A COMPREHENSIVE MEASURE OF BUSINESS PERFORMANCE: A STUDY OF THE COMMERCIAL BANKING INDUSTRY IN ETHIOPIA

by

ASSEFA WOREDE TESFAY

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SUPERVISOR: DR L PADAKANTI

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DECLARATION

I declare that, '<u>A Comprehensive Measure of Business Performance: A study of the Commercial Banking Industry in Ethiopia</u>' is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

By: Assefa Worede Tesfay

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Degree: Doctor of Business Leadership

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ACRONYMS

AB   = Abyssinia Bank

AIB   = Awash International Bank

AS   = Assurance

BSC   = Balanced Scorecard

C.B.E.   = Commercial Bank of Ethiopia

CAMEL   = Capital; Asset; Management; Earning; and Liquidity

CBE   = College of Business and Economics

CL   = Customer Loyalty

CRD   = Career & Development

CS   = Customer satisfaction observed variables

CSI   = Customer satisfaction index

CUSAT   = Customer satisfaction latent variables

DB   = Dashen Bank

EM   = Empathy

EMSAT   = Employee satisfaction latent variables

ERG   = Existence-Relatedness-Growth (ERG) Theory

ES   = Employee satisfaction observed variables

GDP   = Gross Domestic Product

JDI   = Job Descriptive Index

LIB   = Lion International Bank

MBO   = Management by objective

MSQ   = Minnesota Satisfaction Questionnaire

MU   = Mekelle University

NIB   = Nib International Bank

RLS   = Relation with supervisor

RLW   = Relation with workers

REL   = Reliability

RES   = Responsiveness

RI   = Residual income

ROA   = Return on Assets

ROE   = Return on Equity

SERVQUAL = Service Quality

SB   = Salary & benefits

SPC   = Service-profit chain Model

SPSS   = Statistical package for scientific studies

SQ   = Service Quality

TAN   = Tangibles

TSR   = Theeory of self regulation

UB   = United Bank

UNISA   = University of South Africa

USA   = United States of America

WB   = Wegagen Bank

WE   = Work environment

WC   = Work content

WTO   = World Trade Organisation

IAS   = International Accounting Standards

IMF   = International Monetary Fund

KMO   = Kaiser-Meyer-Olkin

PCA   = Principal Component Analysis

PMS   = Performance Measurement Systems

VIF   = Variance Inflation Factor

WTO   = World Trade Organization

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ABSTRACT

The purpose of the study was to identify a comprehensive measure of performance by assessing the relationship between employee satisfaction and customer satisfaction on the profitability of the commercial banking industry in Ethiopia. The study adopted unidimensional path models, multivariate approach and factor analysis in predicting the dependent variable, determining the independent variables and the sample size and justifying the objectives of the sturdy. Primary data were obtained through structured questionnaires from valid sample responses of 180 employees and customers selected on convenient sampling method. Profitability (ROA & ROE) was measured based on the average data from the financial statements of 2007/8-2001/12 of the banks. Variant of empirical studies and theoretical frameworks, drawn from motivational, psychological and behavioural theories, were used to formulate the hypothesis and establish the relationship between internal service quality, employee satisfaction, customer service quality, customer satisfaction, customer loyalty and profitability. Results of the study indicated internal marketing influenced employee job satisfaction which in turn partially influenced customer service quality and customer satisfaction; customer service quality influenced customer satisfaction which then influenced customer loyalty. But, no relationship was observed between customer loyalty and profitability. However, due to the timing gap of the data on profitability and the data on customer satisfaction and customer loyalty, the relationship is apparently realizable in the long run. Therefore, due emphasis is required by the management of the banks to exert the necessary strategic effort on employee satisfaction, customer service quality, and customer satisfaction because of their implicit effects on profitability. Finally, the relevance of the research to the literature on performance measurement is demonstrated by contextualizing comprehensive models in the context of commercial banking industry in Ethiopia.

Key Words: comprehensive, performance, social exchange theory, attitude theory, emotional contagion theory, BSC Model, SPC Model, internal service quality, employee satisfaction, customer service quality, customer satisfaction, customer loyalty, profitability, commercial bank, Ethiopia.

CHAPTER 1

OVERVIEW OF THE RESEARCH

1.1.   Introduction

This chapter provided an overview of the study. It briefly discussed the background of the study, the statement of the problem, the research questions, the objectives, the hypothesis, the significance, the scope and the structure of the study. Finally, the summary of the chapter was presented.

1.2.   Background of the Study

A bank, as part of the financial system, involves the provision of maturity intermediation, risk reduction via diversification, reduction of information processing costs, and provision of payment functions (Faboze, Modigliani & Jones, 2005). A bank is believed to significantly contribute to the dynamic development of a country's economy. Therefore, the prevalence of profitable bank that can generate sufficient funds for economic growth is a requirement. Efficiency in the banking system depicts improved profitability, ensures stability, and enhances public confidence. Besides, it increases the volume of funds intermediated, allocates resources efficiently, induces liquidity, and facilitates better quality services for customers (Sufian & Chong, 2008).

Profitability is the bottom line of efficiency of banks. But profitability can be achieved through internal marketing that creates satisfied employees, which in turn builds satisfied customers through quality services. Satisfied customers lead to loyal customers, thereby expected to serve as the basis for improved profitability of the banks. Therefore, performance measurement systems need to motivate employees to achieve organizational goals and enable managers to make better decisions.

With the objective of building an efficient financial system, governments have been undertaking reform measures to liberalise the sector. The reform measures have

generally attracted private investment in the sector and created a competitive environment that address the need for the broader financial services in the economy. The ultimate effect is an opportunity for the increase in the number, size and breadth of the financial system.

Consequently, researchers, practitioners, and policy makers in the banking and finance area have long been inspired to focus on the activities and performance of banks (Athanasoglou, Brissimis & Delis, 2008). Performance measurement, as a component of the management control process, plays a significant role in organizational effectiveness (Slater & Olson, 2002). However, it is imperative to put in effective, reliable performance measurement that evaluates the success or failure of a bank, assess the bank's current status and predict its future health (Al Sawalqa, Holloway & Allan, 2011). This requires adopting appropriate performance measures that enhances the competitive environment of the banking industry.

Prior studies indicate the dominance of financial measures in evaluating performance of organizations. However, empirical evidence suggests that dependence of organizations only on financial performance measures may lead to a perceptual bias (DeBusk, Killough & Brown, 2003). Besides, using financial measures was criticized as short term focused and dependent only on historical data. This led researchers to pay their attention to the need for a comprehensive measure of performance.

The use of non-financial measures along with financial measures was believed to be forward looking (Slater & Olson, 2002; Ittner & Larcker, 2003). The changing needs of customers, the increased concern of shareholders on their investment, the advancement in technological development and the need to win a competitive edge in the market (Ghosh & Mukherjee, 2006) is among the factors pushing organisations to shift their strategic priorities from low-cost production to differentiation. This has diverted the focus on being unique in terms of quality, short lead time and dependable delivery, which is a shift of external marketing approach to create satisfaction to the customers (Al Sawalqa, *et al.* 2011). But, to sustain in such an environment requires motivated work force which focuses on internal service

marketing.   All these dynamics have revealed further the limitations of traditional performance measures that focused only on financial measures.

Designing and implementing performance measurement frameworks that blend financial as well as non-financial indicators is a key to maintaining a healthy and stable banking system. A large number of performance measurement frameworks have been designed, of which the Service-Profit Chain (SPC) framework (Heskett, Jones, Loveman, Sasser & Schlesinger, 2008; 1994) and the Balanced Scorecard (BSC) framework (Kaplan & Norton, 1996) have been more widely accepted (Xu & Goedegebuure, 2005).   These approaches were developed out of the need to focus on non-financial measures and achieve the ultimate financial objectives.

The BSC lays emphasis on the impacts of non-financial measures such as employee satisfaction through internal marketing, product/service quality, and customer satisfaction on financial measures. It further stresses on the notion of linking performance measures on associated cause-and-effect relationships (Bisbe & Otley, 2004). It is a model that keeps managers from focusing too much on improving one measure at the expense of others (Hoque & James, 2000; Al Sawalqa, *et al*. 2011).

The Service Profit Chain Model (SPC) interlinks performance starting from internal service quality up to an organization's financial performance.   It is a framework that examines how employee satisfaction variables are related to customer satisfaction variables and how they ultimately result in profit (Xu & Goedegebuure, 2005). According to Reichheld, (2000), customers and employees are the two main energizing force that could show the various relationships in the SPC model (Cohen & Olsen, 2013).

In view of the above discussions, this research study is inspired to examine the impacts of the non-financial variables (employee satisfaction, service quality, customer satisfaction and customer loyalty) on the profitability of the commercial banks in Ethiopia.

1.3. Statement of the Problem

The performance measures that are currently used by the Commercial Banks in Ethiopia are based on traditional financial measures of profitability. Tools such as Return on Assets (ROA) and Return on Equity (ROE) are used as measures of performance. The National Bank of Ethiopia as a regulator of the banking industry uses the CAMEL rating system to evaluate and rank the commercial banks in Ethiopia by reflecting the level of risk taken by banks and the risk-taking efficiency of those banks.

However, the literature on performance evaluation designates the growing need to supplement the financial performance measures with non-financial performance measures so as to evaluate the long term profitability and sustainability of the banks. Various theories have been developed in view of the resounding and dynamic nature of the field of study. Many classical and modern theories have been referred to deal with behavioural, psychological, and sociological (Payne, 2006, 2013, 2014) issues for practical and academic purposes. Theories such equity theory, expectancy theory, resource based theory, social exchange theory, attitude theory, and emotional contagion theory were among them.

Kaplan & Norton (1996) postulate a shift from the industrial to the information age demanding new capabilities for competitive success and where the contribution of the intangible resources to an efficient financial performance is recognized. Employee satisfaction, customer satisfaction and service quality are the triple components that need to be addressed to achieve the objective of profitability.

Empirical studies indicate that significant studies have been conducted on the impact of employee satisfaction and customer satisfaction on profitability of a business. Studies conducted by Bhaskar & Khera (2013), Kim, Kim, & Wachter (2013), Grigoroudis, Tsitsiridi & Zopounidis (2013), Homburg & Stock (2004), and Kamakura, Mittal, De Rosa & Mazzon (2002) indicate a positive relationship between the constructs. Heskett, *et al.* (1994; 2008) hypothesize that satisfied and motivated employees are productive and leading to increased customer satisfaction; satisfied

customers are consequently expected to dispose for more purchase, thus increasing the loyalty of customers (Odunlami, *2014),* revenue and profits of the organisation (Hassan, 2012; Xu & Goedegebuure, 2005; Gelade & Young, 2005). Bernhardt, Donthu and Kennett, (2000), Heskett *et al.* (1997), and Hallowell (1996) reveals in their studies on the relationship between financial performance and either of customer or employee dimensions and find a positive relationship. Awan, Hassan, & Shahid (2014) discover employee's motivators as compensation, working environment, job design, and Performance Management System.

However, in spite of the increasing empirical studies incorporating non-financial measures and the endeavour in the development of different theories, there are gaps in the identification of indicators that measure the multiple constructs Austin,(2013). In addition, the studies on relationships between non-financial and financial performance measures have revealed mixed results which stimulate for further studies. Therefore, this thesis is directed towards the assessment of the relationship of non-financial and financial performance based on broad empirical and theoretical underpinning for a comprehensive measure of performance of the Commercial Banks in Ethiopia.

1.4. Research Questions

To address the statement of the problem, the following major and specific research questions were posed.

1.4.1. General Question

What is the link between the financial and non-financial indicators in the assessement of a comprehensive measure of performance of the banking industry in Ethiopia?

1.4.2. Specific Questions

I.   What is the association of internal service quality with employee satisfaction in the commercial banks in Ethiopia?

II. What is the relationship of employee satisfaction on customer service-quality of the commercial banks in Ethiopia?

III. What is the effect of customer service quality on customer satisfaction in the commercial banks in Ethiopia?

IV. What is the power of customer satisfaction on the profitability of the commercial banks in Ethiopia?

1.5. Objectives of the Study

1.5.1. General Objective:

The general objective of the study was to identify a comprehensive measure of performance of the banking industry in Ethiopia by assessing the link between the financial and non-financial indicators.

1.5.2. Specific Objectives of the Study:

a. To measure the scope of association of internal service quality on employee satisfaction in the commercial banks in Ethiopia.

b. To evaluate the relationship of employee satisfaction with customer service-quality of commercial banks in Ethiopia

c. To identify the effect of customer service quality on the satisfaction of customers of commercial banks in Ethiopia.

d. To find out the power of customer satisfaction on the profitability in the commercial banks in Ethiopia.

1.6. The Research Hypothesis:

To address the above identified research questions and objectives, the following research hypothesis were formulated to be tested based on previous studies which have provided some empirical support and theoretical backing on the relationship of financial and non-financial performance measurement variables. The variables used for testing the hypothesis were within the bounds of the service-profit chain (SPC) and the Balanced Scorecard (BSC) frameworks which are presented as follows.

H1. There is a significant relationship between internal service quality dimensions and employee satisfaction in the commercial banks in Ethiopia.

H2. There is a significant association between internal service quality/employee satisfaction dimensions and customer service quality in the commercial banks in Ethiopia.

H3. There is a significant relationship between internal service quality/employee job satisfaction dimensions and customer satisfaction in the commercial banks in Ethiopia.

H4. Customer satisfaction in the commercial banks in Ethiopia is significantly affected by customer service quality.

H5. An enhancement in the satisfaction of customers significantly improves customer loyalty in the commercial banks in Ethiopia. .

H6. Improvement in customer loyalty significantly improves the financial performance of the commercial banks in Ethiopia.

