer satisfaction, which can be enhanced by using ICT available to survive (Vijay M. K. 2012).

Several factors affect customer satisfaction. The *kinds of products* that banks offer to its customers can cause customer satisfaction or dissatisfaction. Consumers do not buy a product or service for its own sake. They buy to acquire benefits that the product offers. They buy to satisfy a need. Products therefore exist for what they fulfill in terms of consumer needs. It is the essential feature or benefit that the buyer expects to receive from using the product that motivates buying behavior (Boateng, 1994).

The *service delivery process* also plays a key role in customer satisfaction. When the process of service delivery is too long, it lengthens customer waiting time.

According to (Sasraku, 2007), the *physical evidence* also plays a role in customer satisfaction. The physical evidence includes the edifice or buildings and its decorations, an imposing banking hall with comfortable seats, places of conveniences, etc. The office

or building and its external and internal decorations can satisfy a customer. The customer can pride him or herself as customer of that bank.

Another service element that causes customer satisfaction or dissatisfaction is the *people or the employees* delivering the product or service (Covey, 2004). The employees occupy the first point of contact with the customer. Employee behaviours are therefore important to customers. If the employee is cold or rude the customer takes it as a measure of the state of the company. Unhappy employees will have difficulty in keeping customers happy (Dei-Tumi, 2005).

Also, *easy access to the bank premise* would make a customer feel happy in transacting business with a bank, for example, if the bank premise is located on a high street. However, the nice edifice of a banking hall will not be noticeable if customer service is poor and there are unnecessary delays and lack of personal support from staff (Sasraku, 2007).

The *technology being used by the bank* in service delivery could be a source of satisfaction to customers. When electronic devices like computers are used, they tend to speed up the processing time of transactions. System and processes solely do not create satisfaction.

Service system quality, behavioral service quality, service transaction accuracy and machine service quality are necessary to make the technology in use worthwhile (Aldlaigan&Buttle, 2002).

Furthermore, the security of customers and their deposits is an area of concern to customers. When customers are assured of protection from external threats they feel secured and happy.

For example, if a bank is situated at a place noted for criminal activities, customers are scared and dissatisfied (Sasraku, 2007). Of course the internal security is equally important to customer who will want to deal with personnel with integrity and good moral values especially, the financial institutions (Lovelock &Wirtzn.d 2007).

2.12. Customer Satisfaction in Banking Services Context

In contrast to products, customers are not really able to evaluate services before the service process takes place. The interaction with the service provider and the customers, the so called service encounter, is the key in the evaluation of service performance (Gil, 2008). During these encounters, the customer is able to get an impression of the way the company provides its services. His/her service experience is defined by the interaction with the organization, the processes and the employees.

Accordingly, customer satisfaction is built upon the basis of service encounters. Service providers have significant opportunities to manage the interactions that together form the experience (Wirtz, 1994). They can design and the interactive production process; select, train and manage service employees; design and maintain the service environment; selectively target, socialize and educate customers.

In banking services, satisfaction is usually conceptualized as a multidimensional construct (Manrai, L.A., Manrai, A.K., 2007). The list of bank service attributes used for

the measurement of satisfaction comprises elements like: appearance of the facility, attitude and behavior of staff, decor and atmosphere, business hours, interest rate, waiting time. Bank customers may regard some of these elements as being not equally important as the others.

2.13. Empirical framework

A. Distinction between Service quality and Customer satisfaction

The literature on services has made a distinction between service quality and customer satisfaction (Bitner, 1990; Bolton & Drew, 1991; Parasuraman et al., 1988 as cited in Harr, 2008). This differentiation is important for firms to concentrate on enhancing their capability to satisfy customers through providing high service quality.

The position of scholars characterized by Parasuraman et al., (1988), is that “service quality involves an attitude and is an evaluation over several service encounters over time”. It is also “thought to be an overall assessment about a service category or an organization” (Parasuraman et al., 1988). “In support of this, respondents in Parasuraman et al., (1988)’s study demonstrated satisfaction with specific service encounters but were not happy with the service quality of the firm.”

conversely, recent thoughts on customer satisfaction is summarized in the following definition of satisfaction by Oliver (1981) as “a psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer’s prior feelings about the consumption experience”. Moreover, Oliver (1981) distinguished customer satisfaction from service quality in his definition of attitude as “the consumer’s relatively enduring affective orientation for a product, store, or process while satisfaction is the emotional reaction following a disconfirmation experience which acts on the base attitude level and is consumption-specific” (Oliver, 1981, p. 42). Therefore, service quality is “more stable and is situationally oriented” (Oliver, 1981, p. 42).

The two constructs are related in that service encounters of customer satisfaction over time result in perceptions of service quality (Oliver, 1981; Parasuraman et al., 1988). There is also a lot of argument regarding whether customer satisfaction is the antecedent of service quality or the outcome of service quality. “Initially, scholars take the position that satisfaction is an antecedent of service quality since to reach an overall attitude (service quality) implies an accumulation of satisfactory encounters” (Bitner, 1990; Bolton & Drew, 1991). However, other scholars take the opposite view that service quality is the antecedent of customer satisfaction (Cronin & Taylor, 1992; Ekinci, 2004; Rust & Oliver, 1994; Swan & Bowers, 1998).

Empirical research by Cronin & Taylor (1992) “showed that service quality has a significant effect on customer satisfaction.” Similarly, recent studies by (González & Brea, 2005; & Ekinci 2004) using recursive structural models provided empirical support that service quality results in customer satisfaction. According to Zeithaml et al., (2006), customer satisfaction “is a broader concept than service quality which focuses specifically on dimensions of service”.

B. Relation between service quality and customer satisfaction

Private Banks dealing in retail banking Industry is consequently put into lot of pressures due towards increase in global competition.

Different strategies are formulated to satisfy and retain the customer and the key of it is to increase the service quality level. Typically, customers perceive very little difference in the banking products offered by private banks dealing in services as any new offering is quickly matched by competitors.

Parasuraman et al (1985) and Zeithaml et., al (1990) noted that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers. The quality of services offered will determine customer satisfaction and attitudinal loyalty (Ravichandran et al. 2010).

Parasuraman, A., Zeithaml, V.A., & Berry, L.L. (1988) found that the performance of the service provider on core and relational dimensions of services was an important driver for customer satisfaction in retail banking. According to S.SIVESAN 2012, there is positive linear relationship between the service quality and customer satisfaction.

C. Relation between Core Banking and Customer Satisfaction

After the application of core banking and other services using internet it is assumed to bring significant change on flexibility of the bank and reduce the time that each customer will spend in the bank and as a result it will lead to customer satisfaction.

Customer satisfaction measurement allows an organization to understand the key drivers that create satisfaction or dissatisfaction; and what is really driving their satisfaction during a service experience. Customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service.

Various empirical researches show that there is significant and positive relationship in core banking service and customer satisfaction. Berry (1990) mentioned that there are ten 'Quality Values' which influence satisfaction behavior i.e. Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Inter-departmental Teamwork, Front line Service Behavior, Commitment to the Customer and Innovation. Increase in service quality of the banks can satisfy and develop attitudinal loyalty which ultimately retains valued customers (Kumbhar, 2010).

According to Biju K, D. Devandhiran & Sreehari R. (2012) there is very strong relationship between core banking service and customer satisfaction. Biju K, D. Devandhiran & Sreehari R. in their research shows that as the bank employs core banking in its banking service customers are highly satisfied.

Vijay M. Kumbhar also shows the relation between core banking and customer satisfaction in Public Banks and Private Banks in India. His finding indicates that customers are highly satisfied with core banking services. So that one can concludes that as the bank implement core banking in its services it can create high customer satisfaction.

From the above discussion one can easily concludes that as the bank implements core banking solution, customers can get improved and quality services and as a result enjoy greater satisfaction in their stay in the bank.

2.14. Previous Studies

Research on quality of service currently has received special attention from marketing researchers. Below is a summary of results of previous studies regarding the service quality and its influence on satisfaction, published in various scientific journals.

Table 2.1. A summary of previous studies

| Authors | Authors | Result |
|---|--|--|
| Al-Hawary et al., (2011) | 5 dimensions of SERVQUAL (tangibility, reliability, responsiveness, assurance and empathy) | The four service quality dimensions (tangibility, reliability, assurance, and responsiveness) have a positive and significant effect on customer satisfaction. Empathy has a negative and significant effect on customer satisfaction. |
| Biju K, D. Devandhiran & Sreehari R.(2012), | Customers' satisfaction on core banking: A study with special reference to a nationalized bank in THIRUNELVELI | Customers are satisfied on core banking |
| Mohammad and Alhamadani (2011) | Five dimensions of Service quality(tangibility, reliability, responsive ness, assurance and empathy) | The five service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) have a positive and significant effect on customer satisfaction. |

| | | |
|-------------------------|---|---|
| Munusamy et al., (2010) | Five dimensions of service quality (tangibility, reliability, responsiveness, assurance and empathy) | The three service quality dimensions (assurance, empathy, and responsiveness) have positive and insignificant effect on customer satisfaction. Tangibility has a positive and significant impact on customer satisfaction. However, reliability has a negative and insignificant effect on customer satisfaction. |
| Tizazu k.2012 | The Effect of Customer Service Quality on Customer Satisfaction in Selected Private Banks | There is positive and significant relationship between Tangibility, reliability, assurance, empathy and customer satisfaction. However, the results also indicate that, there is a negative and insignificant relationship between responsiveness and customer it |
| Vijay M. Kumbha | Alternative Banking Channels and Customers' Satisfaction: An Empirical Study of Public and Private Sector Banks | There significant relationship between core banking and overall customer satisfaction in alternative banking. |
| Malik et al., (2011) | 5 dimensions of SERVQUAL(tangibility | The two dimensions of service quality (reliability, assurance) have a significant |

| | | |
|---------------|---|---|
| | ,reliability, responsiveness, assurance and empathy) | and positive effect on customer satisfaction. However, the rest three service quality dimensions (tangibility and responsiveness and empathy) have no contribution to customer satisfaction |
| Mesay S. 2012 | Bank Service Quality, Customer Satisfaction and Loyalty in Ethiopian Banking Sector | There is a significant positive relationship between the five dimensions of service quality and customer satisfaction, the highest correlation is between empathy and customer. The weakest correlation is between reliability and customer satisfaction. |

