

The Study of the Level of Perceived Service Quality in Selected Private Commercial Banks in Ethiopia

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ABSTRACT

This research studied the level of perceived service quality in selected private commercial banks in Ethiopia. The study also aimed to find out the main attributes of perceived service quality in private banks of Ethiopia as perceived by customers. Perceived service quality is defined as the differences between customers' expectation for service performance prior to the service encountered and their perception of the service received (Kotler P., 2010). To achieve the objectives of this research, SERVPERF model was used to collect data from 375 customers via self-administered questionnaire with five-point Likert scale. The respondents were selected using Stratified samplings techniques and the data was analyzed by SPSS software packages. The result showed that assurance, empathy, responsiveness, tangibility and reliability scored 4.04, 4.02, 3.98, 3.88 and 3.84 respectively. This showed that the customers of the banks agreed by the service quality dimensions delivered by their respective banks. The total mean score of service quality dimensions are 3.95, the service was above average. Based on the finding of the study, the banks need to improve their service quality dimensions to enhance the interest of loyal customer, to attract new customers and to win the competitions.

Keywords: *Perceived service quality, SERVPERF, Private Banks, Ethiopia*

INTRODUCTION

Banking service is about a century old practice in Ethiopia. The Banking and Financial services has become more vital for the development of an economy. Banks play very important role for the economic development of a country through financing huge investments, supporting small scale enterprise and encourage saving was the main role of banks, especially country like Ethiopia. At the end of 2016, the country has a total of 16 private commercial banks and 2 public banks with a total of 3187 branches and 43 billion birr capital (NBE, 2016).

The increase in the number of Banks in Ethiopia and the dynamic environment on finance has led to strong competition between private commercial banks. Researchers and academicians need to study the level of service quality delivered by commercial banks. Services quality is an issue that needs to be studied and investigated in Ethiopian Banking sector.

REVIEW OF LITERATURE

Services are economic activities offered by one party to another or an activity to fulfill

someone's need in the market place. Service is anything that is intangible in nature that satisfies oneself need that offer by others in the marketplace. A service occurs when an interaction were established between customers and service providers and/or the physical component of the service and/or the systems through which the service is delivered. Before exploring the concept for service, first review the characteristics of service (Kotler P., 2010). Quality defined in terms of product or service usefulness for the price paid is a definition of quality that consumers of tenuse for product or service use fullness. This is the only definition that combines economics with consumer criteria; it assumes that the definition of quality is price sensitive (Chase, Aquilno, & Jacob, 2002).

Service quality defined as the difference between customers' expectations for service performance prior to the service encounter and their perceptions of the service received (Asubonteng, 1996). Service quality also defined as the result of the comparison made by customers about what they feel service firms should offer, and perceptions of the

performance of firms providing the services (Akroush, 2008).

Abiyot and Gemechu on their article titled Service quality, customer satisfaction and loyalty of commercial banks in Ethiopia reported that majority of commercial bank customers are degree holders, Government and self-employees, and unmarried. The result shows that all service quality dimension are scored mean value between 3.5 – 3.8 except responsibility score lower mean vale, 3.04. In addition, only tangibility, reliability and responsiveness determine the variation of customer satisfaction (Abiyot T., 2016). Ubah A. in her article entitled comparative study about service quality between public and private banks investigate and compare level of service quality in Dire Dawa. This study used questionnaire survey based on the combined and modified SERVQUAL and BSQ Scale. The demographic information reported that majority of the customers were male, aged between 18-34 years, degree holders and public employees. The result revealed that private banks beat public banks in terms of tangibles, reliability, responsiveness, assurance and empathy. Moreover, they find there are significant differences in perception between customers of the Ethiopian public and private banks regarding the responsiveness, assurance and empathy dimensions as indicators of service quality (Ubah, 2015).