1.7. Significance of the Study:

The relationships between non-financial and financial performance measures have been claimed, but academic studies have shown diverse results. Consequently, researchers have argued that more studies of these relationships are needed. Therefore, this study adds value to the literature by empirically linking a more comprehensive performance measurement in the context of the commercial banking industry in Ethiopia on based on the relationship of financial and nonfinancial performance measures. The study can ultimately induce the management of the banking industry to pay due attention on the motivational, psychological and behavioural aspects of employees and customers and set policies and strategies that could meet the eventual goal of their respective banks.

1.8. Scope of the Study

The scope of this research was delimited to the relationship of internal service quality, employee job satisfaction, service quality, customer satisfaction, customer

loyalty and profitability in a specific country and a specific area of study, which is the commercial banking industry in Ethiopia as well as the banks in Tigrai region.

1.9. The Structure of the Study

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The next chapter discusses on the theoretical foundation of the study. Chapter three covers the empirical literature of the study while chapter four deals with the research methodology. Chapter five involves analysis of the data and summary of the research findings. Lastly, chapter six covers the overall conclusions that are drawn from the research study and in relation to the research questions and closes with recommendations and highlighting an area for a possible further research.

1.10. Summary of the Chapter

The chapter highlighted the performance measurement that blends financial as well as non-financial indicators. The study was intended to advance comprehensive business performance measures in the context of the commercial banks in Ethiopia based on the Service-Profit Chain (SPC) and the Balanced Scorecard (BSC) frameworks. These models lay emphasis on the effects of non-financial measures such as employee satisfaction and customer satisfaction on profitability. The rationale for the study, the research objectives and hypotheses were discussed. Finally, the chapter concluded with the structure of the study.

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CHAPTER 2

THE THEORETICAL BASIS OF THE STUDY

2.1. Introduction

This chapter discussed regarding the liberalisation of the financial system and the banking business environment in Ethiopia, the rational for performance measurement, the definition and characterisation of performance measurement, the theoretical basis of performance measurement, and the performance measurement frameworks.

2.2. Liberalization and the Contemporary Banking Business Environment in Ethiopia

Financial liberalisation has been taken a measure to move from the repressive regime of monetary and financial controls to a more relaxed financial sector (Beim & Charles, 2001). It involves a mixture of the relaxation of controls such as elimination of interest rate controls, lowering of bank reserve, limiting government intervention in bank lending decisions, enhancing competition through entry of private investors in the industry, and easing of restrictions on the capital account

Consequent to the policy change from a command to a market economy, the Ethiopian government took Structural Adjustment and Economic Recovery Program measures to liberalize the economy since 1994. As part of this broader reform policy and given the importance of the banking industry in the economy, financial sector reform policy measures have been undertaken by the government to develop the sector and permit private domestic investors to engage in the business of banking and finance. Consequently, the Monetary and Banking Proclamation No. 83/1994 and the Licensing and Supervision of Banking Business No. 84/1994 laid down the legal basis for private sector investment opportunity in the banking sector. This has given the opportunity for the emergence of a new era of competitive environment, the abolition of the monopoly of the public banks (commercial Bank of Ethiopia and

Business Bank and Development bank of Ethiopia) and establishment of 16 private banks (Abay Bank S.C., Addis International Bank, Awash International Bank, Bank of Abyssinia, Berhan International Bank, Bunna International Bank, Cooperative Bank of Oromia, Dashen Bank, Debub Global Bank, Enat Bank, Lion International Bank, Nib International Bank, Oromia International Bank, United Bank, Wegagen Bank, and Zemen Bank). Therefore, this has obviously created a competitive atmosphere in the sector (NBE, 2013).

In the comparative study of financial sector liberalisation of four sub-Saharan African countries conducted by Kiyota, Peitsch & Stern (2007), they concluded that the Ethiopian economy would benefit from further liberalization of the financial sector and entry of foreign banks in the business. Alemayehu (2006) also stress the need for further liberalization, including foreign entry so as to help in technology transfer and enhance the efficiency of the financial sector in general and the banking sector in particular. However, Alemayehu stands for the strategy of gradualism alike with the government policy and argues that the overall reform direction is encouraging given the emerging development of the financial sector in the country, the competitive capacity of the existing financial institutions in the global environment, and the prevailing supervisory and regulatory capacities in the country to deal with the complexities in the financial dynamics.

The National Bank of Ethiopia, as a regulator of the financial system, is entrusted by law to monitor the financial health of the sector and build the trust of customers and the public at large. The NBE uses CAMEL method, which is based on accounting or financial reports to evaluate the degree of riskiness' of the banks. The CAMEL framework stands for groups of performance measures such as Capital adequacy, Asset quality, Management quality, Earning, and Liquidity. However, banks are increasingly becoming subject to immense pressure from their stakeholders to improve performance. This is consequently compelling management to reconsider their traditional strategic management control methods, improve the quality of their balance sheet items, initiate cost efficiency measures, take actions that improve internal service quality and focus on customer satisfaction through product/service quality (Lapavitsas & Santos 2008; Munir, Perera, & Baird, 2011). Consequently, there is an increasing need to introduce changes to performance measurement

systems (PMSs) in order to develop and adopt contemporary and comprehensive approaches for management controls, new databases and new analytical ways to carefully assess the costs, benefits and risks (Guerreiro, Alberto & Frezatti 2006; Munir, et al., 2011). Banks are also being encouraged to adopt internal accounting tools, such as customer profitability analysis, profit chain management and combined PMSs (Khiaonarong & Liebena 2009; Munir, *et al.,* 2011).

Therefore, with the ultimate strategic objective of attaining the goal of profitability, a comprehensive performance measurement approach that includes the non-financial variables that affect the financial performance becomes a necessity.

2.3. The Rational for Performance Measurement

When you can measure what you are speaking about and express it in numbers, you know something about it. Otherwise, your knowledge is inadequate; it may be the beginning of knowledge, but you have scarcely in thought advanced to the stage of science (Lord Kelvin, 1824-1907).

A firm is just like a complex organism that seeks to survive in its competitive environment. Once a firm becomes large enough and goes beyond the oversight of a single manager, then emerges the need for use of performance measurement and control systems as a tool of a manager.

Performance measurement system serves a firm as a key factor in alignment to strategies, goals and objectives (Teeratansirikool, Siengthai, Badir, & Charoenngam, 2013). Performance measurement frameworks are designed in response to the ever-changing business environment within which a firm operates. Yet performance measurement systems must be effective so as to be able to accurately reflect a business situation and gear employees towards the right directions that help achieve organisational objectives. Neely (1999) argues the need for measures of performance as emerging due to: the changing nature of work; the increasing competitive business environment; the development of innovative initiates; national and international quality requirements; changing organisational roles; changing external demands; and the development of information technology.

Ifeoma and Ijeoma (2012) identify the reasons for organisations to use performance measurement systems as to:

1) Monitor and control,

2) Drive improvement,

3) Improve the effectiveness,

4) Align goals with objectives and strategies, and

5) Reward and discipline.

Kellen (2003), views business performance measurement as a tool to balance within the firm for:

a) Profit, growth and control;

b) Comparison of short term results with future capabilities and growth opportunities;

c) Comparison of actual performance with planned performance;

d) Opportunities and attention; and

e) Motives of human behaviour.

2.4. The Definition and Design of Performance Measurement

The significance of performance measurement has long been recognized by researchers and practitioners of various disciplinary backgrounds (Neely, Gregory, & Platts, 2005). As a management control tool, performance measurement is concerned with data collection, setting procedures related to the formation of a firm's core competency and supporting managers to put strategy into operation (Theriou, Loukas, Maditinos, & Theriou, 2007). But, what is performance measurement?, and how is performance measured?

The literature on performance measurement identifies different definitions for performance dimension and these differences have facilitated to the development of a large number performance measure. Besides, the literature indicates some of the difficulties in the selection of performance measures that are appropriate for academics and practitioners. DeBusk, Brown, & Killough, (2003) state that the mix

and number of performance measurements used differ from one organization to another due to the differences in the strategies adopted by different organisations.

Neely, *et al*. (2005) define a performance measurement system as a concise set of financial and/or non-financial metrics that supports management in their course of decision-making processes of an organisation by gathering, processing and analysing quantified data about its performance and presenting it in the form of a concise summary.

Performance measures can also be defined as the course of measuring the efficiency and effectiveness of accomplishment quantitatively (Neely, *et al*., 2005, Lisiecka & Czyż-Gwiazda, 2013). They referred effectiveness as the extent to which customer expectations are met and efficiency as a measure of how economically the firm's resources are utilized to customers' level of satisfaction. Gimbert, Bisbe and Mendoza, (2010) suggest performance measurement as the use of multi-dimensional and causal-oriented set of performance measures.

Franco-Santos, Kennerley, Micheli, Martinz, Mason, Marr, Gray, & Neely (2007), based on the Social Science Citation Index; Scopus and Google Scholar databases, make citation analysis of the approaches of Atkinson (1998), Atkinson, Waterhouse & Wells (1997), Bititci, Carrie & Mcdevitt (1997), Bourne, Neely, Mills & Platts, (2003), Forza & Salvador (2000), Gates, (1999), Ittner, Larcker & Randall, (2003), Kaplan & Norton, (1984), Kerssens-van Drongelen & Fisscher (2003), Lebas, (1995), Lynch & Cross, (1991), Maisel (2001), McGee, (1992), Neely, Gregory & Plat, (2005), Rogers (1990), and Otley (1999) in order to identify the key characteristics that researchers might include as necessary and sufficient conditions when defining performance measurement systems.

On the basis of the definitions given by various scholars cited by above, the basics of performance measurement system are features, roles, and processes (Franco-Santos *et al.* 2007). Features of a performance measurement system are properties which make up the performance measurement system. Roles are the functions that are performed by the performance measurement system, and processes are the

series actions that combine together to constitute the performance measurement systems.

From the perspective of the content analysis of Franco-Santos *et al.* (2007), performance metrics considered provision of improved information system, properly designed data capturing system, and using relevant data as the necessary condition of the measurement process. They also classified performance measures as objective or subjective; financial or non-financial; leading or lagging, complete or incomplete, responsive or non-responsive; critical or key performance indicators; tangible or intangible; etc.

2.5. Theoretical Foundation of the Research

Business performance measurement is a dynamic research agenda of academics and practitioners. In spite of the growing need in the drivers of sustainable performance measures in the operational domain, there is a growing concern over the robustness of the theoretical foundations of measuring and managing performance within the academic community. According to Franco-Santos *et al*., (2012), while there is abundant research within specific disciplines, such as management accounting, production and operations management, strategic management, human resource management, marketing and organisational behaviour, a unified theory for performance measurement and management has failed to emerge. This is due to the multidisciplinary nature of the field.

The purpose of this sub-topic is, thus, to assemble the contributions that conceptualise the theoretical basis of performance measurement from, among the others the the strategic, motivational, behavioural and accounting perspectives.

2.5.1. The Strategic Management Theory

The link among workers' satisfaction, product/service quality, customer pleasure, customer loyalty and profitability has long been considered as strategic and comprehensive interest in managerial decisions. The literature on service quality

suggests a link between employee satisfaction and customer satisfaction (Sageer, Rafat, & Agarwal, 2012, Hong, Liao, Hu, & Jiang, 2013; Hur, Moon, & Jung, 2015). The relationship between employee satisfaction and service quality will be stronger in business undertakings based on the activity of individual employees who serve customers directly. In other words, the relationship between employee satisfaction and service quality will be stronger in service firms than manufacturing firms. In service organizations, employee satisfaction, customer satisfaction and service quality are the triple components that need to be addressed to achieve the objective of profitability.

Strategic management is an approach of specifying an organisation's objectives, strategic policies and plans to achieve and attain the goals (Grant, 2016). It is a combination of strategy formulation, implementation, and evaluation. Within in the strategic management theory, the profit-maximizing and competition-based, the resource-based, the human resource based, the survival based, and the contingency theories are discussed as follows.

2.5.1.1 The Profit-Maximizing and Competition-Based Theory

This theory is based on the maximisation of long term profitability of a business organization through building sustainable competitive advantage over competitor in the external business environment. The theory stems from the industrial-organization (I/O) perspective which views excellence in the external competitive environment as a classic for assessing competition within an industry (Raduan, Jegak, Haslinda, & Alimin, 2009).

The external environment in the context of this study is considered in terms of regulation, technological environment, and economic conditions. In this regard, all banks do not use internally developed technological input, but adopt externally acquired technologies which all have equal opportunities and capacities. The regulatory regime correspondingly applies its policies and monitoring systems on all banks. The sampled banks operate in the same region with similar economic environment. Therefore, the regulatory, technological and economic factors are assumed to be the same for all and will not have an impact on differences in financial

performance. However, the market and the customers are the core determinant factors from the perspective of external environment where banks have to compete for and maintain competitive excellence. Therefore, customer behaviour is taken as component factor in the development of the measure of performance.

On the other hand, the resource-based theory which is discussed below views internal resources and capabilities have the potential to generate competitive advantage and eventually superior firm performance (Raduan, *et al*., 2009).