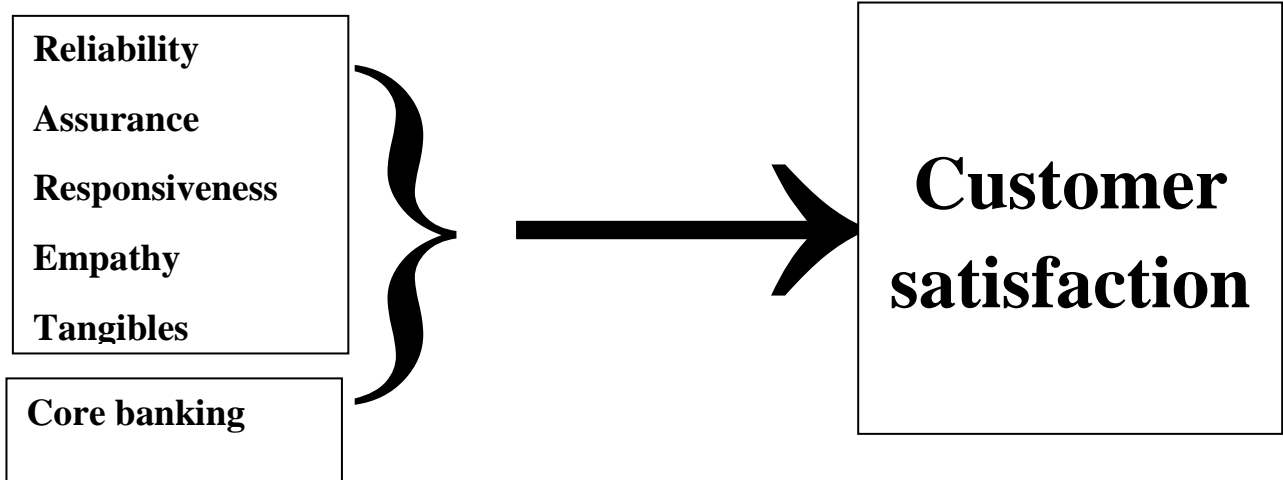
Source: Own survey 2013

2.15. Conceptual framework

Service Quality is a vital antecedent of customer's satisfaction (Cronin and Taylor, 1992). In turn customer satisfaction is believed to affect post-purchase and perception and future decisions. Following from the literature review done above, the relationship between service quality variables and customer satisfaction can be shown as following. In this conceptual model the five Service quality dimensions have been selected form the study conducted by Parasuraman et al., (1988).

Parasuraman et al., (1985) conducted research on different service organization (Bank, Hotel, Electrical Corporation, Hospital, Transportation) by using ten service quality dimensions (tangibility, reliability, responsiveness, communication, access, competence, courtesy, credibility, security, and knowledge). Later Parasuraman et al., (1985) conducted research and then the ten dimensions were further purified and developed into five dimensions (tangibility, reliability, responsiveness, assurance and empathy). The reason behind purified the ten dimensions into five dimensions was the appropriateness of each service quality dimensions to different service organizations for example security dimension is appropriate for transportation, credibility dimension is appropriate for hotel. Therefore, this convinced me to use Parasuraman et al., (1988)'s model. On the other hand the conceptual model that is intended to show the relationship between core banking and customer satisfaction is developed by the researcher from different findings. Biju K, D. Devandhiran & Sreehari R. (2012), on their research identified seven(7) core banking factor that can be used as parameter to conduct research on core banking. Therefore the researcher employs these factors to conduct this research.

**Conceptual framework for the impact of core banking and service
quality on customer satisfaction**



2.16. Research Gap

Many studies indicate that there are links between customer satisfaction, service quality & profitability. In order to meet customer demand, many companies need to better serve their customers. Better quality of service can usually get a higher market share and better returns (slu & and mou 2003). Because of high market competition service quality becomes an increasingly important issue in the field of competitive market. Therefore, these issues become very important to satisfy the customer (Broderick & Vachirapornpuc 2002).

Tizazu Kassa (2012) has made a survey on service quality in relation to customer satisfaction in commercial bank of Ethiopia.

Another study made by Hallowell (1996), examined customer satisfaction in relation to loyalty. On the other hand, Levesque and McDougall (1996) comprehensively analyzed the effects of service quality, service features, and customer complaint handling on customer satisfaction in the Canadian retail-banking sector.

Messay S. (2012) also investigated Bank Service Quality, Customer Satisfaction and Loyalty in Ethiopian Banking Sector

But there is no such prior research has done in banking industry in Ethiopia with relation to core banking. Thus this research perhaps appears to be the first academic investigation of core banking in Ethiopia banking industry.

Chapter Three

Research methodology

3. Introduction

This chapter presents details of the research design and methodology. This includes the research design, sample size and sampling technique, data source and collection method, procedure of data collection, questionnaire and reliability test. At the end the method data analysis was presented.

3.1. Description of study Area

Bishoftu is a town and separate woreda of Ethiopia, lying south east of Addis Ababa. The town is located in the Misraq Shewa Zone of the Oromia Region ; 47.9 kilo meters (29.8 mi) southeast of Addis Ababa, and has an elevation of 1,920 meters (6,300 ft). The 1994 census reported Debre Zeyit had a total population of 73,372 of whom 35,058 were men and 38,314 were women. The three largest ethnic groups reported for this town were the Amhara (42.86%), the Oromo (39.4%), and the Gurage (8.3%); all other ethnic groups made up 9.44% of the population. Concerning religious beliefs, 87.87% of the population said they practiced Ethiopian Orthodox Christianity, 6.93% were Protestants, and 4.02% observed Roman Catholicism (http://en.wikipedia.org/wiki/Main_Page).

Commercial bank of Ethiopia is the leading bank in Ethiopia and established in 1942. It is Pioneer to introduce modern banking to the country and the first bank in Ethiopia to introduce ATM service for local users. It has 626 branches across the country. In addition, it is the leading African bank with assets of Birr 155 billion as of June 30th

2012. It has strong correspondent relationship with more than 50 renowned foreign banks. It plays a catalytic role in the economic progress & development of the country. Currently CBE has more than 4 million account holders and it combines a wide capital base with more than 12,800 talented and committed employees. CBE has reliable and long-standing relationships with many internationally acclaimed banks throughout the world (www.combanketh.com).

3.2. Research design

A research design is the program that guides the researchers in the process of collecting, analyzing and interpreting the data. The researcher used the descriptive-coreational form of research design to provide solutions to the research problems. Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection. This research design was used because it often uses visual aids such as graphs and charts to aid the reader in understanding the data distribution. Because the human mind cannot extract the full import of a large mass of raw data, descriptive statistics are very important in reducing the data to manageable form.

3.3. Types of data

A. Primary data

According to Kothari (2004), Primary data are fresh data that are gathered for the first time and thus happened to be original in character. Primary data of the study was information gathered from customers of the bank. Questionnaire that have both open

end and closed end question were prepared and delivered to customers in order to gather the primary data.

B. Secondary data

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

3.4. Population of the study

The general population of this project was all customers of Commercial Bank of Ethiopia, Bishoftu branch. Numerically, the total number of the branch customer (i.e. current and saving account holder) is 30,000 (current account 5000 & saving account 25,000) and all one time customers of the bank.

3.5. Sample and sampling techniques

The sampling technique that was used for the study was probability sampling techniques. In order to acquire sufficient information on both quality and quantity, the researcher was employ stratified sampling techniques.

Customers of the bank were classified in to different groups (strata) based on their type. *i.e.* current account holder, saving account holder and one time customer and customers from each group were selected as a respondent using random sampling technique. The size of strata *i.e.* current account holder is 5000, the size of strata *i.e.* saving account holder 25,000 and the size of strata *i.e.* one time customer is indefinite.

The researcher was employ proportion allocation method to determine the sample size.

The size of the sample from different strata was kept proportional to the size of the strata.

Using the formula of proportional allocation $n_0 = n * p_0 / N$, the researcher takes a sample of 100 customer from saving account holders, 20 customer from current account holder, and to decide the sample size from one time customer the researcher uses average customer per day (i.e. using 10 percent of 1000 customer per day which is 100). Therefore, the total sample size of this research was 220 customers.

3.6. Method of data collection

Data collection method that was used in this research was self-administered questionnaire that comprises both open end and closed end question.

3.7. Method of data analysis

The collected data were entered into SPSS version 20.0 and analyzed by using descriptive statistics. In this study, descriptive analysis was chosen because of its simplicity and clarity to draw inferences. Averages, percentages, frequency and tables were used for the analysis of the collected data. Inferential statistics were used to analyze the existing relationship between the two variables. The researcher was used the customer satisfaction as the dependent variable and two independent i.e. service quality dimensions (i.e. reliability, responsiveness, assurance, empathy, and tangibles) and core banking factor.

3.8. Questionnaire

The questionnaire has three parts. These are: - Service Quality Questionnaire (SQQ), core banking questionnaire (CBQ) and Customer Satisfaction Questionnaire (CSQ)

A. Service Quality Questionnaire (SQQ)

The first part of the questionnaire measures the banks service quality by using a five – point Likert response scale which includes strongly dissatisfied (1), dissatisfied (2), neither satisfied nor dissatisfied (3), satisfied (4) and strongly satisfied (5).

After a review of the literature, service quality factor were developed in the questionnaire based on Cronin and Taylor 1992. SERVPERF instrument served as a foundation for development of questionnaire.

B. Core banking questionnaire (CBQ)

The second part of the of the questionnaire measures the core banking customer satisfaction by using a five –point Likert response scale which includes strongly disagree (1), disagree(2), neither agree nor disagree (3), agree (4) and strongly agree (5).