OBJECTIVE OF THE STUDY

Table 1. Demographic information of respondent

Demographic characteristics		Frequency	Percent
Gender	Male	241	64.3
	Female	134	35.7
Age	18-28	228	60.8
	29-38	117	31.2
	39-48	25	6.7
	49-58	5	1.3
Highest educational level	Elementary school and below	24	6.4
	High school	70	18.7
	Certificate	22	5.9
	Diploma	89	23.7
	Bachelor degree	153	40.8
Year of customership	Master degree and above	17	4.5
	Less than one year	88	23.5
	1-5 years	180	48.0
	6-10 years	65	17.3
total		375	100.0

Tangibles

The appearance of physical facilities, equipment, personnel and communication

The main objective of this study was to assess the level of perceived service quality in private commercial banks in Ethiopia. They also find out which service quality dimension need more attention compared to other dimensions.

RESEARCH QUESTION

Are customers of private commercial banks agreed on the level of service delivered by private commercial banks?

RESEARCH METHODOLOGY

The population of the study was customers of private commercial banks in Dire Dawa Administration, Ethiopia. A total of 375 customers were selected as sample via stratified random sampling techniques. The questionnaire adapted SEVPERF model to study the level of perceived service quality dimensions. Primary data from respondents collected through self-administered questionnaire and secondary data was taken from banks website. Primary data was analyzed using software package called SPSS - version 23. Descriptive statistics such frequency and mean were used to describe the demographic characteristics and compare the mean of services quality dimensions. Moreover, one sample t-test was applied to answer the research question.

VARIABLES OF THE STUDY

Service quality measured by the following five variables.

materials. The customer perceives that all the tangible aspects of the service are fit for the task and is customer friendly.

Reliability

The ability to perform the promised service dependably and accurately.

Responsiveness

The willingness to help customers and provide prompt service. The customer’s perception that the service provider responds quickly and accurately to his or her specific needs and demands.

Assurance

The knowledge and courtesy of employees and their ability to convey trust and confidence so that the customer feels he or she is in courteous, able and competent hands.

Empathy

Providing caring and individualized attention for customers to make them feel they are receiving caring services and individualized attention.

DATA ANALYSIS AND FINDING

Demographic Information

This research was bounded on the main demographic characteristics of Gender, age, educational levels and years of customer-ship with bank. Table 1 revealed that the majority of the respondent was male, age between 18-

Table 2. Mean score of service quality dimension

Service Quality dimensions	Mean	Std. Deviation	N
Tangibility	3.880	0.776	375
Reliability	3.840	0.805	375
Responsiveness	3.980	0.817	375
Assurance	4.040	0.777	375
Empathy	4.020	0.793	375
Perceived Service Quality	3.950	0.699	375

CONCLUSION

The study aimed to find out the main attributes of Perceived service quality in private banks of Ethiopia as perceived by customers. The mean score of perceived service quality dimensions was 3.95. Based on the result, it was concluded that customers of private banks accept the service delivered by respective banks. The banks need to improve all service quality dimensioned to win the heart of customers and to win the competitions.

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28yeas gaps and customer for their respective bank of 1-5 years.

RESULTS

Service quality attributes mean score are presented in table 2 on the next page. From the five attributes of service quality dimension, assurance score highest mean (4.04) followed by Empathy (4.02), Responsiveness (3.98), Tangibility (3.88) and reliability (3.84). The total mean score of perceived service quality dimensions are 3.95 in private commercial banks. This revealed that customers were agreed on the level of perceived service quality delivered by private commercial banks. When Ravethi & Saranya (2016), Ubah (2015), Munawar and Fasih (2014), and Abraheem and Yaseen (2011) on their research finding revealed that tangibility and reliability scored less mean values compared to other dimensions, which is supported by this research. Contrary, Empathy and assurance scored highest mean, which is supported by, Abiyou and Gemechu (2016), Munawar and Fasih (2014) and Shanka (2012). Tangibility exhibited less mean score due to the poor appearance physical resource of the banks where assurance score higher mean due to that employees’ behavior create confident on their customer and they are knowledgeable to answers customer questions

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