2.5.1.2 The Resource-Based Theory of Competitive Advantage of the Firm

The primary stage in strategy formulation is to define a firm's identity and purpose which takes the form of a mission statement. This involves broadly articulating what the business is, who the customers are, and which of their needs is intended to be addressed. But in situations where customer demand is ever changing, the RBV considers an internally focussed strategy as much more stable in defining the identity and formulating the strategy of a firm.
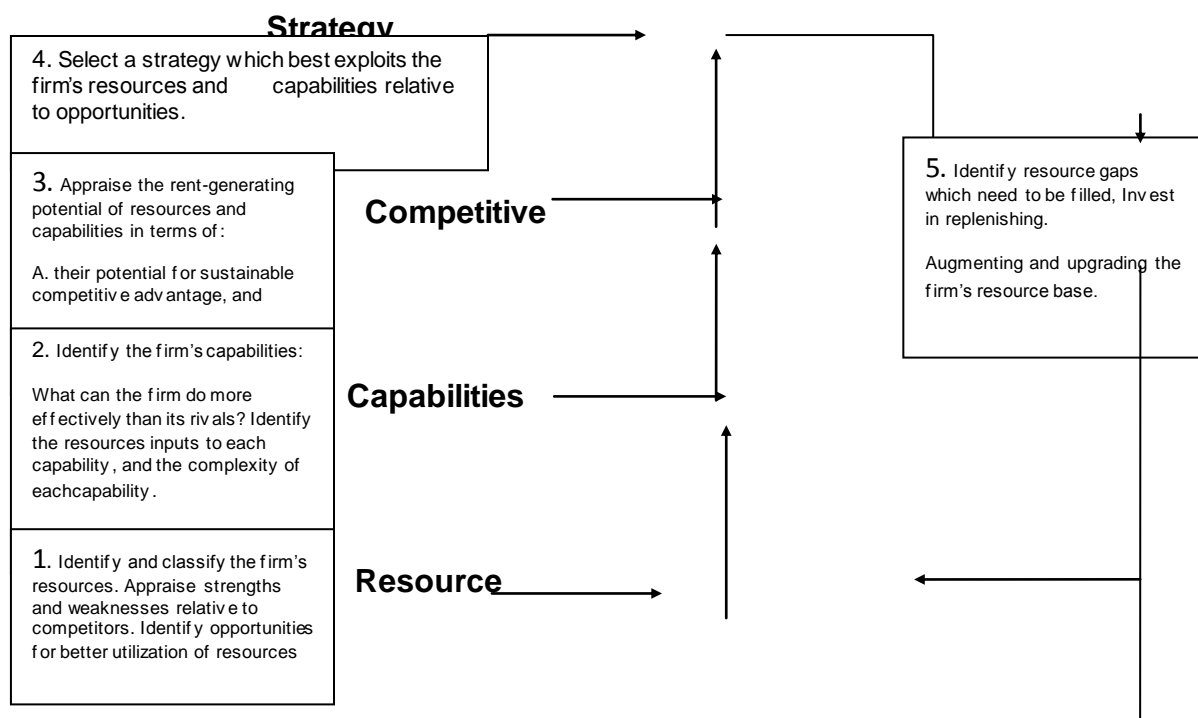
Source: Grant (2002)

Figure 2. 1: A framework for analysing resources and capabilities

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The resource-based theory explains the capacity of employees, products, and other firm resources to enhance its competitiveness. Forsman (2000) defines resources in two subcategories. They are core resources and critical resources where core resources include unique raw materials usage, unique production methods, special , third party connections, locations close to customers, and flexibility of the company's activities. The indicators are products, cost, capacity and customer perceptions and intentions.

On the other hand, the critical resources explicate the specific resources, core competencies, capabilities, and knowledge, depicted in the form of employees' skills, product quality, and efficiency. The indicators include employee skills, reciprocal relations, innovation, and employee determination.

The resource-based theory of competitive advantage was developed on the belief that internal resources and capabilities provide the basic direction to the firm's strategic formulation and are the main sources to achieve superior performance of a firm (Grant, 2002). The theory advocates profitability as the goal of a firm that is attainable through long term and sustainable competitive edge and based on the possession of certain key resources of the firm (Saunders & Petzer, 2010). The internal resources and capabilities are depicted in the form of physical, intangible and human resources, respectively

The literature postulates that superior performance is a function of the efficient and effective utilization of the firm's resources in the course of serving the markets and customers. The choice of strategy of a firm is a function of external environment, in this case the customers, the opportunities and threats in the market and the internal capabilities that provide the capacity to challenge the threats and take advantage of the opportunities (refer to figure 2.1). Firm strategy, thus, is hypothesized to be a match between internal and external environment. The key players in this case are the employees (internal) and customers (external).

Traditionally, measurement of business competitiveness was dependent only on financial indicators. However, financial report has customarily been deficient in providing a complete picture of the resource base of a firm because it ignores to

incorporate the intangible assets (human knowledge and skill, reputation) which are the most strategically important resources of a firm. The resource base theory does not undermine the prominence financial indicators, but includes operational indicators in the performance measurement. Financial performance measures provide accounting based measures of profitability while operational performance measures are based on nonfinancial performance indicators (Pun & White, 2005). Thus, the resource-based view classifies performance measurement into subjective (nonfinancial, leading, incomplete, non-responsive, output, non-critical, intangible) and objective (financial, lagging, complete, responsive, inputs, critical, tangible) measures.

Therefore, in line with the objectives of the study and drawing from the discussions on resource based theory, the internal resources and capabilities are basic contributory elements to validate the visualised comprehensive performance of the commercial banks in Ethiopia

Kotler & Armstrong (2012) state that customer satisfaction will be obtained if the performance of the firm offering meets its customer expectations; on the contrary customers will be disappointed when the performance is lower than customers' expectation. Kuusik (2007) argues that customer loyalty is a function of the share in total purchases. The indicators are purchasing frequency, purchasing behaviour, effort to obtain information and alternative evaluation. (Tseng, Lan, Wang, Chiu, & Cheng, 2011).

2.5.1.3 The Survival- Based Theory

The survival-based theory was originally developed by Herbert Spencer (Herbert. 1946; Miesing & Preble, 1985). Herbert Spencer blended Darwin's theory of evolution and natural selection with Adam Smith's invisible hands to come up with the idea of Social Darwinism. This theory assumes the laws of biological systems can be applied in a competitive environment where inefficient competitors are marginalized in the market in the best interest of the public. Social Darwinism assumed normal for competition to behave in decadent ways to produce the fittest

business, which survives, prospers, and becomes the most efficient economic unit by successfully adapting to its environment.

However, opponents of Social Darwinism called Neo-Darwinism emerged and assumed that competition and cooperation are interconnected and competition will force business to be more cooperative. Hence, qualities and values of doing good and ethical business were encouraged in order to survive in the competitive market (Klein, 2003, Mohammad & Abdullah, 2010). Healthy competition is desirable for the development of the financial system. In the course of competition, there are areas where banks could exchange information for mutual advantage for example. In this regard, the N.B.E., as regulator of the financial system, facilitates the ground for competitive environment, but also monitors the incidence of unhealthy competition.

The survival-based view in strategic management emphasized on the assumptions that in order to survive, organizations have to adapt strategies that should be focused on running a very efficient operation and respond rapidly to the changing competitive environment (Mohammad & Abdullah, 2010). In other words, the survival-based theory centres on the concept that organization needs to continuously adapt to its competitive environment in order to survive.

2.5.1.4 The Contingency Theory

The contingency theory overhauled the whole idea of the classical management theory which stated that there is always one best way of doing things. Contingency theory is one of the theories which helped to analyse in what way performance measurement system (PMS) fits in the organization's environment (Gimzauskiene & Kloviene, 2008, 2009). Thus, the basic paradigm of contingency theory is that an organization seeks effectiveness and efficiency by fitting the qualities of the organization with the contingencies that indicate its situations (Donaldson, 2001). Contingency theory suggests that there is no one size fits all system (example management accounting system) to manage or control people in every situation (Gimžauskienė & Klovienė, 2009) but is dictated on the strategies and objectives set by the organization after careful analysis of internal and external environment (Thompson, Strickland & Gamble, 2005). Thus, to understand the factors that

influence the choice of performance measures, it is necessary to understand the relationship between organizational strategy and the environment in which the firm operates. Further, the theory considers the internal and external environment as important contingency variables and source of competitive advantage for a firm when aligned with its strategy (Athanasoglou *et al.,* 2008, Fatih, 2012, Ahokpossi, 2013).

The relevance of the contingency theory in the accounting literature was recognised in the mid-1970s. Thus, the structural contingency theory was developed based on the premises that survival, effectiveness and high performance are related to the fitness of contingencies such as organizational size (Child, 1975), technological level (Gerwin, 1993), strategy (Chandler, 1962), and environment (Hambrick, 1981). A firm's accounting system is an important component of organisational structure and the particular features of this system are affected by the contingencies that a firm encounters. Consequently, changes in circumstances (contingencies) require an adjustment to the structure so as to improve the fit condition and lead to higher performance.

Change is an inevitable development and to be compatible with the emerging changes, management is expected to identify areas where the firm's strategy is successful and where it needs for improvement. The areas that demand improvement undoubtedly require a change, among others in the human resource capability, the service quality, performance measurement system that track non-financial measures, and set of new competitive strategies (Kaplan & Norton, 1992). Drucker, (2000) states the contemporary test of management is becoming to be a change leader. Drucker realised that management has to envisage change as an opportunity rather than a challenge. Besides, there is a need to understand how make change effective both inside and outside the organization. Further, Drucker notes that an organization needs to make its workforce see change as a means of motivation to develop new products, services, and processes in response to the needs for change. Kotter (1995) also developed an eight-step process for implementation of change including:

a. Assessment of environmental realities and Identifying challenges and opportunities,

b. Forming a group inspired to work as a team with sufficient power to lead the change.

c. Creating a vision and developing strategies to help meet the change and the vision,

d. Selling the change vision internally,

e. Empowering employees to act on the vision.

f. Planning for visible performance measurements along with incentives for employees involved in the improvements, and

g. Taking measures to improve systems, policies, and structures that could align with the emerging changes; and hire, promote, and train employees to achieve the desired vision for change.

Kaplan & Norton (1992) noted that the steps stated above can be applied both to the implementation of the Balanced Scorecard and the changes identified by the Balanced Scorecard during its implementation.

However, from the perspective of the critics of the structural contingency theory, such as Child (1972), it was not necessarily structure that follows a change in contingencies, but changes in structure could also lead to changes in contingencies). But, in an attempt to challenge the critics of this theory, Donaldson (2001) develops what he called the Neo-contingency theory or the Theory of Performance-Driven Change.

Generally, contingency theory accepts the need for the employment of non-financial controls in supplement to financial controls. Since the purpose of this study is to validate a comprehensive measure of performance based on a diverse set of financial and non-financial measures of performance, the contingency theory is among the theories where the study is constructed

Open-Book Management:

Open-Book Management began to be widely used as management concept and developed by Case (1995). The concept of the open-book management stems from the belief that employee satisfaction and retention would be built through increasing

employee engagement, motivation and innovation; entrusting employees with vital information about the organization's financial and operational health, and considering workers as valued partners and stakeholders in their organizations.

In other words, the basis of open-book management rests in considering employees as core stakeholders. Thus, the information conveyed to the employees need not only be limited on tactical operations that could help them do their jobs effectively, but also in strategic aspects so as to help them understand how the company sets its goals leading to improved profitability and enhanced team work. This is expected to further lead to increased job satisfaction, reduced turnover and improved profitability.

These basic fundamentals of open communication and the engagement of employees through incentive-based pay are values that are shared by BSC and SPC models. Beyond this, both models integrate the four-perspective postulating a cause and effect relationships of the perspectives. Heskett *et al* (1994) were in congruence with Kaplan's BSC model except that additional, uncontrollable factors are considered in developing the service- profit chain (SPC) model.

Customer Value Discipline:

The 'Customer Value-Discipline' as a model was initiated by Treacy & Wiersema (1993) based on Porter's strategic ideals of 'Cost leadership, Segmentation and Differentiation'. However, they make a difference in that Tracey and Wiersema focused on customer value accounting for the difference between the total benefits and total cost of the customers.

The model proposes three different value disciplines (Cardoso, Viaene, & Costa, 2009) including:
   a. Operational excellence – that involves the provision of reliable products or services at competitive prices and with minimum inconvenience for delivery.
   b. Product leadership – that involves the provision of unique products/ services that consistently enhances the customer's repeated use of the product/service, and

c. Customer intimacy – that focus on being flexible to meet the requirements of customers.

The SPC and the BSC models have drawn from the value discipline concepts presented by Treacy *et al.* (1993).

2.5.2. Management Theory

Management theory offers the conceptual framework for guiding organisations towards achieving their objectives. Management theory is dynamic in that it is responsive and adaptive to the environmental needs and operational requirements of organisations. Consequently, different approaches of management theories have evolved over time which among them include the classical approach and the human resource approach. The objective of this research is to assess the relevant literature and based on empirical evidences identify a comprehensive performance model for the banks in Ethiopia. Therefore, pertinent management theories are discussed as a general background theoretical basis.

2.5.2.1 The Classical Management Theory

The classical school of management thought emphasizes on organizational design, workers training for efficiency, chains of command, division of labour, planning of work, the technical requirements of the organisation, and the principles of management. The classical theory is basically categorised into scientific management and administrative management (Cole, 2004).

Scientific management involves the application of scientific methods to increase individual workers' productivity. The development of scientific management is attributed mainly to Taylor, Gantt and Frank and Lillian Gilbreth. Frederic Taylor (1856-1915), considered as the pioneer of scientific management, introduced the need for careful selection of workers, training the worker, equal division of work between management and workers, and breaking the work scientifically into tasks and jobs as the basic elements that could help increase productivity. Taylor

introduced the concept of time and motion study targeted to develop work standards to measure efficiency (Taylor, 1991).

Administrative management was concerned with the use of management principles in the organising and managing of an organization. Fayol (1841-1925) is attributed to his initial attempt to describe the broad principles of management. Fayol (1916/1999) in his work, Administration industrielle et générale, advanced the fourteen principles of management involving, among others, initiative, equity, remuneration of personnel and stability and tenure of employees. Drucker's Management by Objectives and Fayol's planning, organising, leading and controlling functions of management were the basis in influencing the balanced performance of Kaplan and Norton (1992) in his introduction of the concept of the balanced scorecard.