C. Customer Satisfaction Questionnaire (CSQ)

The third part of the questionnaire measures customer satisfaction level by using a five - point Likert response scale which includes strongly disagree (1), disagree(2), neither agree nor disagree (3), agree (4) and strongly agree (5). 7 customer satisfaction items were developed in the questionnaire.

2.9. Reliability test

Reliability is defined as be fundamentally concerned with issues of consistency of measures. (Bryman and Bell, 2003). According to Hair, et al., (2006), if α is greater than 0.7, it means that it has high reliability and if α is smaller than 0.3, then it implies that there is low reliability. Cronbach alpha has been employed to evaluate the reliability scale of construct and dimension of each construct. Reliability scale of the overall service quality was 0.842. This means that it has high reliability

CHAPTER FOUR

Data Analysis and Discussion of Results

4.1. Introduction

This chapter will present a discussion of the final results and the process through which the results were obtained. In addition to this, background information of respondents will be presented. Finally, the statistical methods of analysis were discussed, which included a descriptive analysis, a correlation analysis through SPSS version 20.

4.2. Data Analysis

4.3. Background information from Respondents

Two Hundred Twenty questionnaires were distributed to the respondents and out of the 220 questionnaires 210 of them were collected with a response rate of 95.5 percent. However, only 200 responses were valid with complete answers. The demographic characteristics include: gender, age, level of education, and frequency of usage of the respondent. This aspect of the analysis deals with the personal data on the respondents of the questionnaires given to them. The table below shows the details of background information of the respondents.

Table 4.1 Background information of Respondents

| Characteristics | | Frequency | Percentage |
|--|--------------------------|-----------|------------|
| Gender of the respondent | Male | 117 | 58.5 |
| | Female | 83 | 41.5 |
| Total | | 200 | 100 |
| Age of the respondent | 18-30 | 78 | 39 |
| | 31-45 | 66 | 33 |
| | 46-60 | 36 | 18 |
| | 61 and above | 20 | 10 |
| Total | | 200 | 100 |
| Educational background of the respondent | primary to 10th complete | 57 | 28.5 |
| | Diploma | 50 | 25 |
| | Degree | 90 | 45 |
| | Masters and above | 3 | 1.5 |
| Total | | 200 | 100 |
| Frequency of usage | Daily | 3 | 1.5 |
| | Weekly | 7 | 3.5 |
| | twice a week | 31 | 15.5 |
| | Monthly | 159 | 79.5 |
| Total | | 200 | 100 |

Source: own survey, 2013

Table 4.1 presents the background information of the respondents of the study. The survey showed that there were more males as compared to females. Male respondents represents 58 Percent, and the rest 41.5 percent were females.

As far as age of respondents is concerned, 39 percent of the respondents are in the range of 18-30 years, 33 percent of the respondents are in the range of 31-45 years, 18 percent are in the range of 46-60 years, and 10 percent of the respondents are under the age of 61 and above.

With regard to educational level of respondents, primary to 10th complete represents 28.5 percent of the customer, Diploma holders represents 25 percent of the customers and degree holders represents 45 percent. Finally, Masters and above represents 1.5 percent of the customers.

In relation to frequency of usage of customers, majority (79.5 percent) of the respondents uses the service monthly, 15.5 percent of the customer uses the service twice a week, 3.5 percent of the customers uses the service weekly, and the least (1.5 percent) of the respondents uses the services daily.

4.4. Descriptive Statistics Analysis

4.1.1. Frequency and percentages of Service quality dimension, core banking and Customer Satisfaction

Table 4.2. Reliability

Table 4.2a. Banks fulfill its promise as promised

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | - | - | - | - |
| Disagree | - | - | - | - |
| Neutral | 11 | 5.5 | 5.5 | 5.5 |
| Agree | 108 | 50.5 | 50.5 | 50.5 |
| Strongly agree | 81 | 44 | 44 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey 2013

Table 4.2a. Shows the result of customer's response towards the question Banks fulfill its promise as promised. From the result it can be obtained that 44 percent of customers of CBE Bishoftu branch are strongly satisfied with the question, 50.5 percent are satisfied and 5.5 percent neutral. The above table implies that, majorities (50.5 percent) of the respondents are satisfied by the bank in terms of its fulfillment of promises.

Table 4.2b. Bank's perform the service exactly at the first time

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 15 | 7.5 | 7.5 | 9.0 |
| Neutral | 16 | 8.0 | 8.0 | 17.0 |
| Agree | 45 | 22.5 | 22.5 | 39.5 |
| Strongly agree | 121 | 60.5 | 60.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey 2013

The above table shows that for the question of bank's perform the service exactly at the first time, majority (60.5 percent) of the respondents are strongly satisfied, 22.5 percent of the respondent are satisfied , 8 percent of the respondents are neither satisfied nor dissatisfied, 7.5 percent of the respondents are dissatisfied and 1.5 percent are strongly dissatisfied.

Table 4.2c. Bank show a keen interest in solving your problems

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 15 | 7.5 | 7.5 | 9.0 |
| Neutral | 16 | 8.0 | 8.0 | 17.0 |
| Agree | 45 | 22.5 | 22.5 | 39.5 |
| Strongly agree | 121 | 60.5 | 60.5 | 100.0 |
| Total | 200 | 100.0 | 100 | |

Source: own survey, 2013

As far as showing a keen interest in solving customers problems is concerned majority (60.5 percent) of customers are strongly satisfied, 22.5 percent of customers are satisfied,

8 percent of customers are neutral, 7.5 percent of customers are dissatisfied and 1.5 percent of customers are strongly dissatisfied.

Table 4.2d. The Bank provides the service at the promised time

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 2 | 1.0 | 1.0 | 1.0 |
| Disagree | 14 | 7.0 | 7.0 | 8.0 |
| Neutral | 23 | 11.5 | 11.5 | 19.5 |
| Agree | 37 | 18.5 | 18.5 | 38.0 |
| Strongly agree | 124 | 62.0 | 62.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

The above table depict that 62 percent of customers are strongly satisfied at the bank promised efficiently and on time , 18.5 percent customers are satisfied, 11.5 percent are neutral, 7 percent customers dissatisfied and 1 percent customer are strongly dissatisfied. With this specific reliability question, customers are very satisfied. The bank must also maintain this aspect and monitor not to get worse.

Table 4.2e. Bank insist on error free record

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 2 | 1.0 | 1.0 | 1.0 |
| Disagree | 14 | 7.0 | 7.0 | 8.0 |
| Neutral | 16 | 8.0 | 8.0 | 16.0 |
| Agree | 56 | 28.0 | 28.0 | 44.0 |
| Strongly agree | 112 | 56.0 | 56.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Customers are asked about whether the banks employee provide error free service or not and 56 percent of customers are strongly satisfied, 28 percent of customers are satisfied,

8 percent of customers are neutral and 7 percent customers are dissatisfied and also 1 percent customers are strongly dissatisfied.

Table 4.3. Assurance

Table 4.3a. Bank’s staff behavior instills confidence in me

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 12 | 6.0 | 6.0 | 7.5 |
| Neutral | 16 | 8.0 | 8.0 | 15.5 |
| Agree | 42 | 21.0 | 21.0 | 36.5 |
| Strongly agree | 127 | 63.5 | 63.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

The above table shows the result of bank’s staff behavior. From the respondents are majority (63.5 percent) are strongly satisfied , 21 percent are satisfied, 8 percent are neutral, 6 percent are dissatisfied and 1.5 percent are strongly dissatisfied. Therefore, customers are very satisfied with the first assurance question. The bank should maintain this performance level as it is and should satisfy those who didn’t satisfied and neutral.

Table 4.3b. I feel safe in my transaction with the bank

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 15 | 7.5 | 7.5 | 9.0 |
| Neutral | 16 | 8.0 | 8.0 | 17.0 |
| Agree | 44 | 22.0 | 22.0 | 39.0 |
| Strongly agree | 122 | 61.0 | 61.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

The other question is that you feel safe in your transactions with the bank. For this, 61 percent of customers are strongly satisfied, 22 percent of customers are satisfied, 8 percent of the customers are neither satisfied nor dissatisfied , 7.5 percent of customers are dissatisfied, and 1.5 percent customers are strongly dissatisfied. Employees of the bank must shift those who are not satisfied and neutral to highly satisfied customers.

Table 4.3c. Bank’s staffs are courteous with me

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 4 | 2.0 | 2.0 | 2.0 |
| Disagree | 12 | 6.0 | 6.0 | 8.0 |
| Neutral | 16 | 8.0 | 8.0 | 16.0 |
| Agree | 55 | 27.5 | 27.5 | 43.5 |
| Strongly agree | 113 | 56.5 | 56.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.3d. depicts that majority (56.5 percent) of the respondents are strongly satisfied with staff courteousness to customers, 27.5 percent of the respondents are satisfied, 8 percent of the respondents are neutral, 6 percent of the respondents are dissatisfied and the rest 2 percent of the respondents are strongly dissatisfied with courteousness of the employees.

Table 4.3d. Bank's staffs have the knowledge to answer all my question

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 2 | 1.0 | 1.0 | 1.0 |
| Disagree | 14 | 7.0 | 7.0 | 8.0 |
| Neutral | 23 | 11.5 | 11.5 | 19.5 |
| Agree | 40 | 20.0 | 20.0 | 39.5 |
| Strongly agree | 121 | 60.5 | 60.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

For the question about employee of the bank have enough knowledge to answer the required questions, 60.5 percent are strongly satisfied, 20 percent of customers are satisfied, 11.5 percent of customers are neutral, 7 percent of the customers are dissatisfied and 1 percent of the customers are strongly dissatisfied. Employees must update their knowledge to answer the entire question of customers even though they satisfy them.