2.5.2.2. The Motivational and Human Resource Behaviour Based Theories

The human behaviour school of thought believes that work is accomplished though people and lays emphasis on the interactions of individuals, their motivations, and their influence on organizational performance. Elton Mayo's Hawthorne studies (1924-1932; 1960), McGregor's Theory X and Theory Y (1960), and Maslow's (1962; 2013) hierarchy of the human needs theory are considered as the major theoretical nitty-gritties to the development of the motivation and human resource behaviour theories. Elton's Hawthorn effect was the first psychological research that laid emphasis on the importance of human interaction and drive for productivity. The theories such as strategic management theory, generally place emphasis on the psychological needs of the human nature.

A. Douglas McGregor, Theory X and Y:

Douglas McGregor (1960) introduces a philosophical attitude with his Theory X and Theory Y. He classifies the hierarchy of needs into lower-order needs (Theory X) and higher-order needs (Theory Y) and proposed to use either set of needs to motivate employees in their jobs.

Theory X is based on the assumption that people have an inherent dislike for work and avoid it whenever possible. They have little ambition and have no desire to be responsible and accountable; but seek security above all Therefore, the theory proposes that people need to be forced, controlled, directed, punished where necessary to achieve the organizational objectives;. Then, this theory assumes that the role of management is to coerce and control employees.

On the other hand, Theory Y is based on the ground that people have the innovative potential; and can assume responsibility if they are committed to the objectives. The theory emphasizes that people need to be rewarded for their achievements; learn to accept and seek responsibility; and have the ability to solve an organizational problem. Therefore, the role of management is believed to develop the creative intellectual capabilities in employees and inspire them to release that potential towards common goals.

McGregor was very much inclined towards the more humanistic Theory Y assumptions. Further, Theory Y served as a basis for the development of the presumptions of multiple performance measures.

B. The Theories of Motivation:

Following the Hawthorne Study results, many theories of motivation have been developed to study the factors that instigate employees to improve performance and satisfaction in their jobs. In spite of the complexities and difficulties of determining the behaviour of people, these theories have served in providing a framework to address the problem of how best to influence the behaviour and performance of employees.

The pioneering scholars of motivation such as Maslow (1962), Vroom (1964), and Herzberg *et al.* (1957; 1959) have served as a foundation for many of the contemporary and subsequent studies. These classic theories have helped specifically in the advancement of investigations on employee job satisfaction and in the construct of a new lens for academic study. Researchers on behavioural studies

have divided the theories of motivation mainly into two major schools: the content theories of motivation and the process theories of motivation (Mullins, 2010).

1. The Content or Intrinsic Theories

Content or intrinsic theories of motivation to focus on factors internal to the individual that invigorate and direct behaviour. These theories regard motivation as internally driven stimuli that compel an individual to act or move toward the satisfaction of individual needs. The content theories of motivation are largely based on early theories of motivation. Major content theories of motivation include Maslow's Hierarchy of Needs Theory (1962), Herzberg.'s Motivator-Hygiene Theory (1957; 1959), and Aldefer's Existence-Relatedness-Growth (ERG) Theory (1969). These classic theories are discussed as follows.

a) Maslow's Hierarchy of Needs Theory:

Abraham Maslow (1962; 2013) developed the Hierarchy of Needs demonstrated in the form of a pyramid with the most fundamental needs at the bottom and the need for self-actualization at the top of the pyramid

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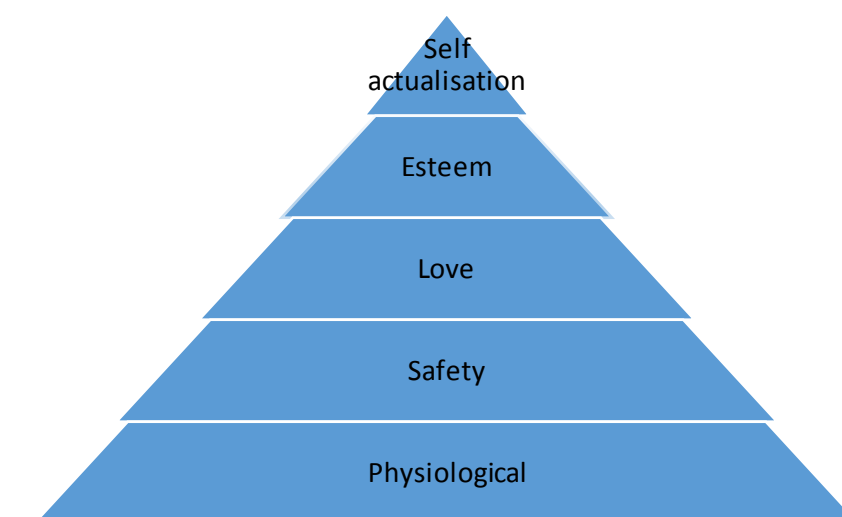
Source: Adapted from Maslow, A. 2013. '*A Theory of Motivation*'..

Figure 2. 2: Maslow's hierarchy of needs

The hierarchy includes the basic physiological needs (food, shelter, clothing and other basic material want); safety needs (the need for security from physical and mental obliteration); social or psychological needs (the need for affection, concern, belongingness and friendship with others); self-esteem (recognition); and self-actualization need (to have those rights which a person deserves). Maslow suggests the hierarchy is not necessarily a fixed order and asserts that a satisfied need is no longer a motivator but stimulate for advancing need.

Applications of the hierarchy of needs to management and the workplace are clear in that individuals must have their lower level needs satisfied, for example, safe working environment, adequate pay to maintain basic needs, and job security before they will be motivated by increased job responsibilities, status, and challenging work assignments. Yet, in spite of the ease of application of the theory to a work setting, this theory has not been supported by empirical studies.

b) Alderfer's ERG Theory

Alderfer's ERG Theory (1969) condensed Maslow's five human needs into three and divulged that man is motivated by the core need for Existence(the need for basic needs, like physiological and safety needs), psychological and self-esteem (the need for love, relationship with others, social status and recognition), and Growth(the need for personal development, including creative and meaningful work). The theory is traced from its outgrowth of Maslow's Hierarchy of Needs in an effort to further understand and expand its implications.

Alderfer's ERG Theory has been considered a construct applicable to the study of human motivation in the workplace and a tool to understand what constitutes job satisfaction, identify incentives and improve performance in the workplace (Ivancevich, Konopaske, & Matteson, 2007). This theory was also regarded as a more valid version of the need hierarchy (Robbins, 1998) and has elicited more support from contemporary researchers on motivation in the work situation. In this respect, Arnolds & Boshoff (2002) investigated the causal relationships between need satisfaction and employee job satisfaction. Their study showed the linkage of respect gained from the status gained in the community and working in the

organisation exerts a significant influence on the job performance and satisfaction of employees. They concluded their study suggesting to management to devise strategies to address the motivational needs of the front line employees in order to improve their job performance and build the reputation from the customers.

c) Herzberg's Two Factor Theory:

Motivation is seen as an inner force that drives individuals to attain personal and organizational goals. Herzberg, Mausner, Peterson, and Capwell (1957; 1959) categorized motivation into two separate but complementary sets of factors called motivators and hygiene.

Motivators (satisfiers) are the dimensions of the job that are capable of inspiring people to perform and provide people with satisfaction while Hygiene factors (dissatisfiers) are features incapable of providing motivation or job satisfaction but which can minimize dissatisfaction. Motivators lead to intrinsic satisfaction of employees on their jobs and include the work-itself (the nature of the job), achievement (achievement in the work), recognition, advancement and growth (promotion opportunities as well as chances for personal growth and recognition).

Hygiene factors or extrinsic factors denote to issues such as one's working position, interpersonal relationships, salary, status, job security, supervision, company policies, work conditions or work environment and personal life (Herzberg et al., 1959). Hackman & Oldham (1975, 2010) also identify work environment dimensions (skill variety, task identity, task significance, autonomy, working conditions, interpersonal matters, organizational policies and so on) to be associated significantly with job satisfaction and workers' motivation.

2. The Process Theories or Extrinsic Theories:

The process or cognitive theories of motivation attempt to focus on the relationship between effort and performance. These are value theories of motivation that attempt to describe the level of effort people perceive they put into work for the rewards they receive. Adam's Equity theory (1963, 1965), Vroom's Expectancy Theory (1964),

and Lock's Goal Theory (1968) are value theories that attempt to identify the variables that influence employee job satisfaction

1) Social Exchange and Equity Theory:

Social Exchange Theory focuses on a relationship that is demonstrated in terms of maximising benefits and minimising costs. It is based on mutual exchange of rewards between partners like employer and employee and the costs of being in the relationship which may take in the form of time and effort among others. Blau, 1964; Thibaut & Kelley (1959) believed people will look to see how rewarding a relationship is and then how much it costs to be in the relationship. If there is a profit (rewards – costs = profit), then people may inspire to continue the relationship, whereas a loss may motivate them to end the relationship. A relationship is maintained if profit is perceived in both the interacting partners.

Social exchange theory may be put in force to validate for the relationships between organizational policies, worker's delight, and customer satisfaction. Within the context of social exchange theory, the organization is devoted to building a relationship of long-term employment with the personnel through the provision of an affluent working environment, opportunities for development, management support and so forth. In reciprocity, the personnel are predicted to commit to their organization. The temperament to build a long term relationship between the employer and employees is one of the key features of a social exchange theory.

The social exchange theory posits that employees who perceive that operating conditions are better will feel more satisfied with their job and in return be loyal to their organization. Furthermore, loyal employees are more service oriented and willing to supply a higher degree of quality services that meet the necessities of the customers. Social exchange theory also draws the expectancy of the presence of relationships among employee satisfaction, perceived service quality, customer satisfaction loyalty, and profitability. Within the perspective of social exchange, the customer would be more loyal to the organization when the latter is committed to develop a protracted-time period of relationship with the former by offering services of a high level of quality to meet the customer's desires. The willingness of the

organization for maintaining a long-standing relationship with the customer is confirmed by means of the management's efforts to provide superb services to the customer and keep the employees happy and satisfied. Loyalty of customers is manifested through the intention and actual repeat purchase. This is ultimately anticipated to increase the firm's profits.

On the basis of social exchange theory, it is probable that customers who perceive a higher level of quality within the services they received are likely to be more satisfied with the services. Besides, customers who perceive employees' satisfaction are expected to feel more satisfied. Furthermore, satisfied customers have the tendency to be loyal to the service provider. Loyalty is highly probable to be demonstrated in increased volume of sales through repeat purchases in addition to recommending the service provider to another customer and ultimately increase profitability (Heskett, *et al.* 1997).

Equity theory was developed by John Stacy Adams in 1963. The theory posits that motivation, attitudes and behaviours can be affected through an individual's perception of fair treatment in social exchanges. In other words, Equity theory is associated with social exchange theory and they both emphasize the reciprocal nature of workplace relationship (Adams, 1965).

Equity Theory perceives individuals as motivated to achieve fairness in relationships and to feel dissatisfied with inequity (unfairness). According to equity theory, perceived inequity comes from social comparisons (Redmond, 2010). The fact that Equity Theory deals with social relationships and fairness/unfairness is also known as The Social Comparisons Theory or Inequity Theory (Jost & Kay, 2010). The concept of equity theory focuses on the notion of equal pay for equal contribution in the work and put an effort to minimize any sense of emerging unfairness. Thus the theory has a range of implications on employee motivation, performance, and turnover.

Equity theory can be applied in almost any exchange situations. It is based on a ratio of inputs to outcomes. Inputs include the value and magnitude of the employee's

contributions to his or her work where as outcomes are the contributions that an individual acquires for his or her inputs. Inputs can include time, abilities, skill, effort, performance, loyalty, hard Work, commitment, tolerance, trust in superiors, support from co-workers and other attributes. On the other hand outcomes include pay, benefits, job security, esteem, recognition, reputation, responsibility, sense of achievement, praise, and other intrinsic rewards. Individuals calculate the ratio of their respective subjective value of inputs to outcomes and then compare it to others' ratios in order to determine if it is equitable (Adams, 1964, Swinton, 2006).

Equity Theory suggests that it is not just one person's input to outcome ratio, but it is when the ratio of one's input to outcomes is compared with others' input/outcome (Baxamusa, 2012). Adams hypothesizes that employees demand fairness in matching efforts and the results gained in comparison to fellow colleagues. In other words, the theory implies that employees are inspired by a desire to be treated equitably with their companions at work and when they perceive getting judicious incentives and remuneration in proportion to their effort (Baxamusa, 2012).

Relationships where individuals put in more than they receive are inequitable, leading to dissatisfaction and possible engagement in disruptive behaviours, Adams, 1964; Swinton, 2006) including among others in decreased productivity, theft, increased breaks, or absenteeism. Although management can do a lot to prevent perceptions of inequity, the assessment of inputs and outcomes will remain based on an individual's subjective perception (Adams, 1963). Thus, there needs to be a balance between the inputs and outputs received.

2) **Expectancy Theory:**

This theory was promoted by Victor (1964) with the new concepts of Valence, Instrumentality and Expectancy. The theory combines the work itself, the resources available to perform the work, and the reward system considered to motivate the work force. Therefore, the degree of motivation is directly related to the expectation of receiving a reward and the overall perceived attractiveness of the reward. Vroom (1964) states in his research that personal characteristics and work environment contributed to job satisfaction.

This theory assumes that employee effort leads to performance and performance leads to rewards. These rewards can be positive or negative. The positive rewards lead to a more positive employee who is highly motivated. The negative rewards lead to obviously a less motivated employee.

Spector (1997; 1985) describes job satisfaction as the feeling about the job or an attitude towards one's job which could be measured by the dimensions of: (1) Pay - amount and fairness or equity of salary; (2) Promotion –the chance and equity for personal development; (3) Relations with supervision –support and competence supervisors; (4) Fringe benefits - health, insurance, education, retirement, and other benefits; (5) Contingent rewards - sense of respect, recognition, and appreciation; (6) Policies and procedures - implementation of policies, procedures, and rules; (7) Relations with co-workers - perceived competence and pleasantness of one's colleagues; (8) Nature of work - enjoyment obtained from the work itself; and (9) Communication – the flow of information within the organization. Ellickson and Logsdon's (2001) reinforced Spector's earlier research work suggesting that job satisfaction was significantly influenced by perceptions of employee satisfaction in terms of salary, career development, and relationships with supervisors, employees' performance evaluation and management systems, and fringe benefits.

The expectancy theory and equity theory represent both a cognitive approach to motivation. In both cases, it is about dealing with individuals' motivation when they perceive their efforts will lead to the reward they expect. It is about the valence of rewards - if employees do perceive their efforts will pay off (effort – reward relationship), they will be more inclined to adjust their behaviour positively.

However, the equity theory goes on to evaluate the outcome-to-input ratio comparison process and the cognitive and behavioural mechanisms to restore perceptions of equity (Stecher & Rosse, 2007). It also looks at ways to reduce inequity by such means as employees changing their inputs to a level that matches their outcomes and attempting to change their outcome to a level that matches their inputs. There is evidence that supports the theory's prediction that people respond to

inequity by reducing work effort or increase effort to match the outcome (Stecher & Rosse, 2007).

3) Goal-Setting Theory:

In industrial and organisational psychology, Locke's (1968) Goal Setting Theory also known as Workplace Theory has acknowledged wide acceptance. The theory postulates that goals lead towards improvement in employee performance and considered satisfacton as the difference between an employee's perception and expectation in a job (Khan & Mansoor, 2013). Locke (1976) claimed that employees are satisfied with their jobs when they are positively influenced by the work content, the work itself, salary, recognition, achievement and a sense of opportunities for success of the job.

Empirical studies on motivational factors of employees revealed monetary reward as the most important motivator for employees (Gupta & Shaw, 2014). Khan & Mansoor (2013); and Fuhrmann (2006) further considered salary, advancement, and involvement in decision making as the factors that motivate employees in their job. Danish & Usman (2010) concluded in their research on private sector employees of Pakistan that rewards and recognition have a positive impact on employee motivation while Manzoor (2006) revealed empowerment and recognition to have significant impact on employee motivation and job satisfaction. In the works of Bosompem, Kwarteng, & Obeng-Mensah (2012), findings indicated that the best determinant of employee motivation and job satisfaction were recognition and working conditions. Job satisfaction is considered as vital to any work environment because of its impact on outcome variables such as work performance and organizational commitment, absenteeism, inefficiency, negative attitude and intentions to switch (Ngoc, 2014, Yücel, 2012)

4) Theory of self-regulation:

Bagozzi, Yi, & Phillip (1992) in his theory of self-regulation (TSR) claimed that to understand intentions, motivational processes have to be included in the models of attitude-behaviour relationships and suggested that a motivational based variable

such as desire be included in attitude theory as an antecedent of intentions. Leone *et al.* (1999) conducted a research to ascertain the predictive power of past behaviour on intention and behaviour and the research results were that past behaviour is a weaker predictor of intention in the TSR models. The TSR establishes that desire is a close cause of intentions, whereas attitudes are a distant cause whose influence is totally mediated by desire. In the TSR Bagozzi *et al.* (1992) provided some rationale for the role of desire. The researcher claimed that attitudes are usually conceived as evaluative appraisals and if evaluations are strong enough, attitudes will lead to intentions to perform or not to perform the target act. However, evaluative appraisals do not imply motivational commitment and intentions cannot arise without any motivational push (desire). Desires are based on urges, while attitudes are based on reasons and apply to a wide range of behaviours (Davis, 1984). Attitudes can stimulate desires since both are based on reasons: for instance, one can have a positive attitude toward exercising because it is healthy and this attitude can lead to a desire to exercise. Hence a moderate to high association between attitudes and desires is to be expected, since the former influences intentions through the latter. Bagozzi *et al.* (1992) argued that intention implies desire, but that desire does not necessarily imply intention. The researcher also addressed the processes linking desires and intentions. Once a desire is present, an outcome-desire appraisal takes place based on comparisons of the desire and possible end states. Appraisals related to different end states lead to emotional reactions and coping responses as intentions. The TSR claims that desire is a necessary antecedent of intention because attitudes, subjective norms and perceived behavioural control are not able to capture broad motivational processes (desire-outcome appraisals) that lead to an intention to perform a behaviour (Bagozzi, *et al.*, 1992). Since Bagozzi *et al.* 1992) states that attitudes can stimulate desires and that both constructs are based on reasons, desire was a strong predictor of intention. The TSR claims that the effects of desires on intentions are due to the outcome-desire appraisals that lead to emotional and motivational processes. Services, however, are delivered through employees, who are at the frontline and form the interface between customers and firms (Sureshchandar et al., 2001). As such, employee emotional and motivational processes are critical to efficient service processes (service quality) and outcomes (customer satisfaction).

5) Emotional Contagion Theory:

The emotional contagion theory was advanced by Hatfield, Cacioppo and Rapson (1994) which explains a situation where one person's emotions are related to the emotions and behaviours of another. This theory elucidates how the emotions of two people are conveyed reciprocally via facial expressions or gestures and ultimately affect the outcome of the interaction. The theory explicates the linkages between employees' internal stimuli (cognitions, emotions, mental states, etc) and the responses that arise in their work environment in the form of performance, organizational commitment, and job satisfaction (Wegge, van Dick, Fisher, West & Dawson, 2006). The theory further proposes that behaviours are explained by employee mood and emotions, while cognitive-based behaviours are the best predictors of job satisfaction.

This theory has also been used to explain how the communication of employees affects customer response leading to a better performance (e.g., Homburg & stock 2004, and Pugh 2001). The emotional contagion theory postulates that the communication is reciprocal which takes place from employee to customer and from customer to the employee with the outcome being better performance in terms of satisfaction or burnout of either party/both leading to dissatisfaction.

2.6. The Performance Measurement Frameworks/Models:

A variety of performance measurement frameworks from a variety of origins have evolved over time to measure business performance. Lisiecka and Czyż-Gwiazda (2013) analysed the literature and presented among others the models developed for a large number of organisations. Some of the models have gone through some empirical testing while the others have gone through theoretical development.

The BSC and SPC are performance models that link leadership, employees, customers and financial results. The BSC is a holistic model of organizational performance that starts with the end in mind. The typical scorecard incorporates four

perspectives each of which has to be successfully managed. The SPC model is another holistic model of organizational performance that stars by focussing on the organizational end goal- that is profitability- and traces the chain backward. The underlying concept is that profit is simulated mainly by customer loyalty which is a reflection of customer satisfaction. Customer satisfaction, in turn is largely influenced by the customer perception of value, which is ultimately created by satisfied, loyal and productive employees.

Employee satisfaction results mainly from proper human resource management practices, such as support services and policies that empower employees to deliver high quality customer service. Thus, SPC is defined by special kind of leadership that acknowledges that financial success is achieved through emphasis on classic service.

The BSC and the SPC models (discussed in section 2.6.1 and 2.6.2 respectively) basically describe that a cause and effect relationship exists between the lagging indicators and leading indicators. It is thus hypothesized that Improvement in the growth and learning perspective leads to creating an enabling environment for improvement in internal process and innovation. Efficient process helps produce quality products and services which lead to higher customer satisfaction; and increased customer satisfaction leads to improved profitability through the moderating variable effect of customer loyalty (Kasperskaya, 2013, Abu-Suleiman, 2006).

2.6.1. The Balanced Scorecard Model:

The concept of BSC was introduced following the deficits of financial measures to evaluate the performance of a firm. Kaplan & Norton (1992 and 1996) popularized the BSC as a combination of non-financial and financial measures of performance and on the belief that it brings all the strategic objectives of management into a single and comprehensive performance model. The objective of this research is to develop a comprehensive measure of performance for the commercial banks in Ethiopia. This research is inspired by the concepts contained in the BSC framework (see figure 2.2) to develop performance measurement.

The framework identifies the four related critical performance measurement areas necessary for the development of a comprehensive performance model: (1) learning and growth perspective, (2) internal process areas, (3) customer perspective, and (4) financial perspective where management should ensure the vision and strategy of the firm are in congruence.
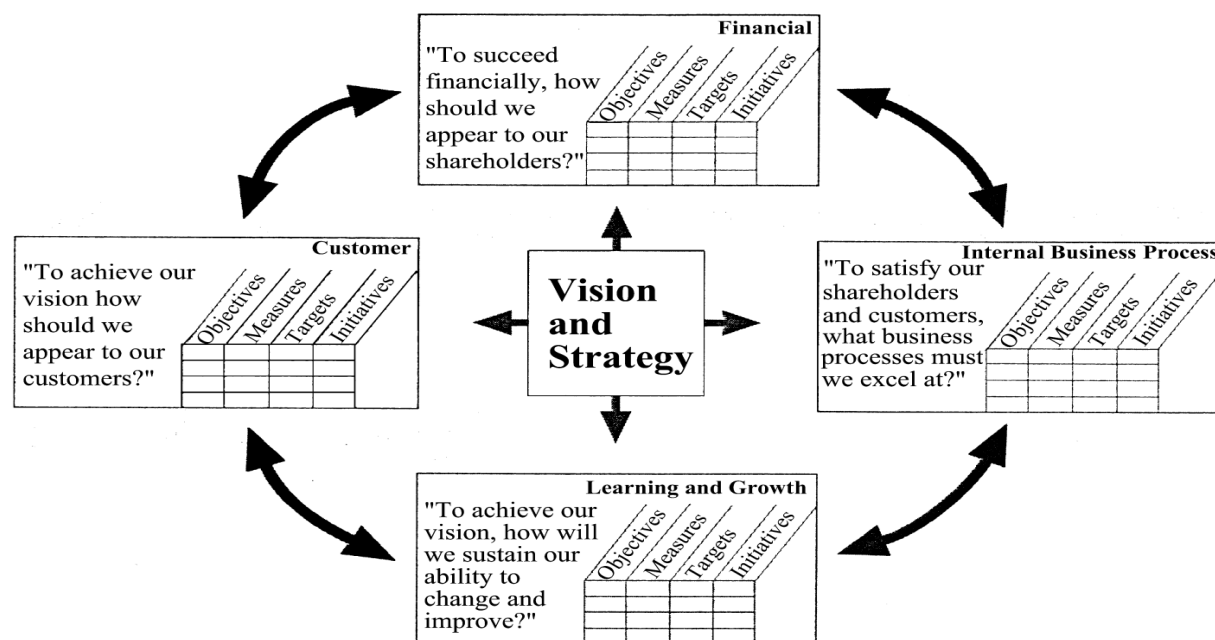
Source: Kaplan and Norton, (1996).

Figure 2. 3: The generic structure of the Balanced Scorecard

As shown in Figure 2.2 above, each of the perspectives consists of relevant goals, indicators and measures to achieve. Advocates of the BSC such as Chow (1997) and Cravens (2000) commend that this approach provides a powerful means for translating a firm's vision and strategy into a tool that effectively communicates strategy and motivates performance against established strategic goals.

As a management approach, the BSC integrates financial and non-financial measures with strategic measures (Singh & Kumar, 2007). A firm has, therefore, to define its strategic vision and translate it into a strategy map (Kaplan & Norton, 2001). A strategy map envisions and communicates a strategy through cause-and-effect relationships.

Nonfinancial indicators such as employee satisfaction, quality service, and customer satisfaction are used to represent intangible factors of learning and growth, internal business process, and customer perspectives respectively. Return on equity (ROE), and return on assets (ROA) are taken as measures of the financial perspectives. The indicators are associated with a cause and-effect relationship where some of them serve as driving indicators while others serve as the outcome indicators (Kasperskaya, 2013).

According to Norton and Kaplan (1996) a cause and effect relationship exists among the perspectives of BSC in a sequential manner. This shows that improved performance in Learning and Growth will result in improved performance in Internal Business which will positively affect Customers and this will eventually influence Financial Performance.

The typical Balanced Scorecard Model has four perspectives hypothesized in a causal relationship between the perspectives. These perspectives are basically designed to balance the financial and non-financial measures of performance (Bento, Bento & White 2012). Each of the perspectives is discussed below.

2.6.1.1. Financial perspective

The Financial performance perspective of the BSC describes the tangible outcomes of a strategy in traditional financial terms (Chenhall, 2005; Hoque, 2004). The financial objectives represent the long-term objectives of organisations and are the outcomes of other non- financial factors. The financial perspective describes the measures of a firm's strategic outcome in financial terms such return on equity (ROE), return on assets (ROA), Net Interest Margin, market share residual income, economic value added, revenue growth etc. (Murthy & Sree, 2003; Alexandru *et al.,* 2008, Atkinson, 2006). In other words, the financial objectives are set as a firm's goals depicting the long-term objectives of the organisations.

Financial statements have long served as important tools to measure the financial performance of organisations and as the source of information for all stakeholders in their respective decisions. The Ethiopian Commercial Code No. 166 of 1960, Article

63 and Proclamation No. 592/2008, article 23 of the Federal Democratic Republic of Ethiopia gives the National Bank Ethiopia the power to direct banks to prepare and issue audited financial statements in accordance with the international standards.