Table 4.4. Responsiveness

Table 4.4a. Bank's staffs tell you exactly the time the service will be performed

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 9 | 4.5 | 4.5 | 4.5 |
| Disagree | 30 | 15.0 | 15.0 | 19.5 |
| Neutral | 35 | 17.5 | 17.5 | 37.0 |
| Agree | 48 | 24.0 | 24.0 | 61.0 |
| Strongly agree | 78 | 39.0 | 39.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

The other question is that the bank keeps customers informed about when services will be performed. Majority (39 percent) of customers are strongly satisfied 24 percent of the respondent are satisfied, 17 percent of the respondent are neutral, 15 percent of the respondents are dissatisfied and 4.5 percent of respondents are strongly dissatisfied.

Table 4.4b. Bank’s staff give you prompt services

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 5 | 2.5 | 2.5 | 2.5 |
| Disagree | 40 | 20.0 | 20.0 | 22.5 |
| Neutral | 42 | 21.0 | 21.0 | 43.5 |
| Agree | 34 | 17.0 | 17.0 | 60.5 |
| Strongly agree | 79 | 39.5 | 39.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

The second question for responsiveness is whether the bank staff gives prompt services for the customers. Among the respondents 39 percent of them are strongly satisfied, 17 percent satisfied, 21 percent neutral, 20 percent dissatisfied and 2.5 percent strongly dissatisfied. The bank should improve speed of its service because significant numbers of respondents are below strongly satisfied.

Table 4.4c. Bank’s staff always willing to assist you

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 26 | 13.0 | 13.0 | 14.5 |
| Neutral | 27 | 13.5 | 13.5 | 28.0 |
| Agree | 43 | 21.5 | 21.5 | 49.5 |
| Strongly agree | 101 | 50.5 | 50.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.4c shows that 50.5 percent of the respondents are strongly satisfied, 21.5 percent of the respondents are satisfied, 13.5 percent of the respondents are neutral, 13 percent of the respondents are dissatisfied and 1.5 percent of the respondents are strongly dissatisfied with the bank's staff willingness to assist customers. Employees of the bank must improve their behavior in assisting customers.

Table 4.4d. Banks staffs are not too busy to respond to my question

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 4 | 2.0 | 2.0 | 2.0 |
| Disagree | 41 | 20.5 | 20.5 | 22.5 |
| Neutral | 33 | 16.5 | 16.5 | 39.0 |
| Agree | 44 | 22.0 | 22.0 | 61.0 |
| Strongly agree | 78 | 39.0 | 39.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.4d. Shows that majority (39 percent) of customers are strongly satisfied, 22 percent of the respondents are satisfied, 16.5 percent of the respondents are neutral, 20.5 percent of the respondents are dissatisfied and 2 percent of the respondents are strongly dissatisfied for the question banks staff are not too busy to respond to their question.

Table 4.5. Empathy

Table 4.5a Banks give me individual attention

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 14 | 7.0 | 7.0 | 8.5 |
| Neutral | 17 | 8.5 | 8.5 | 17.0 |
| Agree | 48 | 24.0 | 24.0 | 41.0 |
| Strongly agree | 118 | 59.0 | 59.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

The opening question for empathy dimension is that whether employees of the bank give individual attention to customers. From their response, 59 percent of the customers are strongly satisfied, 24 percent of the customers are satisfied, 8.5 percent of the customers are neutral, 7 percent of the customers are dissatisfied and 1.5 percent of the respondents are strongly dissatisfied. Employees must remain their current behavior with regard to giving individual attention to customers.

Table 4.5b. Bank operating hours convenient to me

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 15 | 7.5 | 7.5 | 9.0 |
| Neutral | 16 | 8.0 | 8.0 | 17.0 |
| Agree | 42 | 21.0 | 21.0 | 38.0 |
| Strongly agree | 124 | 62.0 | 62.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

As far as bank operating hours convenient to me is concerned, 62 percent of the respondents are strongly satisfied, 21 percent of the respondents are satisfied, 8 percent of the respondents are neither satisfied nor dissatisfied, 7.5 percent of the respondents are dissatisfied and the rest 1.5 percent of the respondents are strongly dissatisfied. The bank should keep this operating hour since it results in higher customer satisfaction.

Table 4.5c The bank has my interest at heart

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 12 | 6.0 | 6.0 | 7.5 |
| Neutral | 16 | 8.0 | 8.0 | 15.5 |
| Agree | 53 | 26.5 | 26.5 | 42.0 |
| Strongly agree | 116 | 58.0 | 58.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.5c shows the result of whether the bank carries customers' interests at heart or not. Accordingly majority (58 percent) of the respondents are strongly satisfied, 26.5 percent of the respondents are satisfied, 8 percent of the respondents are neither satisfied nor dissatisfied, 6 percent of the respondents are dissatisfied and the rest 1.5 percent of the respondents are strongly dissatisfied. The bank is satisfying the customers significantly with this aspect and should maintain the performance.

Table 4.5d. Bank's staffs understand my specific needs

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 2 | 1.0 | 1.0 | 1.0 |
| Disagree | 14 | 7.0 | 7.0 | 8.0 |
| Neutral | 23 | 11.5 | 11.5 | 19.5 |
| Agree | 40 | 20.0 | 20.0 | 39.5 |
| Strongly agree | 121 | 60.5 | 60.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

The fourth question for empathy is whether the bank staff understands specific needs of customers. 60.5 percent of the respondents are strongly satisfied, 20 percent of customers are satisfied, 11.5 percent neutral, 7 percent of the respondent are dissatisfied and 1 percent of the customers are strongly dissatisfied. Employees must keep this performance as it is and if possible to enhance in order to satisfy those who didn't satisfied strongly.

Table 4.5e The bank has employees who deal with customers in a caring fashion

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 2 | 1.0 | 1.0 | 1.0 |
| Disagree | 26 | 13.0 | 13.0 | 14.0 |
| Neutral | 19 | 9.5 | 9.5 | 23.5 |
| Agree | 50 | 25.0 | 25.5 | 48.5 |
| Strongly agree | 103 | 51.5 | 51.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

With respect to ability of bank's employee to deal with customers in a caring fashion, 51.5 percent of the respondents are strongly satisfied, 25.5 percent of the respondents are satisfied, 9.5 percent of the respondents are neutral, 13 percent of the respondents are

dissatisfied and 1 percent of the respondents are strongly dissatisfied. The employees should also keep the existing and further improve for better customer satisfaction.

Table 4.6. Tangibles

Table 4.6a The bank's employees has a neat & professional appearance

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 16 | 8.0 | 8.0 | 9.5 |
| Neutral | 18 | 9.0 | 9.0 | 18.5 |
| Agree | 45 | 22.5 | 22.5 | 41.0 |
| Strongly agree | 118 | 59.0 | 59.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Customer are asked about the bank staff appearance and 59 percent of customers are strongly satisfied, 22.5 percent of the respondents are satisfied, 9 percent of the respondents are neutral, 8 percent of the customers are dissatisfied and also 1.5 percent of customers are strongly dissatisfied. With regard to staffs appearance the bank should keep the existing situation.

Table 4.6b Material associated with the service like pamphlets, statements are visually appealing at the bank

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 18 | 9.0 | 9.0 | 10.5 |
| Neutral | 20 | 10.0 | 10.0 | 20.5 |
| Agree | 45 | 22.5 | 22.5 | 43.0 |
| Strongly agree | 114 | 57.0 | 57.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

As far as material associated with the service like pamphlets, statements are visually appealing at the bank is concerned, 57 percent of the respondents are strongly satisfied, 22.5 percent of the respondents are satisfied, 10 percent of the respondents are neither satisfied nor dissatisfied, 9 percent of the respondents are dissatisfied and the rest 1.5 percent of the respondents are strongly dissatisfied. The bank should work more to improve material associated with the service in the bank in order to make customers very satisfied.

Table 4.6c. Bank physical facilities visually nice

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 4 | 2.0 | 2.0 | 2.0 |
| Disagree | 12 | 6.0 | 6.0 | 8.0 |
| Neutral | 16 | 8.0 | 8.0 | 16.0 |
| Agree | 55 | 27.5 | 27.5 | 43.5 |
| Strongly agree | 113 | 56.5 | 56.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.6c shows the result of banks physical facilities. With this respect majority (56.5 percent) of the respondents are strongly satisfied, 27.5 percent of the respondents are satisfied, 8 percent of the respondents are neither satisfied nor dissatisfied, 6 percent of the respondents are dissatisfied and the least (2 percent) of the respondents are strongly dissatisfied with this specific tangibles dimension question. The bank should also work more to improve physical facilities in the bank in order to make customers very satisfied.

Table 4.6d. Banks has modern equipment & tools

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 4 | 2.0 | 2.0 | 2.0 |
| Disagree | 18 | 9.0 | 9.0 | 11.0 |
| Neutral | 26 | 13.0 | 13.0 | 24.0 |
| Agree | 41 | 20.5 | 20.5 | 44.5 |
| Strongly agree | 111 | 55.5 | 55.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

The last question of service quality is whether the bank has modern equipment and tools or not. It shows that majority (55.5 percent) of the respondents are strongly satisfied, 20.5 percent of the respondents are satisfied, 13 percent of the respondents are neutral, 9 percent of the respondents are dissatisfied and 2 percent of the respondents are strongly dissatisfied. So, the bank ought to maintain the existing situation and if possible is better to further improve the equipment and tools of the bank.

Generally speaking, the result of the survey implies that respondents of CBE Bishoftu branch are highly satisfied with the quality of service provided by the bank.

Table 4.7. Core banking

The followings are questions that can best show how much the application of core banking brings customer satisfaction.

Table 4.7a. Core banking reduced error on transaction

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 2 | 1.0 | 1.0 | 1.0 |
| Disagree | 14 | 7.0 | 7.0 | 8.0 |
| Neutral | 16 | 8.0 | 8.0 | 16.0 |
| Agree | 56 | 28.0 | 28.0 | 44.0 |
| Strongly agree | 112 | 56.0 | 56.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

The above table shows that, majority (56 percent) of the respondents are strongly satisfied, 28 percent of the respondents are satisfied, 8 percent of the respondents are neutral, 7 percent of the respondents are dissatisfied and 1 percent of the respondents are strongly dissatisfied. Regarding reduction of error on transaction, most customers of the bank are very satisfied. But significant numbers of customers are less satisfied and below. So the bank should do more to decrease the number of customers who are less satisfied and below them.

Table 4.7b. Core banking enhances security of account information

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 12 | 6.0 | 6.0 | 7.5 |
| Neutral | 16 | 8.0 | 8.0 | 15.5 |
| Agree | 54 | 27.0 | 27.0 | 42.5 |
| Strongly agree | 115 | 57.5 | 57.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

As far as security of account information is concerned, 57.5 percent of the respondents are strongly satisfied, 27 percent of the respondents are satisfied, 8 percent of the respondents are neither satisfied nor dissatisfied, 6 percent of the respondents are dissatisfied and the rest 1.5 percent of the respondents are strongly dissatisfied. A large amount of customers are highly satisfied with the security of account information. The bank should enhance the level of security as much it can to further satisfy other customers who do not satisfied.

Table 4.7c. Core banking brings speed of service

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 23 | 11.5 | 11.5 | 13.0 |
| Neutral | 19 | 9.5 | 9.5 | 22.5 |
| Agree | 46 | 23.0 | 23.0 | 45.5 |
| Strongly agree | 109 | 54.5 | 54.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

As far as speed of services is concerned, 54.5 percent of the respondents are strongly satisfied, 23 percent of the respondents are satisfied, 9.5 percent of the respondents are neither satisfied nor dissatisfied, 11.5 percent of the respondents are dissatisfied and the rest 1.5 percent of the respondents are strongly dissatisfied. Most of the customers are satisfied with the speed of service that results from core banking. From the above analysis the bank should improve the speed of the services in order to reduce customers stay at the bank.

Table 4.7d. Core banking generally improves the way of doing business in the bank.

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 4 | 2.0 | 2.0 | 2.0 |
| Disagree | 10 | 5.0 | 5.0 | 7.0 |
| Neutral | 16 | 8.0 | 8.0 | 15.0 |
| Agree | 58 | 29.0 | 29.0 | 44.0 |
| Strongly agree | 112 | 56.0 | 56.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.7d shows improvement against the way of doing business in the bank as a result of the application of core banking. With this respect majority (56.0 percent) of the respondents are strongly satisfied, 29.5 percent of the respondents are satisfied, 8 percent of the respondents are neither satisfied nor dissatisfied, 5 percent of the respondents are dissatisfied and the least (2 percent) of the respondents are strongly dissatisfied with the above question. The bank should further improve the way of doing business at the bank by using the system efficiently and discussing the problems with customers.

Table 4.7e. Core banking reduces the time spent in the bank

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 2 | 1.0 | 1.0 | 1.0 |
| Disagree | 14 | 7.0 | 7.0 | 8.0 |
| Neutral | 30 | 15.0 | 15.0 | 23.0 |
| Agree | 40 | 20.0 | 20.0 | 43.0 |
| Strongly agree | 114 | 57.0 | 57.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.7e shows whether core banking reduce time spent in the bank or not. With this respect majority (57 percent) of the respondents are very satisfied, 20 percent of the respondents are satisfied, 15 percent of the respondents are neither satisfied nor dissatisfied, 7 percent of the respondents are dissatisfied and the least (2 percent) of the respondents are strongly dissatisfied.

Table 4.7f Core banking provides more flexible services

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 2 | 1.0 | 1.0 | 1.0 |
| Disagree | 19 | 9.5 | 9.5 | 10.5 |
| Neutral | 20 | 10.0 | 10.0 | 20.5 |
| Agree | 56 | 28.0 | 28.0 | 48.5 |
| Strongly agree | 103 | 51.5 | 51.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

The sixth question for core banking is whether it provides more flexible services for the customers. 51.5 percent of the respondents are strongly satisfied, 28 percent of customers are satisfied, 10 percent neutral 9.5 percent of the respondent are dissatisfied and

1 percent of the customers are strongly dissatisfied. This figure shows that higher numbers of the customers are very satisfied with the flexibility of the bank's services as a result of core banking. The bank must keep this performance.

Table 4.7g. Core banking brings Low transaction cost

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 14 | 7.0 | 7.0 | 8.5 |
| Neutral | 17 | 8.5 | 8.5 | 17.0 |
| Agree | 48 | 24.0 | 24.0 | 41.0 |
| Strongly agree | 118 | 59.0 | 59.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.7g shows whether core banking provides low transaction cost or not. With this respect majority (59 percent) of the respondents are strongly satisfied, 24 percent of the respondents are satisfied, 8.5 percent of the respondents are neither satisfied nor dissatisfied, 7 percent of the respondents are dissatisfied and the least (1.5 percent) of the respondents are strongly dissatisfied with this specific question. The bank musts further reduce the cost to better satisfy those who didn't satisfied.

Table 4.7h. Core banking Quick transfer of fund

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 15 | 7.5 | 7.5 | 9.0 |
| Neutral | 16 | 8.0 | 8.0 | 17.0 |
| Agree | 45 | 22.5 | 22.5 | 39.5 |
| Strongly agree | 121 | 60.5 | 60.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

As far as bringing quick transfer of fund is concerned, 60.5 percent of the respondents are strongly satisfied, 22.5 percent of the respondents are satisfied, 8 percent of the respondents are neither satisfied nor dissatisfied, 7.5 percent of the respondents are

dissatisfied and the rest 1.5 percent of the respondents are strongly dissatisfied. The bank should keep the existing performances and must further improve the service and satisfy dissatisfied customers.

Table 4.8. Customer satisfaction

Table 4.8a. I am satisfied with the bank’s complete range of services.

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 4 | 2.0 | 2.0 | 2.0 |
| Disagree | 10 | 5.0 | 5.0 | 7.0 |
| Neutral | 16 | 8.0 | 8.0 | 15.0 |
| Agree | 62 | 31.0 | 31.0 | 46.0 |
| Strongly agree | 108 | 54.0 | 54.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.8a shows the level of customers’ satisfaction to the complete range of services. The result indicates that majority (54 percent) of the respondents are strongly satisfied, 31 percent of the respondents are satisfied, 8 percent of the respondents are neither satisfied nor dissatisfied, 5 percent of the respondents are dissatisfied and the least (2 percent) of the respondents are strongly dissatisfied with the bank’s complete range of services. The bank should try to enhance the satisfaction level of entire customers in relation to the complete ranges of its services.

Table 4.8b. I am satisfied with the performance of the employees of this bank.

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 2 | 1.0 | 1.0 | 1.0 |
| Disagree | 14 | 7.0 | 7.0 | 8.0 |
| Neutral | 23 | 11.5 | 11.5 | 19.5 |
| Agree | 37 | 18.5 | 18.5 | 38.0 |
| Strongly agree | 124 | 62.0 | 62.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.8b shows the level of customers' satisfaction to performance of the employees. And it the result implies that majority (62percent) of the respondents are strongly satisfied, 18.5 percent of the respondents are satisfied, 11.5 percent of the respondents are neither satisfied nor dissatisfied, 7 percent of the respondents are dissatisfied and the least (1 percent) of the respondents are strongly dissatisfied with the performance of the employees of this bank. Certainly, most customers of the bank are satisfied in employee performance; but the bank should keep this situation and work more to create better satisfaction to entire customers.

Table 4.8c. I am satisfied of being a client of this bank.

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 2 | 1.0 | 1.0 | 1.0 |
| Disagree | 14 | 7.0 | 7.0 | 8.0 |
| Neutral | 16 | 8.0 | 8.0 | 16.0 |
| Agree | 52 | 26.0 | 26.0 | 42.0 |
| Strongly agree | 116 | 58.0 | 58.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.8c shows majority (58 percent) of the respondents are strongly satisfied, 26 percent of the respondents are satisfied, 8 percent of the respondents are neither satisfied nor dissatisfied, 7 percent of the respondents are dissatisfied and the least (1 percent) of the respondents are strongly dissatisfied of being a client of this bank. From the above analysis most customers are highly satisfied by being a client of the bank and significant no of respondents are less satisfied and dissatisfied. So that, the bank should make an endeavor to create a sense of belonging in the minds of customers.

Table 4.8d. I am satisfied with the bank employees' professional competence

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 14 | 7.0 | 7.0 | 8.5 |
| Neutral | 20 | 10.0 | 10.0 | 18.5 |
| Agree | 49 | 24.5 | 24.5 | 43.0 |
| Strongly agree | 114 | 57.0 | 57.0 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.8d. Shows majority (57 percent) of the respondents are strongly satisfied, 24.5 percent of the respondents are satisfied, 10 percent of the respondents are neither satisfied nor dissatisfied, 7 percent of the respondents are dissatisfied and the least (1.5 percent) of the respondents are strongly dissatisfied with the bank employees' professional competence. Even though most of the bank customers are highly satisfied with professional competence of employee, the bank should further improve in order to better satisfy especially those who dissatisfied.

Table 4.8e. I am satisfied with the quick service of this bank.

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 3 | 1.5 | 1.5 | 1.5 |
| Disagree | 15 | 7.5 | 7.5 | 9.0 |
| Neutral | 16 | 8.0 | 8.0 | 17.0 |
| Agree | 45 | 22.5 | 22.5 | 39.5 |
| Strongly agree | 121 | 60.5 | 60.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.8e shows information regarding quick services of the bank. Accordingly majority (60.5 percent) of the respondents are strongly satisfied, 22.5 percent of the respondents are satisfied, 8 percent of the respondents are neither satisfied nor dissatisfied, 7.5 percent of the respondents are dissatisfied and the least (1.5 percent) of the respondents are strongly dissatisfied with the quick service of this bank. With this aspect the bank should also improve speed of the services to address those who are not satisfied.

Table 4.8f. I am satisfied with the respectful behavior of employees.