Limitations of Financial Measures of Performance

Some of the limitations of financial measures of performance include that:

1. Traditional financial measures were designed to compare previous periods based on internal standards of performance.
2. Financial measures provide an excellent review of past performance and events in the organisation but fail to have a predictive power for the future.
3. The traditional financial measurement systems have no way to calculate the true value or cost of the synergy of where many functional areas come together to solve pressing problems and create value.
4. Sacrifice long-term thinking. Cost reduction efforts often targeted the long-term value-creating activities of the firm such as research and development, associate development, and customer relationship management. This focus on short-term gains at the expense of long-term value creation may lead to sub-optimization of the organization's resources.
5. Financial measures are not relevant to many levels of the organization. When we roll up financial statements throughout the organization, we are compiling information at a higher level and it is almost unrecognizable and useless in the decision making of most managers and employees. Employees at all levels of the organization need performance data they can act on.

In spite of the limitations of financial performance measures, financial statements will remain an important tool for organizations since they ultimately determine whether improvements in customer satisfaction, quality, on-time delivery, and innovation are leading to improved financial performance and wealth creation for shareholders. What we need is a method of balancing the accuracy and integrity of our financial measures with the drivers of future financial performance of the organisation (Kumar & Chandra, 2006).

Financial performance analysis of commercial banks has long been of great interest to academic research. A large number of researchers have developed a variety of performance measures to deal with the limitations of solely depending on financial metrics. Effectiveness, efficiency, productivity, quality of product/service, quality of work life, innovation and profitability were promoted as performance criteria of an organization. The diversity of performance measures has created a complexity in understanding which particular approach is appropriate to adopt. Kaplan & Norton (1996) emerged with a balanced score of measures which they thought could overcome the problem. Kaplan & Norton (1996) developed the concept of a balanced scorecard to evaluate performance of an organization from the financial, learning and growth, internal business process and customer perspectives. Kaplan & Norton (1996) classify these perspectives as leading and lagging indicators.

A. Leading Indicators

Leading indicator refers to anything that happens in the process of operation and that has an effect on the service and/or product provided to the customer, which in turn affects the perception of the customer on the organization. For instance, internal business operations are the causes of the customer perception and the indicators relating to internal process are, therefore, referred to as leading indicators or driving metrics (Norreklit, 2000).

B. Lagging Indicators

A lagging indicator is something that happens in the end. The end results of the operations of an organization are the service and/or products provided to the customer of the organization (Norreklit, 2000).These are affected by the perception of the customer and the indicators relating to customer perception, such as on-time delivery, customer complaints, etc. To a business organization, the end results are measured in terms of profitability. Financial measures, based on historical data, are basically considered as lagging indicators which are preceded by the lead indicators that are mostly of qualitative nature.

C. Relationship between Leading and Lagging Indicators

The idea to convert strategy into a set of credible and sound causal relationships between leading and lagging indicators constitutes the core of the BSC model. Managers are, therefore, expected to understand the strategic objectives of their organization and the manner of their realisation (Kasperskaya, 2013). Norreklit (2000) also stresses the need for the existence of both leading and lagging indicators to have a good balanced scorecard.

Although, the leading and lagging indicators are believed to have cause- and-effect relationships, one can also argue for the prevalence of circular relationships instead of linear relationships. For example, the positive influence of employee satisfaction with internal business processes could result in customer satisfaction and ultimately in increased profitability. The positive influence of financial measures can also help in increasing future investments that could boost further employee satisfaction which in effect is a circular relationship. In this case, the final effect becomes a cause for the first cause in the multiple relationships.

2.6.1.2. Customer perspective (Customer Satisfaction/Customer Performance)

Customer perspective defines the value proposition used to generate revenue and loyalty from targeted customers. This is to say that, the core of any business strategy, that makes it unique from its competitors, is the customer-value proposition (Kaplan & Norton, 2001). Customer satisfaction refers to a person's feelings of pleasure or disappointment resulting from comparing service perceptions with expectations.

In a broad sense, customer perspective focuses on achieving customer satisfaction, customer retention, customer acquisition, increase in market and account share, and customer profitability (Tapanya, 2004). Tapanya considered staff availability, speed and responsiveness, skill and competence, appearance and friendliness, and empathy of the employee perspective as helpful towards customer satisfaction survey measures. The customer perspective in turn helps organisations to improve

their financial results by connecting the business processes with customers (Al Sawalqa, et al., 2011).

In sum, the customer perspective focuses on the perceptions and expectations of customers on the products and services acquired and consumed. Positive gap ultimately leads at least to a modest financial performance of an organization. On the contrary, poor performance in customer satisfaction would be a leading indicator of financial decline of a firm.

2.6.1.3. Internal business process perspective

The Internal Business Process intends to measure the key business processes by which an organization meets the expectations of customers and ultimately shareholders. It identifies the critical processes, skills, competencies and technologies that add value to the expectation of customers and the success of the firm (Atkinson, 2006). In other words, the critical business processes enable an organisation to deliver values that will satisfy, attract and retain customers in targeted market segments and address shareholders' expectations of high financial results (Kaplan & Norton, 1996, Norreklit, 2003 and Cohen, Thiraios, & Kandilorou, 2008). The internal business process should ensure that the firm's products and services are meeting customer needs, and is considered the most critical for the success of an organization.

In relation to manufacturing industry, customer satisfaction is expected to be measured through production volume, labour productivity, manufacturing cycle time, product defects, product/service innovation, improvement in response time to customers (Chow & Van der Stede, 2006), number of new facilities, the percentage of equipment maintained, Research & Development costs and improvement in space utilization (Ahmed, Razzaque, & Ramzan, 2011**).**

2.6.1.4. Learning and growth perspective (Employee Satisfaction):

Learning and growth dimension of the BSC emphasizes on creativity, competence and capability of human capital, innovation in the information system, and the organizational environment (organizational capital) that is supportive towards the achievement of organizational strategy and objectives (Atkinson, 2006; Cohen, *et al.,* 2008). Learning and Growth focuses on people and their attitude, knowledge, development and ability to learn and improve. Therefore, people, systems, and organizational capital represent the frame that any organisation must set up in order to create value to the stakeholders and maintain long-term success. This requires to pay due attention towards the investment that enhances employee satisfaction, capability and ultimately win competitive frontier of the organisation. Improvement in the learning and growth perspective can be measured through customer satisfaction on employees' encounter which is a fundamental factor that determines profitability.

Having a holistic approach of the perspectives, the balanced scorecard as a performance measurement and management tool, has gained widespread acceptance by researchers and practitioners (Gumbus, 2005). However, the BSC was criticized among others, for its lack of specific guidelines for successful implementation (Pun & White, 2005), lack of formal methodology, focusing on short term financial measures (Kanji & Moura, 2002), and dominated by a top down approach (Malina & Selto, 2001).

The model was also criticized for the time lag of the events and their respective chain-effect relationship between the perspectives and the doubt on its ability to test the reliability of the basic hypotheses of BSC causal relationships (Norreklit, 2003; Abu-Suleiman, 2006). Besides, Ittner, *et al.*, (1997) find no evidence of improvement and connections between the managers' job and business objectives on the basis of the scorecard approach. Khan, Halabi, & Masud, (2010) identify the reasons for the failure of the BSC concept as a result of: (1) incorrect identification of non-financial measures as primary drivers; (2) setting arbitrary goals rather than based on requirements that most of the employees need; (3) non-existence of a deployment system that breaks the goals where actual improvement activities reside; (4) absence of the cause-and-effect relationships between non-financial and financial

results. To overcome these problems and reinforce the measurement system requires a systematic approach of execution, communication and enhancement process.

2.6.2. The Service Profit Chain Model

Each business has its unique process to deliver its value and generate a financial return. The generic service profit chain model hypothesises on the linkage of employee satisfaction, quality service, customer satisfaction and profitability (refer to figure 2-3). It is a conceptual framework that helps in the analysis of a firm's value chain. The Service-Profit Chain model shares on previous studies and proposes a comprehensive model of causal linking of internal service quality, employee satisfaction, external service quality (values), customer satisfaction, customer loyalty and profitability (Heskett *et al.,* 1994; Malhotra & Mukherjee, 2004; Duncan & Elliott, 2004; Xu & Goedegebuure, 2005**;** Ishtiaq, I.M., 2011; Boukis, Kaminakis, Siampos, & Kostopoulos, 2015).
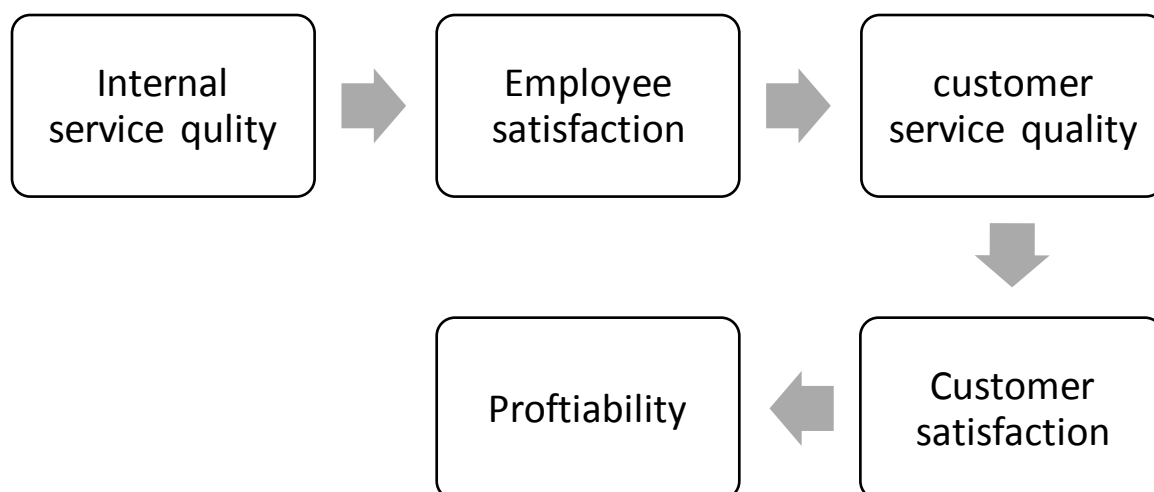
Source: Heskett *et al.* (1994)

Figure 2. 4: The generic structure of the Service-Profit Chain Model

The model was also adopted with some modifications by Kamakura, *et al.* (2002); Acheampong & Asamoah (2013). The service profit chain postulates that satisfied

employees are productive, and through the moderating effects of service quality lead to satisfied customers, customer loyalty and increase in revenue and profits of a firm (Gelade & Young, 2005). Based on the service profit chain model, perceptions of internal customers about quality ultimately influence the quality of services offered to external customers and generate more profits for organizations (Heskett *et al*., 1997). Further, Heskett, *et al*. (2010) and Reichheld (2000) considered customer and employee as the main stimulating forces that create different links in the service-profit chain model.

The research questions and the research objectives set in chapter 1 and the relations existing between the variables are the focus areas that are in the service profit chain model and subsequently in this study. Therefore, the service profit chain model (Figure 2.3) is relevant to the present study of developing a comprehensive measure of performance model in that it integrates the five components of the current study (the relationships of internal marketing, employee satisfaction, external service quality, customer satisfaction, customer loyalty, and profitability).

Employee variables consist of employee perception of internal service quality which the bank provides for the satisfaction of employees thereby leading to service quality. Service Customer variables comprise the customer's perception of the quality of the service delivered by employees, customer satisfaction, and customer loyalty. The model provides an integrative framework for understanding how employee variables are related to customer variables regarding the perception of the service and intended behaviour, and how these ultimately translate into profit (Fazlzadeh, Faryabi, Darabi, & Zahedi, 2012). The SPC model considers operational factors, customer behaviour intentions, and customer loyalty as the drivers of an organization's profitability which are discussed as follows.

2.6.2.1. Operational Attributes

Operational attributes of the SPC include all factors of the internal operations that enable an organization to provide services to the customers. Heskett *et al*., (1994) looked at these attributes inside the organization as employee satisfaction and

employee retention. To Roth & Jackson (1995) operational attributes can be referred to as the potential setting within an organization to be used in providing quality services. To Rucci, Kirn, & Quinn, (1998), employee behaviour and employee retention were used to refer to operational attributes.

Kamakura *et al.,* (2002) divide interventions in operational attributes into two broad categories, namely, personnel efforts and equipment/material efforts. Personnel efforts include all sorts of HRM initiatives undertaken within the organization to improve employee related activities such as the quality work, training opportunities, reward and recognition, work design, and any other efforts that could improve the levels of employee motivation and satisfaction.

Equipment/material efforts are mediations and investments made in equipment or material, like more and better tools or equipment, increased branch locations, more ATMs, expansion of an electronic banking system, etc. so as to enhance the satisfaction of customers. In sum, these attributes can be related to the learning and growth perspective of the balanced scorecard by Kaplan & Norton (1992).

2.6.2.2. Customer Perceptions

Zeithaml, Wilson & Bitner (2008) state quality as an essential element in the formation of the image and perception of the customers. From the perspective of SPC, there are two approaches to customer perception: perceptions of the customers on the personnel and perception of other attributes of the organisation. Courteousness, helpfulness, knowledge, and ability to answer questions are among the facets of perceptions a customer may have to the personnel of an organisation. The quality of the office building, equipment, sufficient space for parking, displays or leaflets used are some of the indicators of perception of materials used. Besides, convenience of time and locations and ease of access to service are perceptions of the quality of service delivery.

2.6.2.3. Customer Intentions

Customer's intention is considered as a component of the SPC since it is closely linked to the behaviour of customers. Intentions are based on the perceptions of the service received. Perceived service quality is devoted to an attribute of performance-perception and is used as a predictor of overall satisfaction of customers. In other words, customers develop some intentions regarding their future relationship with an organisation based on their perceptions and the overall satisfaction levels of the service they obtained from (Kamakura *et al*., 2002).