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 4 | 2.0 | 2.0 | 2.0 |
| Disagree | 12 | 6.0 | 6.0 | 8.0 |
| Neutral | 16 | 8.0 | 8.0 | 16.0 |
| Agree | 55 | 27.5 | 27.5 | 43.5 |
| Strongly agree | 113 | 56.5 | 56.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.8f shows majority (56.5 percent) of the respondents are strongly satisfied, 27.5 percent of the respondents are satisfied, 8 percent of the respondents are neither satisfied

nor dissatisfied, 6 percent of the respondents are dissatisfied and the least (2 percent) of the respondents are strongly dissatisfied with the respectful behavior of employees. Employees of the bank must first keep their existing behavior.

Table 4.8g. General Satisfaction towards core banking

| Scale | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly disagree | 2 | 1.0 | 1.0 | 1.0 |
| Disagree | 14 | 7.0 | 7.0 | 8.0 |
| Neutral | 23 | 11.5 | 11.5 | 19.5 |
| Agree | 40 | 20.0 | 20.0 | 39.5 |
| Strongly agree | 121 | 60.5 | 60.5 | 100.0 |
| Total | 200 | 100.0 | 100.0 | |

Source: own survey, 2013

Table 4.8g shows the general Satisfaction level of core banking. Majority (60.5 percent) of the respondents are strongly satisfied, 20 percent of the respondents are satisfied, 11.5 percent of the respondents are neither satisfied nor dissatisfied, 7 percent of the respondents are dissatisfied and insignificant number (1 percent) of the respondents are strongly dissatisfied. The above analysis implies that most customers of the bank are highly satisfied with the application of core banking and the bank must work more on those aspects that enhance the satisfaction levels of customers with relation to core banking.

Table 4.9. Mean and standard deviation for core banking, Service quality dimension and Customer Satisfaction

| Dimensions | N | Mean | St. Dev. |
|-----------------------|----------|-------------|-----------------|
| Reliability | 200 | 4.32 | .456 |
| Assurance | 200 | 4.34 | .459 |
| Responsiveness | 200 | 3.83 | .589 |
| Empathy | 200 | 4.29 | .440 |
| Tangibility | 200 | 4.26 | .506 |
| Core banking factors | 200 | 4.28 | .448 |
| Customer satisfaction | 200 | 4.31 | .437 |

Source: own survey, 2013

Table 4.9 indicates that assurance has the highest mean value and responsiveness have the least mean value. Therefore, it may be concluded from table 4.9 that respondents are most satisfied with assurance (4.34), and followed by reliability dimensions with a mean and standard deviation of 4.32 and 0.456 respectively. Customers are less satisfied with responsiveness and tangibility at a mean of, 3.83 and 4.26 respectively.

Again, the above table depicts that general satisfaction towards core banking is very high with a mean of 4.28 and standard deviation of 0 .448. The satisfaction has a mean score 4.31 which indicates that customers are satisfied with service quality of banks and core banking of the bank.

4.5. Pearson Correlation analysis

To determine the relationship between service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) and customer satisfaction, and between core banking and customer satisfaction, Pearson correlation was computed. Table 4.3 below presents the results of Pearson correlation on the relationship between service quality dimension and customer satisfaction and core banking and customer satisfaction.

Table 4.10. The relationship between service quality dimensions and core banking and customer satisfaction

| | | Customer satisfaction |
|----------------|---------------------|-----------------------|
| Assurance | Pearson Correlation | .877** |
| | Sig. (2-tailed) | .000 |
| | N | 200 |
| Responsiveness | Pearson Correlation | .349** |
| | Sig. (2-tailed) | .000 |
| | N | 200 |
| Empathy | Pearson Correlation | .867** |
| | Sig. (2-tailed) | .000 |
| | N | 200 |
| Tangibility | Pearson Correlation | .715** |
| | Sig. (2-tailed) | .000 |
| | N | 200 |
| Reliability | Pearson Correlation | .850** |
| | Sig. (2-tailed) | .000 |
| | N | 200 |
| Core banking | Pearson Correlation | .737** |
| | Sig. (2-tailed) | .000 |
| | N | 200 |

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

Source: own survey, 2013

The results in table 4.10 indicate that, there is positive and significant relationship between all service quality dimension and customer satisfaction. Tangibility and customer satisfaction ($r = 0.715$, $p < 0.01$), reliability and customer satisfaction ($r = 0.850$, $P < 0.01$), assurance and customer satisfaction ($r = 0.877$, $P < 0.01$), empathy and customer satisfaction ($r = 0.867$, $p < 0.01$) responsiveness and customer satisfaction ($r = 0.349$, $P < 0.01$).

On the other hand, there is also positive and significant relationship between core banking and customer satisfaction ($r = 0.737$, $p < 0.01$).

4.6. Regression Analysis

Regression model was applied to test how far the core banking and service quality had impact on customer satisfaction. Coefficient of determination- R^2 is the measure of proportion of the variance of dependent variable about its mean that is explained by the independent or predictor variables (Hair et.al, 1998). Higher value of R^2 represents greater explanatory power of the regression equation.

4.6.1. Impact of core banking on customer satisfaction

Table 4.11. Regression model for core banking

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .737 ^a | .543 | .541 | .296 |

a. Predictors: (Constant), core banking

Source: own survey, 2013

The above table shows the R^2 value of 0.543. This result shows that the independent variable (core banking) accounted for 54.3 percent of the variance in customer satisfaction. Thus 54.3 percent of the variation in customer satisfaction can be explained by core banking and the other unexplored variables may explain the variation in customer satisfaction which accounts for 45.7 percent.

Table 4.12. regression model for Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|--------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 1.239 | .202 | | 6.143 | .000 |
| Core banking | .719 | .047 | .737 | 15.337 | .000 |

a. Dependent Variable: customer satisfaction

Source: own survey, 2013

Table 4.12 shows that core banking has a positive and significant effect on customer satisfaction with a beta value (beta = 0.719), at 99 percent confidence level ($p < 0.01$).

4.6.2. Impact of service quality on customer satisfaction

Table 4.13. Regression model for service quality model

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .937 ^a | .879 | .876 | .154 |

Predictors: (Constant), tangibles, responsiveness, reliability, assurance, empathy

Source: own survey, 2013

The above table shows the R^2 value of is 0.879. This result shows that the independent variable (service quality) accounted for is 0.879 percent of the variance in customer satisfaction. Thus is 0.879 percent of the variation in customer satisfaction can be explained by service quality and the other unexplored variables may explain the variation in customer satisfaction which accounts for 12.1 percent.

Table 4.14. Regression model for Coefficients^a

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|----------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| (Constant) | .110 | .117 | | .936 | .351 |
| Reliability | .311 | .042 | .325 | 7.425 | .000 |
| Assurance | .437 | .053 | .459 | 8.177 | .000 |
| responsiveness | -.004 | .021 | -.006 | -.202 | .840 |
| Empathy | .300 | .057 | .302 | 5.275 | .000 |
| Tangibles | -.072 | .043 | -.084 | -1.687 | .093 |

a. Dependent Variable: customer satisfaction

Source: own survey, 2013

The results of multiple regressions, as presented in table 4.14 above, reliability has a positive and significant effect on customer satisfaction with a beta value (beta = 0.311), at 99 percent confidence level ($p < 0.01$). The results of table 4.14.also showed that the standardized coefficient beta and p value of assurance were positive and significant (beta = 0.437, $p < 0.01$). As shown in table 4.14, responsiveness and tangibility has no positive and significant effect on customer satisfaction with the beta value of (bata = -0.004) and

(bata = -0.072) respectively. Table 4.14 further shows that, empathy has a positive and significant effect on customer satisfaction with a beta value of (beta = 0.300), at 99 percent confidence level ($p < 0.01$).

In overall, the results revealed that on one hand, the independent variable (service quality) accounted for 87.9 percent of the variance in customer satisfaction ($R^2 = 0.879$). Thus, 87.9 percent of the variation in customer satisfaction can be explained by the five service quality dimensions and other unexplored variables may explain the variation in customer satisfaction which accounts for about 12.1 percent, shown in table 4.13.

On the other hand the independent variable (core banking) accounted for 54.3 percent of the variance in customer satisfaction ($r^2=0.543$). Thus, 54.3 percent of the variation in customer satisfaction can be explained by core banking factors and other unexplored variables may explain the variation in customer satisfaction which account for about 45.7 percent shown in table 4.11.

Moreover, from the findings of this study, the researcher found out that not all of the service quality dimensions have positive impact on customer satisfaction. Out of the five service quality dimensions four dimensions (reliability, assurance, and empathy) have positive and significant impact on customer satisfaction. On the other hand, responsiveness and tangibility has a negative and insignificant influence on customer satisfaction.

The findings of this study also indicated that assurance is the most important factor to have positive and significant effect on customer satisfaction, followed by reliability and empathy.

Analysis of open ended question

Majority of the respondent states their opinion regarding core banking service. From their suggestion it can be inferred that network problem is the big issues. The network problem is the major obstacle in the check clearing operations, quick transfer of fund, cash withdrawal and etc. In addition, the temporary failures in core banking services are not corrected immediately.

CHAPTER FIVE

Findings, Conclusion and Recommendations

5.1. Discussion of Findings

The study was planned at investigating the impacts of core banking and service quality on customer satisfaction in CBE Bishoftu branch. The data were obtained through questionnaire from customers of the bank.

The results of background information of respondents indicated that majority of the total respondents (58.5 percent) are male, (39 percent) aged in the range of 18-30 years, (45 percent) are degree holders, and (79.5 percent) of the respondents visits the bank once in a month. The results of the descriptive statistical analysis indicated that, customers were most satisfied with the assurance dimensions of service quality followed by reliability, empathy and tangibility. Furthermore, customers were less satisfied with responsiveness dimensions of service quality. Again the result of descriptive statistics also indicates that customers are satisfied with the application of core banking.

The correlation result show that there is a positive and significant relationship between tangibility and customer satisfaction, reliability and customer satisfaction, assurance and customer satisfaction, empathy and customer satisfaction and responsiveness, customer satisfaction and core banking and customer satisfaction. The finding also indicates that the highest relationship was found between assurance and customer satisfaction, while the lowest relationship was found between responsiveness and customer satisfaction.

The result of this study indicates that reliability has a positive and significant effect on customer satisfaction. This finding is supported by Tizazu et al., (2012). He found that reliability has a positive and significant effect on customer satisfaction. This finding is also supported by Mohamed and Alhamadani (2011). They reported that reliability has a positive and significant effect on customer satisfaction. Al-Hawary et al., (2011) also supported this study. According to him reliability has positive and significant relationship with customer satisfaction.

The finding of this study also indicates that assurance has a positive and significant effect on customer satisfaction. This finding is supported by Malik et al., (2011) reported that assurance has a positive and significant effect on customer satisfaction. This result also supported by Munusamy et al., (2010), found that assurance has a significant and positive effect on customer satisfaction.

However, the finding of this study indicates that responsiveness has a negative and insignificant effect on customer satisfaction. This result is different with the study by Mohammad and Alhamadani (2011), found that responsiveness has a positive and insignificant effect on customer satisfaction. This finding is also different with the study by Al-Hawary et al., (2011) reported that responsiveness has a positive and significant effect on customer satisfaction. Munusamy et al., (2010) also has different finding. According to him responsiveness has positive and significant effect on customer satisfaction.

The finding of this study indicates that tangibility has a negative and insignificant effect on customer satisfaction. This finding is supported by Malik et al., (2011). He found that tangibility has no effect on customer satisfaction. This result is different with the study by Mohammad and Alhamadani (2011), found that tangibles has a positive and insignificant effect on customer satisfaction. This finding is also different with the study by Al-Hawary et al., (2011) reported that tangibles has a positive and significant effect on customer satisfaction. Munusamy et al., (2010) also has different finding. According to him tangibles has positive and significant effect on customer satisfaction.

The finding of this study further indicates that empathy has a positive and significant effect on customer satisfaction. This finding is supported by Mohammad and Alhamadani (2011), reported that empathy has a positive and significant effect on customer satisfaction. On the contrary Munusamy et al., (2010) found that empathy has a negative effect on customer satisfaction.

The result of this study also indicates that core banking has a positive and significant effect on customer satisfaction. This finding is supported by Biju, D. et al., (2012) they found that core banking has a positive and significant effect on customer satisfaction. This finding is also supported by Vijay Mm Kumbha (2011). He reported that core banking has a positive and significant effect on customer satisfaction.

In overall, the results revealed that all independent variables (service quality dimension) accounted for 87.9 percent of the variance in customer satisfaction ($R^2 = 0.879$). Thus, 87.9 percent of the variation in customer satisfaction can be explained by the five service quality dimensions and other unexplored variables may explain the variation in customer

satisfaction which accounts for about 12.1 percent. On the other hand, the independent variable (core banking) accounted for 54.3 percent of the variance in customer satisfaction ($r^2=0.543$). Thus, 54.3 percent of the variation in customer satisfaction can be explained by the core banking factor and other unexplored variables may explain the variation in customer satisfaction which accounts for about 45.7 percent.

5.2. Conclusion

The study was conducted to examine the impacts of the application of core banking and service quality on customer satisfaction CBE Bishoftu branch. The finding of the study indicates that customers of bank were satisfied by core banking and the five service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy).

The finding of the study also indicates that, customers were most satisfied with the assurance dimensions of service quality. However, customers were less satisfied responsiveness dimensions of service quality. The correlation result shows that, core banking and all service quality dimensions (tangibility, assurance, empathy, responsiveness and reliability) are positively and significantly related with customer satisfaction.

Unlike tangibility and responsiveness the three service quality dimensions including reliability, assurance and empathy have positive and significant impact on customer satisfaction. At the same time core banking also have positive and significant impact on customer satisfaction. The findings of this study also indicated that assurance is the most important factor to have a positive and significant impact on customer satisfaction. In addition to this, except responsiveness and tangibility the three service quality dimensions significantly explain the variations in customer satisfaction.

The study also indicates that, customers are satisfied by core banking system of the bank. From the finding of this study the researcher concludes that core banking has positive and significant relationship with customer satisfaction. And also core banking has positive and significant effect on customer satisfaction.

5.3. Recommendations

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

Reliability dimension was one of the most important factors influencing customer satisfaction. But customers of the bank are less satisfied with this dimension. The bank managers should enhance customers' reliability on the bank by fulfilling the service as promised, performing the service exactly at the first time, showing a keen interest in solving customers problems, providing the service at the promised time and by insisting on error free record.

It is obvious that if customers do not have a trust on the banking services it is meaningless to talk about the good will of the bank. Therefore, the bank should handle its customers so well to achieve its organizational aims. Finally, it is worthy to affirm that customers are the key for any business organization's success

Empathy dimension was also considered as one of the most important factors influencing customer satisfaction. However, the customers of the banks were less satisfied in terms of the empathy dimensions. One way of addressing this could be by treating customer with great respect, giving individual attention to customers, serving customers based on their specific needs and treating customers in a friendly manner. This is to say, the bank management should focus on this factor to maximize customer satisfaction.

In addition to the above recommendation, the bank should create some mechanism to minimize the network problem or to find other techniques that unstop the service at the time of disconnection of the network.

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APPENDICES

Appendix A

QUESTIONNAIRE

Respected madam/sir,

This questionnaire aims at analyzing and assessing the application of core banking and its impact on customer satisfaction in CBE Bishoftu Branch. As a part of my project I would like to gather some information from you which will help me in an in depth study of the project. I would be indebted if you co-operate with me in filling the questionnaire. Since the questionnaire is being used for academic purpose, the information gathered will be strictly confidential.

Endalkchew Abebe

Please put a tick mark in the appropriate box

Part 1. Demographical Information

1. Sex

Male Female

2. Age:

18 to30 31 – 45
46–60 61and above

3. Educational level:

Primary to 10th complete Diploma
1st degree Masters and above

4. Frequency of using the bank:

Daily Twice a week
Weekly Monthly

Part 2. Customer satisfaction with relation to service quality dimensions.

Please rank your views using 1-5 on whether you are satisfied or not with the service provided by the bank and the general environment under which it operates

1=very dissatisfied 2=dissatisfied 3=indifferent
 4=satisfied 5=very satisfied

| Item | Scale | | | | |
|--|-------------------|---|---|----------------|---|
| | Very dissatisfied | | | Very satisfied | |
| | 1 | 2 | 3 | 4 | 5 |
| RELIABILITY | | | | | |
| Banks fulfil its promise at the time indicated | | | | | |
| Bank's perform the service exactly at the first time | | | | | |
| Bank show a keen interest in solving your problems | | | | | |
| Bank insist on error free record | | | | | |
| ASSURANCE | | | | | |
| Bank's staff behaviour instils confidence in me | | | | | |
| I feel safe in my transaction with the bank | | | | | |
| Bank's staff are courteous with me | | | | | |
| Bank's staff have the knowledge to answer all my question | | | | | |
| Bank's staff behaviour instils confidence in me | | | | | |
| I feel safe in my transaction with the bank | | | | | |
| RESPONSIVENESS | | | | | |
| Bank's staff tell you exactly the time the service will be performed | | | | | |
| Bank's staff give you prompt services | | | | | |

| Bank's staff always willing to assist you | | | | | |
|--|----------------|--|-------------------|--|--|
| Banks staff are not too busy to respond to my question | | | | | |
| Bank's staff tell you exactly the time the service will be performed | | | | | |
| EMPATHY | | | | | |
| Banks give me individual attention | | | | | |
| Bank operating hours convenient to me | | | | | |
| The bank has my interest at heart | | | | | |
| Bank's staff understand my specific needs | | | | | |
| TANGIBLES | | | | | |
| The bank's employees has a neat & professional appearance | | | | | |
| Material associated with the service like pamphlets, statements are visually appealing at the bank | | | | | |
| Bank physical facilities visually nice | | | | | |
| Banks has modern equipment & tools | | | | | |
| Core banking Questionnaire (CBQ) | | | | | |
| Item | Scale | | | | |
| | strongly agree | | strongly disagree | | |
| Core banking Reduced error on transaction | | | | | |
| Core banking enhances security of account information | | | | | |
| Core banking facilitates speed of services | | | | | |
| Core banking generally improves the way of doing | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| business in the bank. | | | | | |
| Core banking reduces the time spent in the bank | | | | | |
| Core banking provides more flexible services | | | | | |
| Core banking brings Low transaction cost | | | | | |
| Core banking brings Quick transfer of fund | | | | | |
| CUSTOMER SATISFACTION QUESTIONNAIRE (CSQ) | | | | | |
| I am satisfied with the bank's complete range of services. | | | | | |
| I am satisfied with the performance of the employees of this bank. | | | | | |
| I am satisfied of being a client of this bank. | | | | | |
| I am satisfied with the bank employees' professional competence | | | | | |
| I am satisfied with the quick service of this bank. | | | | | |
| I am satisfied with the respectful behaviour of employees. | | | | | |
| General Satisfaction towards core banking | | | | | |

What you recommend to the bank for further improvements?

.....

.....

.....

.....

.....