2.6.2.4. Customer Loyalty

Customer loyalty links the current performance to the future prospects. Customer loyalty can be captured as retention rates and referrals (Heskett *et al*., 1994). Customer retention and customer acquisition that emanate from referrals are measured through customer loyalty which is likely to ultimately generate greater profitability in the long run.

The balanced scorecard (Kaplan & Norton, 1992) merges all of the above three components of the SPC – customer perceptions, behavioural intentions and customer loyalty into one – the customer perspective.

2.6.2.5. Profitability

This component of the SPC can be equated to the financial perspective of the balanced scorecard of Kaplan & Norton (1992). Increase in customer retention and customer acquisition rates have been claimed to have a significant positive effect on profits (Reichheld & Sasser, 1990, Rust & Oliver, 1993, Johnson, 1998). Customer retention and acquisition lead to surplus if expenses remain constant. In a nut shell, the surplus perspective of the SPC underscores that greater customer satisfaction and customer loyalty leads to a significant influence of an organization's long term financial performance. Drucker (1954) also maintains customer satisfaction as a driving force for revenue enhancement. Since then, customer satisfaction has served

as a means to enhance revenue. Given the profit as the goal of a business, customer satisfaction as a concept has been a topic of attention in the marketing literature (Drucker, 1973).

In sum, service quality is an antecedent of customer perceptions (Kamakura *et al*., 2002) and efforts exerted in the provision of quality service/product will have no effect on the behaviour of the customers and ultimately on the revenues of an organisation as long as customers fail to perceive the difference in the added value of quality. Therefore, installation of additional ATMs, the change in the efficiency of the counter-service employees, and the ultimate achievement of efficient services have to be perceived by the customers as having an effect on their satisfaction and subsequent intention.

2.7. Summary of the Chapter

This chapter started its discussions with the structural measures that have been undertaken by the government to liberalize the financial sector after the demise of the military regime. The chapter then continued with the discussion on the definition and justification for performance measurement. The theoretical foundations of performance measurement were discussed in detail sub classifications under the basic classifications of strategic theory, management theory, and behavioural theory. The need to integrate non-financial measures of performance with the financial measures of performance was underscored by focussing on the conceptual frameworks for performance measurement related to the study. The BSC and SPC frameworks were taken as inspiring models for the study and are discussed above in detail.

CHAPTER 3

The EMPIRICAL LITERATURE REVIEW

3.1. Introduction

This chapter presented the discourse on the empirical studies of the research and the consequent formulation of the hypothesis. It covered empirical studies based on financial measures of profitability and the multiple approaches of performance. Further the factors involving internal service marketing, employee job satisfaction, customer service quality, customer satisfaction, customer loyalty, and profitability were discussed in the construction of the hypothesis.

3.2. General Overview

Performance measurement is important to assess the soundness of the banking sector and build confidence of the public in the financial system of a country. A sound performance of the sector depends on the soundness of individual bank (the contagious effect). Therefore, when evaluating the performance of the banks, due consideration has to be given to both their profitability and the environmental factors affecting profitability, so as to avoid misleading conclusions.

Based on the contingency theory the business environment is dynamic and the literature demonstrates that the banks have to adapt their performance measurement system and strategies to fit with the ongoing changes of their business environment. Changes in the business environment have an impact on the survival and stability of organisations (Siti-Nabiha & Scapens, 2005). Then, changes in circumstances (contingencies) require an adjustment to the structure so as to improve the fit condition and lead to higher performance. As discussed in chapter two and according to Drucker (2000), management must be change leader, look at change as an opportunity and not a challenge, understand how to make change effective both inside and outside the organization, inspire the workforce to see change as an opportunity, and be able to develop new products or services to

address the market needs for change. Therefore, in response to the dynamics of the internal and external environment, it's necessary to make continuous and timely scanning of the environment and respond appropriately by modifying their performance measurement systems and strategies that suit the change.

Therefore, given the different approaches used to evaluate the performance of the commercial banks, this study focuses on the relevant literature on measures of profitability and the non-financial factors affecting profitability.

3.3. Empirical Studies on Measures of Profitability

Financial measures have traditionally been used to evaluate the efficiency and effectiveness of a firm and its management in maximizing the wealth of shareholders. Besides, financial measures have been used as a source of information to the stakeholders of organisations for their respective decisions through multiple interim and annual financial reports. The balance sheets and income statements have been used as a source of data to measure the overall effectiveness and efficiency of a bank by various stakeholders. Profitability measures have also served as the bottom line of financial reports.

The literature on measures of profitability validates internal and external environmental factors as determinants for studying bank profitability (Bourke, 1989). Internal factors originate from bank balance sheets and income statement accounts which are bank specific determinants of profitability. Accounting provides different types of traditional financial measures of profitability such as return on assets (ROA), return on capital employed (ROCE), sales growth, capital structure (equity/assets), credit risk (loan loss provisions/total loan), operating expenses capability (operating expenses/total assets), and ownership structure (Atkinson, 2006) as internal determinants of profitability. These measures are profit measures used to evaluate the historical performance of a firm (soumadi & Aldaibat, 2012).

Empirical studies on profitability analysis cover either of cross-country or individual countries' banking systems or on developed or emerging market economies. Studies

that focused mainly on cross-country analysis include that of Grigorian and Manole (2002) who estimate indicators of commercial bank efficiency by applying a version of the Data Envelopment Analysis (DEA) to bank-level data from a wide range of developed countries. Their analyses include a variety of macroeconomic, prudential, institutional, and bank-specific variables. Similar studies were also performed by Manandhar & Tang (2002); Bonin, Hasan, & Wachtel (2005); and Zhang & Daly (2013). .

Molyneux & Thornton (1992), Williams (2003), Athanasoglou, *et al.*, 2008), Heffernan & Fu (2008), and Trujillo-Ponce (2013) apply a General Methods of Moments (GMM) technique in their studies of a single country's panel data. These authors examine the effect of bank-specific, industry-specific, and macroeconomic determinants of bank profitability.

The findings of the studies conducted on individual emerging country's bank by Tarawneh (2006), Sufian & Chong (2008), Idris, Asari, Mustaffa, & Jusoff (2011), Khan, Rehman, Rehman, Safwan, & Ahmad (2011), Gul, Irshad, & Zaman (2011) Ali, Akhtar, & Ahmed et al. (2011), Naceur & Omran, (2011), Almazari (2011) and Belanesh (2011) indicate that bank-specific determinant variables and external determinant factors have in combination an impact on the profitability of banks.

Bank-specific determinant variables include, among others bank size, capitalisation, asset utilization ratio, operating efficiency ratio, credit risk, management of expenses, non-interest income, profit to asset ratio, loan growth, overhead expenses, insider lending, non-performing loans, and efficiency of asset management. External determinant factors consist of inflation, taxation, economic growth, bank regulation, and macroeconomic determinants. However, in spite of the prevalence of some common elements for classification, the empirical results vary due to the differences of both internal and external determinants' datasets and environments of the specific banks in the study.

On the other hand, ownership structure has also become a popular variable employed by researchers in China and in this regard Lin & Zhang (2009), Berger,

Hasan, & Zhou (2009) suggest that ownership is associated significantly with improved efficiency.

Besides, globalization has developed recently as a measure to investigate bank performance. For instance, García-Herrero & Santabárbara (2008) find empirical evidence to suggest that the Chinese banking sector benefits from the globalization process through higher profitability and increase of the efficiency of the banking system.

Nevertheless, in spite of its effect on the free flow of services, capital, technology, and labour, globalization is also likely to aggravate the gap between developed and developing countries by creating a lobal financial crisis, causing political and cultural problems, and leading to environmental degradation. With respect to this, Lensink, Meesters, & Naaborg (2008) find that globalization negatively affects bank performance. But, the researcher believes that a country will not be immune in one way or the other from the impact of globalization. Although not a resolution for the financial development of the country, the banking business in Ethiopia is not yet open to foreign entry in view of the challenges the regulator would face and the capacity of the domestic banks to withstand the possible global competitive environment.

In sum, the above studies have measured performance based on accounting methods of evaluating profitability. Yet, the traditional financial measure has been criticized for many of its limitations. Critics such as Johnson & Kaplan (1987), and Hayes & Abernathy (1980) suggest that financial measures are not consistent with today's business environment. The most pronounced limitations are that financial measures are: backward looking, lack predictive power, not relevant to many levels of the organization, prone to reward short-term or incorrect behaviour, deficient on the provision of sufficient information on solutions to problems, not strategically focused, and not bold enough in creating sufficient linkage into the long-term performance (Smith, 2006; Zhang & Pan, 2009; and Al Sawalqa, *et al.*, 2011).

The limitations of traditional financial measures, the need to supplement the financial measures with non-financial performance measures and the desire to capture the scope of organisational objectives has led to the development of measurement frameworks designed to help organisations implement balanced sets of measures. Accordingly, the performance measurement matrix (PMM) of Keegan, Eiler & Jones in Pistoni & Songini (2015), the SMART pyramid of Lynch & Cross in Oh, Johnson, Lucianetti, & Youn (2015), the results–determinants framework of Fitzgerald, Johnston, Brignall, Silvestro, & Voss in Pistoni, & Songini (2015), the input–process–output–outcome framework of Brown in Anderson & McAdam (2004), the Balanced Scorecard of Kaplan & Norton (1992) are developed as new state of the art of performance measure that combine financial and non-financial measures. The most popular of the performance measurement frameworks has been the balanced scorecard, proposed by Kaplan & Norton (1992). The balanced scorecard identifies and integrates four different perspectives in terms of looking at performance from financial, customer, internal business, and innovation and learning perspectives.

Therefore, from the perspective of addressing the objectives of this research, subsequent discussion basically focuses on the empirical studies involving multiple unidimesional and moderating factors in the measures of performance relevant to the research study.

3.4. Empirical Studies on the Non-Financial Measures of Performance

The Balanced Scorecard (BSC) and Service-Profit Chain (SPC) models have been developed by Kaplan & Norton (1992) and Heskett *et al*., (1994) respectively to measure in combination the relationship of performance measures involving financial, customer, learning and growth, and internal business processes perspectives. The kernel of the models has been based on the notion that the orderly Improvements in the growth and learning perspective, internal process and innovation, and customer satisfaction ultimately lead to improved profitability thereby achieving the banks' objectives, strategies and goals. Various researchers have been engaged in conducting their research by incorporating the long-term perspective of performance evaluation of Balanced Scorecard so as to provide a broader view of performance of a bank

The balanced scorecard developed by Kaplan & Norton (1992) looks at the relationship between strategy and performance by integrating the measures of performance of the financial, customer, learning and growth, and internal business processes perspectives. The Improvement in the growth and learning perspective (employee satisfaction, employee retention, employee skill development and the extent of knowledge management) leads to creating enabling environment for enhancement in internal process and innovation (number of in time deliveries, number of unattended queries reported by customers, produce quality products and services) which leads to higher customer satisfaction (market share, customer retention, customer acquisition) and increase in customer satisfaction leads to improved profitability thereby achieving the banks' objectives, strategies and goals. However, empirical studies reveal that there have been increasing debate on the validity of the proposition of BSC and its implementation.

A survey of medium and large Australian manufacturing organisations reveals the use of varying forms of scorecards and managers who perceive their scorecard measures are linked to strategy and affect each other in a causal manner perceive a higher level of effectiveness of the BSC. However, the study also suggests that strategic use of BSC is not as widespread as might be expected (Yu, Perera, & Crowe 2008). Kumar & Chander (2006) propose that the BSC may be used to measure long term outlook of the banks besides the CAMEL rating model. The study of Cohen, *et al.* (2008) indicates that the leading indicators of the BSC are positively correlated with one another at a statistically significant level in an orderly manner. Besides, the findings show that the companies that improve their financial performance during the analysis period have indications of improvements in their efforts towards advancing the learning and growth perspective more than those whose ROE and ROA values decrease (Cohen, *et al.* 2008). The findings of Ong, Lau, & Wong (2010) indicate that organizations respond positively to BSC measures and believe the cause and-effect relationship of the BSC leads to improved business efficiency and profitability. Ahmed, *et al.* (2011) conducted their study at the managers' level in the commercial banks in Pakistan using a five point scale questionnaire. Results indicate that customer, financial, internal process, and learning and growth perspectives of the BSC are sequentially important predictors.

Devie, Tarigan, & Widjaja (2012) in their studies of employees and customers in restaurants and cafés in Surabaya-Indonesia conclude a positive relationship among the BSC variables.

On the other hand, there are also researchers whose findings indicate incomplete relationships among the BSC variables. Al Sawalqa, *et al.* (2011) analysed the state of implementation of the balanced scorecard (BSC) performance measurement techniques from the Jordanian perspective. A quantitative survey of 168 companies was conducted and results show that 35.1% of the surveyed companies use the BSC approach. But, results reveal some inconsistency in the types and numbers of BSC perspectives used. Kasperskaya (2013) performed a correlation analysis in order to produce evidence about the statistical relationship among the BSC perspectives. The findings indicate little correlation between the perspectives of the firms under consideration. Yet, the result shows that profitability depends on a limited number of the perspective variables such as the sales variation (customer) and training expenses (employees' skills).