መጠይቅ

ለተከበራችሁ መላ ሾች

የዚህ መጠይቅ ዓላማ የኮር ባንኪንግ መተግበር በ ኢትዮጵያ ንግድ ባንክ ደንበኞች እርካታ ላይ ያለውን ተጽዕኖ እና በባንኩ ውስጥ ያለውን የአገልግሎት ጥራት ለመተንተንና ለመገምገም ታስቦ የተዘጋጀ ነው። ለፕሮጀክቴ ማጠናከሪያ ይህን ዘንድ ከደንበኛው የተወሰኑ መረጃዎችን ለመሰብሰብ ያቀድኩኝ ሲሆን ይህንንም መረጃ በመስጠት ለሚተባበሩኝ ደንበኞች በቅድሚያ የከበረ ምስጋናዬን አቀርባለሁ። መጠይቁ ለትምህርት አገልግሎት ብቻ በመዋሉ ምክንያት የምትሰጠኝን መረጃ በሚስጥር የምጠብቅ መሆኔን በትህትና እገልጻለሁ።

እንዳልካቸው አበበ

አባክዎት በሚፈልጉት ሳጥን ውስጥ ምልክት ያድርጉ

ክፍል አንድ: የደንበኛው መረጃ

1. ጾታ

ወንድ ሴት

2. ዕድሜ

ከ 18-30 31-45 ከ 4 61 እና ከ ላይ

3. የትምህርት ደረጃ

የመጀመሪያ ደረጃ ሎማ

ዲግሪ ማስተ እና ከዚያ በላይ

4. ባንኩን የሚጎበኙበት ጊዜ

በየቀኑ በሳምንት አንዴ

በሳምንት ሁለቴ በየወሩ

ክፍል ሁለት: የደንበኞች እርካታ በአገልግሎት ጥራት ላይ

| ተ.ቁ | አምስቱ የአገልግሎት ጥራት ክፍሎች | በጣም እረክቻለው | እረክቻለው | አስታየት | አልረካውም | በጣም አልረካውም |
|-----|-----------------------|------------|--------|-------|--------|------------|
| | | | | | | |

| | | | | የለኝም | | |
|------|---|--|--|------|--|--|
| 1. | ተዐማኒ ነት በእነዚህ አምስቱ ነጥቦች ተደስተዋልን | | | | | |
| 1.1. | የባንኩ ሰራተኛ በባንኩ ቃል በተገባው መሠረት አገልግሎት መስጠት | | | | | |
| 1.2. | የባንኩ ሰራተኛ ስራውን በመጀመሪያ ደረጃ በአግባቡ ለደንበኛው አገልግሎት በመስጠት | | | | | |
| 1.3. | የደንበኛውን ጥያቄ ለመመለስ ሰራተኛው ዝግጁ በመሆን | | | | | |
| 1.4. | የባንኩ ሰራተኛ የባንክ አገልግሎት ቃል በተገባው ወቅትና ሰዓት ለደንበኛው በምስጢር | | | | | |
| 1.5. | ከስህተት የነጻ ሪከርድ በመኖሩ | | | | | |
| 2. | እምነት ማሳደር ወይንም ማረጋገጥ በእነዚህ አራቱ ነጥቦች ይደስታሉ? | | | | | |
| 2.1. | የባንኩ ሰራተኛ ደንበኛው በባንኩ አገልግሎት የራስ መተማመን እንዲፈጥር በማድረግ ረገድ | | | | | |
| 2.2. | የባንክ ሰራተኛ ደንበኛው በራሱ የባንክ ሂሳብ እንቅስቃሴ ላይ መሉ እምነት እንዲኖረው በማድረግ | | | | | |
| 2.3. | የባንኩ ሰራተኛ ለደንበኛው የማይለዋወጥ አክብሮትና ትህትና በማሳየት ረገድ | | | | | |
| 2.4. | የባንኩ ሰራተኛ የደንበኛውን ጥያቄ | | | | | |

| | | | | | | |
|------|---|--|--|--|--|--|
| | ለ መመለስ በቂ ዕውቀት በመኖሩ ረገድ | | | | | |
| 3. | ቀና ምላሽ በእነዚህ አራት ነጥቦች ይደሰታሉ | | | | | |
| 3.1. | የባንኩ ሠራተኛ አገልግሎቱ መቻ እንደሚጀምር ለደንበኛው በመንገር ረገድ | | | | | |
| 3.2. | የባንኩ ሠራተኛ ለደንበኛው በፍጥነት አገልግሎት በመስጠት በኩል | | | | | |
| 3.3. | ደንበኛውን ለመርዳት የባንኩ ሰራተኛ ፈቃደኛ በመሆኑ በኩል | | | | | |
| 3.4. | የባንኩ ሰራተኛ ለደንበኛው ጥያቄ ቀና ምላሽ ለመስጠት ሆን ብሎ በስራ የተወጠረ ባለመምሰል | | | | | |
| 4. | ለደንበኛው ትኩረት መስጠት በእነዚህ አምስቱ ግጥቦች ተደስተዋልን | | | | | |
| 4.1. | የባንኩ ሰራተኛ የደንበኛውን ጥያቄ በጥሞና ሰምቶ ምላሽ በመስጠት | | | | | |
| 4.2. | ባንኩ ለደንበኛው የሚሰጠው የአገልግሎት ሰዓት ምቹ በመሆን | | | | | |
| 4.3. | ባንኩ ደንበኛውን ፍላጎት በማስቀደም ረገድ | | | | | |
| 4.4. | የባንኩ ሰራተኛ ለደንበኛ አገልግሎት ሲሰጥ የደንበኛውን የግል ፍላጎት በአግባቡ በመረዳት ረገድ | | | | | |
| 4.5. | የባንኩ ሰራተኛ ለደንበኛው በሚሰጠው አገልግሎት ደስተኛ ሆኖ በማስተናገድ | | | | | |
| 5. | በተጨማሪ ጭነት ማታዘዝ በእነዚህ አራቱ ነጥቦች ተደስተዋልን | | | | | |

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| 5.1. | የባንኩ ስራተኞች አለባበስና ንጽህና | | | | | |
| 5.2. | የባንኩ አገልግሎት አሰጣጥ በሚረዱ ቁሳቁሶች (ኮምፒዩተር፣ ፕሪንተር፣ ፋክስ፣ እና ሌሎች) | | | | | |
| 5.3. | በአይን በሚታዩ የባንኩ ፋሲሊቲዎች (የመኪና ማቆሚያ፣ የደንበኛ መቀመጫ እና ወዘተ) | | | | | |
| 5.4. | በባንኩ ውስጥ ባሉ ቋሚ ዕቃዎች (ወንበር፣ ጠረጴዛ፣ እና ወዘተ) | | | | | |

ጥያቄዎች በኮር ባንኪንግ ጋር በተያያዘ

| 6. | ኮር ባንኪንግ ስራ ላይ በመሞሉ ምክንያት | በጣም እስማማለሁ | እስማማለሁ | አስታየት የለኝም | አልስማማም | በጣም አልስማማም |
|------|----------------------------------|------------|--------|------------|--------|------------|
| 6.1. | በገንዘብ ልወወጥ ላይ የሚያጋጥመውን ስህተት ቀንሷል | | | | | |
| 6.2. | የአካወንት መረጃ ደህንነት ጨምሯል | | | | | |
| 6.3. | ፈጣን አገልግሎት አመቻችቷል | | | | | |
| 6.4. | በባንኩ ውስጥ የስራ ሁኔታ ተሻሽሏል | | | | | |
| 6.5. | በደንበኛው ባንኩ ውስጥ የሚያሳልፈው ጊዜ ቀንሷል | | | | | |
| 6.6. | ቀላጣፋ አገልግሎት መጥሯል | | | | | |
| 6.7. | ለገንዘብ ልወወጥ የሚያስፈልገውን ዋጋ ቀርቷል | | | | | |
| 6.8. | ፈጣን የብር ማስተላለፍ | | | | | |

1. የደንበኛ እርካታ መጠይቅ

| ተ. ቁ. | የደንበኛ እርካታ | በጣም እስማማለሁ | እስማማለሁ | አስታየት የለኝም | አልስማማም | በጣም አልስማማም |
|-------|------------------|------------|--------|------------|--------|------------|
| 1.1. | በባንኩ የተሟላ አገልግሎት | | | | | |

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| | እረክቻለው | | | | | |
| 1.2. | በባንኩ ሰራተኞች ብቃት እረክቻለው | | | | | |
| 1.3. | የባንኩ ደንበኛ በመሆኔ እረክቻለው | | | | | |
| 1.4. | በባንኩ ሰራተኞች መያዣ ክህሎት እረክቻለው | | | | | |
| 1.5. | በባንኩ ፈጣን ገልግሎት እረክቻለው | | | | | |
| 1.6. | በሰራተኞች የደንበኛ አክብሮት እረክቻለው | | | | | |
| 1.7. | በኮር ባንኪንግ ላይ አጠቃላይ እርካታዎ ምን ይመስላል | | | | | |

ከዚህ በላይ ባለው ሠንጠረዥ ከተጠቀሱት ነጥቦች በተጨማሪ በባንኩ አገልግሎት አሰጣጥ ላይ ሌላ አስተያየት ካሎት እና እንዲሻሻል የማፈልገት አገልግሎት ካለ ከዚህ በታች ባለው ባይቦታይግላፀ: : _____

Appendix B

Correlation of service quality and customer satisfaction

| | | Reliability | assurance | responsiveness | empathy | tangibles | customer satisfaction |
|-------------|---------------------|-------------|-----------|----------------|---------|-----------|-----------------------|
| Reliability | Pearson Correlation | 1 | .735** | .352** | .784** | .571** | .850** |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 | .000 |

| | | | | | | | |
|-----------------------|---------------------|--------|--------|--------|--------|--------|--------|
| | N | 200 | 200 | 200 | 200 | 200 | 200 |
| Assurance | Pearson Correlation | .735** | 1 | .294** | .825** | .822** | .877** |
| | Sig. (2-tailed) | .000 | | .000 | .000 | .000 | .000 |
| | N | 200 | 200 | 200 | 200 | 200 | 200 |
| Responsiveness | Pearson Correlation | .352** | .294** | 1 | .459** | .388** | .349** |
| | Sig. (2-tailed) | .000 | .000 | | .000 | .000 | .000 |
| | N | 200 | 200 | 200 | 200 | 200 | 200 |
| Empathy | Pearson Correlation | .784** | .825** | .459** | 1 | .789** | .867** |
| | Sig. (2-tailed) | .000 | .000 | .000 | | .000 | .000 |
| | N | 200 | 200 | 200 | 200 | 200 | 200 |
| Tangibles | Pearson Correlation | .571** | .822** | .388** | .789** | 1 | .715** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | | .000 |
| | N | 200 | 200 | 200 | 200 | 200 | 200 |
| customer satisfaction | Pearson Correlation | .850** | .877** | .349** | .867** | .715** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | |
| | N | 200 | 200 | 200 | 200 | 200 | 200 |

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

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