The BSC approach has also its critics. Speckbacher, Bischof, & Pfeiffer (2003), Ittner *et al.* (2003), Davis & Albright (2004), and Nørreklit & Mitchell (2007) reveal the deficiency of the model in testing the cause-and-effect relationships. Pandey (2005) criticises the failure of the BSC model to consider the time lag of an occurrence of one dimension and its effect on another dimension. A study conducted by Ittner *et al.* (2003), for example, reveal that 77% of companies using BSC give little or no attention to causal models. Further, Speckbacher *et al.* (2003) find that half of their sample companies using BSC are not able to formulate cause-and-effect relationships among the different objectives and measures. A further study of Finnish companies by Malmi (2001) show that most companies appear to have scorecards in which the resulting measures and perspectives are fairly independent waning the claim of cause-and effect interconnections. Lastly, Norreklit (2000) criticizes that the BSC proposition does not provide a sufficient narrative of the assumed causal relationships between the BSC perspectives and suggest that this relationship cannot be characterized as causal but logical

In spite of the mixed and conflicting findings, the BSC and SPC frameworks depict that a relationship exists among the lagging indicators (financial perspectives) and leading indicators (customer, learning and growth, and internal business processes perspectives). This addresses the need for further research in the relationship of the non-financial performance measures with the financial performance measures of internal service quality, employee satisfaction, service quality, customer satisfaction and profitability.

In today's rapidly volatile and complex business environment, awareness of the effects of non-financial measures have become popular in measuring and guiding performance of organisations. Verbeeten & Boons (2009) define non-financial performance measures as operational measures that provide performance information in non-monetary terms such as internal service quality/marketing, employee job satisfaction, customer service quality, customer satisfaction, and customer loyalty.

Medori & Steeple (2000) emphasise that non-financial performance measures not only overcome the limitations of financial measures, but are also:
1) More timely than financial ones,
2) Meaningful to the workforce in the need for continued advancement,
3) Consistent with company goals and strategies, and
4) More flexible in that they can change and vary over time as market needs change.

Al Sawalqa *et al.*, (2011) further notes that non-financial measures are used more frequently for operational and strategic decisions, evaluation of managerial performance and communication of strategy. The non-financial measures are discussed within the perspectives of internal marketing, employee job satisfaction, customer service quality, customer satisfaction and customer loyalty.

3.4.1. Internal-service quality

The notion of internal-service quality was first proposed by Sasser & Arbeit (1976) and define it as a means of achieving employees' satisfaction by treating them like

customers and offering them the job as an internal product that will permit the quality of service to be improved. Sasser and Arbeit consider employees as a source of competitive advantage, deserving to be communicated, educated, developed and motivated in order to achieve the organizational goals. Internal service quality is given adequate attention by researchers in the development of the service profit chain framework by establishing and exploring various relationships and associations such as between internal service quality (ISQ) and external service quality (SQ), customer satisfaction, employee retention and satisfaction and profitability (Chang & Chen, 1998, Khan, Anuar, Choo, & Khan, 2011).

Heskette *et al*. (2008) and Lee & Lings (2008) denote internal marketing as the attitude and perception that employees have towards their jobs and the application of a marketing strategy that could motivate employees to be customer focussed, be aware of customers' needs and requirements, and possess a marketing mindset. Thus, satisfied and motivated employees of service organizations are believed to be the basis of customer satisfaction. This is so, because it is the front-line employees of the service organization who interact with the external customers (Lee and Chen, 2005). In other words, it is believed that gratifying employees' needs is expected to increase their motivation and commitment and thereby enhance the satisfaction of customers (Mishra, 2010).

From the perspective of Parasuraman, Zeithaml, & Berry (1988), Parasuraman and Berry (1991) internal marketing is considered as marketing orientation at internal level to achieve the satisfaction of front-line employees, and to attract, develop, motivate, and retain employees. This is achievable by designing the job itself in a way it meets the quality requirements of the internal customers. Rafiq & Ahmed (2000) view internal marketing as a planned effort of using a marketing-like approach within an organisation in order to align, motivate, coordinate and integrate customer oriented employees towards the effective implementation of organisational strategies drawn to meet customer satisfaction. Mittal & Kamakura (2001) argue that the effort exerted by organizations to provide their internal customers with better customer service ultimately accrues in higher customer quality service. Therefore, designing jobs as internal products is ultimately meant to improve customer service quality (Lee & Chen, 2005) and improve customer satisfaction (Lings & Greenly, 2005).

In summary, empirical studies on internal marketing generally consider pay, training and development, incentives and motivation for development, empowerment, relations with co-workers, relations with supervisors, working conditions, job security, promotional aspects, nature of work, work design, job specification, fairness, recognition, feedback, employee recruitment and selection, and vision of the organization as dimensions of internal marketing that can influence employee job satisfaction (Hoppock, 1935, Herzberg *et al*, 1959, Heskett *et al*., 1994, Hallowell, 1996, Lages & Piercy, 2012, Mansor, Noor, & Hassan, 2012, Bader, Hashim, & Zaharim, 2013, Papageorgiou, Giorgalli, & Petrou, 2013, Al-Hawary, Al-Qudah, Abutayeh, & Al-Zyadat, 2013).

3.4.2. Employees' Job Satisfaction

The concept of employees' job satisfaction was first coined by Hoppock (1935) in terms of the physical and metal emotional feelings exhibited by employees in response to their respective work environment. Since then, considerable attention has been given from the academics and practitioners.

Employee job satisfaction is defined as the pleasurable emotional response of a person towards his/her job or work experiences (Locke & Schweiger, 1979; Suzuki, Itomine, Kanoya, Katuski, Horii, & Sato, 2006). Tadeka, Ibaraki, Yokoyama, Miyake, & Qhida (2005) stated that employee job satisfaction is derived from the mental and physical satisfaction they experience in the environment they work in and from the work itself. Employee job satisfaction has also been regarded as a positive emotional state that emerges from the judgment of all aspects of a working relationship within the employees (Cheng, Lai, & Wu, 2010). Kaliski (2010) viewed employee job satisfaction as a vital constituent that leads to recognition, income, promotion, and the achievement of other goals that lead to a feeling of fulfilment.

Hoppock (1935) considered financial (salary and benefits), economic and social status, relationships with supervisors and associates on the job, work situations, including the nature of work, working conditions-earnings, hour of work, facilities, opportunities for advancement, variety in work, delight in the work, job security, and ability to adjust oneself to unpleasant circumstances as factors that influence job

satisfaction. To Smith, Kendall & Hulin (1969**),** job satisfaction is the result of a worker's explanation of the distinctive nature of his/her job based on a thorough measurement, such as the comparison of jobs, comparison with colleagues, and the previous work experiences possessed by a worker. Bader *et al.* (2013) revealed work-itself, promotions, pay and benefits, working conditions, relations with supervisors and co-workers as factors that contribute significantly to employees' job satisfaction of bank employees in eastern Libya. Factors such as gender, age and type of occupation had no significant effects on the level of job satisfaction while marital status, education level, and the duration of the work showed significant effects. Similarly, Papageorgiou *et al.* (2013) identified work environment, salary, possibility for growth, relationship with co-workers, and interesting work as factors perceived most important job satisfaction motivators by employees of banks in Cyprus. Mansor *et al.* (2012) found confirmatory evidence that motivational factors such a rewards system, supervision, working environment, and competition influenced job satisfaction levels among bankers in the eastern region of Malaysia. Kamal & Hanif (2005) found that job satisfaction is significantly dependent upon pay, promotion opportunities, rewards, and one's relationship with boss and co-workers. Job satisfaction has been measured mainly with specific aspects of a job such as job security, co-workers, working conditions, company policies, and opportunities for achievement, accomplishment, and advancement (Weiss, Dawis, England, & Lofquist, 1967**).** Luddy (2005) identified status, supervision, co-worker relationships, job content, remuneration and extrinsic rewards, promotion and physical conditions of the work environment, as well as an organizational structure as causes of job satisfaction. Challenging jobs, an equitable reward system, including salary and promotional opportunities, good co-worker relationships, and supportive working environment were acknowledged as factors to affect job satisfaction (Schermerhorn, Hunt, Osborn, & Uhl-Bein, 2011). In the studies of Kovach (1987,1995), ten employee job motivational factors were presented that include: 1) interesting work, 2) full appreciation of work done, 3) feelings of being in on things, 4) job security, 5) good wages, 6) promotion and growth in the organization, 7) good working conditions, 8) personal loyalty to employees, 9) tactful discipline, and 10) sympathetic help with personal problems.

Shrivastava and Purang (2009) examined the job satisfaction levels of public sector and private sector bank employees in India and found that private sector bank employees perceived greater satisfaction with pay, social, and growth aspects of the job as compared to public sector bank employees. On the other hand, public sector bank employees expressed greater satisfaction with job security as compared to private sector bank employees. In a study of the bank staff in Pakistan, employee satisfaction is viewed as an important constituent that can augment companies' performance and productivity (Christina, & Gursoy,2009; Matzler & Renzl, 2007). Employees who are satisfied with their jobs are more likely to be committed to their organizations, reduce the intention for turnover, focus on the production of quality goods or service, exercise all efforts towards customers' satisfaction, and increase customers' loyalty (Christina & Gursoy, 2009; Yee, Yeung, & Edwin Cheng, 2010).

3.4.3. Customer Service Quality

In an increasingly growing competitive environment, customers have emerged to be more demanding and judges of quality. As a result, organizations have started to focus on service quality as a strategic component of their marketing plan. This shift of attitude has developed on the perception that organizations could maintain their competitive advantage through service quality and the mediating effect of customer satisfaction. Kheng, Mahamad, Ramayah, & Mosahab, (2010) considered delivery of quality service to customers as a core necessity to the success and survival in today's competitive world. Banks do business with the customer's money and the more satisfied customers are with a bank's service quality, the more secure business and its profitability. Failure to deliver the proper customer service could result in loss of customers and ultimately decrease in profitability because of the poor customer service. Therefore, providing service quality is not an option but an essential strategy for success and survival of an organization. But, what is service quality?

The service marketing literature defined service quality as the overall assessment of a service by the customer (Eshghi, Haughton, & Topi, 2007). Kotler and Armstrong (2012) defined service as an intangible product produced by facilities supported by capacity, skill and knowledge of the service provider. Parasuraman, *et al*. (1988); Zeithaml, Berry, & Parasuraman (1996); Caruana (2002); Kheng, *et al*., (2010)

defines service quality as the difference between customers' expectations and their perceptions of the service. Perception is referred to as consumer's beliefs relating to the received service while expectation is the desire or want of the consumer about the service (Parasuraman, Zeithaml & Berry 1994). Customer's expectation serves as a base for evaluating service quality, because quality is higher when performance exceeds expectation and low when performance does not meet their expectations. Perceived service is the outcome of the consumer's view of the service dimensions. Therefore, it is worth noting that service quality is not only assessed as the end result, but also on how it is delivered during service process and its ultimate effect on consumer's perceptions (Duncan *et al.,* 2004).

Ladhari (2009) considered service quality as an important tool for a firm's struggle to differentiate itself from its competitors and further identified the features of service quality as:

a. Intangibility – Service cannot be counted, measured, tested, verified and inventoried in advance of sale.

b. Inseparability – there is simultaneous production and consumption of services.

c. Variability (or heterogeneity) - An unavoidable consequence of simultaneous production and consumption is variability in the performance of a service. The quality of the service may vary depending on who provides it, as well as when and how it is provided.

d. Perishability - Services cannot be stored for later sales or use.

Service quality is viewed as a multi-dimensional concept in the researches. Based on satisfied employees as input resource, Sasser, Olsen, & Wyckoff (1978) identified six dimensions of service quality which involve:

a) Security- confidence as well as physical safety;

b) Consistency- receiving the same each time;

c) Attitude- politeness and social manners;

d) Completeness- ancillary services available;

e) Condition- of facilities or equipment; and

f) Availability - access, location and frequency, and training.

Gronroos (1988) classified service quality in three dimensions: technical quality of the outcome; the functional quality of the encounter and the corporate image. On the hand, Rust & Oliver (1993) proposed a model in which the overall perception of service quality is based on a customer's evaluation of the three dimensions of the service encounter:

1) The customer-employee interaction (i.e. Functional or process quality),
2) The service environment, and;
3) The outcome (i.e. Technical quality).

Parasuraman, Berry, & Zeithaml, (1985) developed the SERVQUAL model to measure service quality dimensions. They suggested ten dimensions by which consumers could make decisions on their expectations and perceptions of the delivered service. Included are: tangibles, reliability, responsiveness, communication, credibility, security, competency, courtesy, understanding or knowing the customer, and access. These dimensions were subsequently condensed into five dimensions of SERVQUAL:

1. Tangibles (include the appearance of physical facilities, equipment, supplies, and appearance of the employees),
2. .Reliability (includes the ability to provide service that is accurate, timely, satisfactory, and reliable),
3. Responsiveness (comprises the ability to assist customers by giving out the right service, fast, and be responsive in providing services needed by the customer),
4. Assurance (includes the ability or knowledge, courtesy and trustworthiness of staff, so as to inspire trust and confidence on the quality of services provided), and
5. Empathy (involves the effort to find out and understand individual customer needs by providing excellent communication, caring attitude and attention to customers). Friendly customer service pleases customers when they walk into a bank. The purpose of this dimension is to retain customers to keep using the bank service.

Quantitatively, service quality was demonstrated by Khan, Tabassum & Jahan (2014) using the following equation.

$$SQ = \Sigma_{j=1}^{k}(P_{ij} - E_{ij})$$

Where:

SQ = Overall service quality; k= number of attributes

P_{ij} = Performance perception of stimulus I with respect to attribute j

E_{ij} = Performance expectation of stimulus I with respect to attribute j

The sum of service quality (SQ) could be negative if expectations are higher than perceptions or positive if perceptions are higher than expectations. Service quality is believed to be an antecedent customer satisfaction, therefore, delivery of quality service is believed to be an appropriate strategic approach for the success and survival of an organisation in today's competitive environment (Prasuraman *et al.,* 1985; Reichheld & Sasser, 1990; Zeithaml, *et al*., 1988).

3.4.4. Customer Satisfaction

The concept of customer satisfaction was introduced by Cardozo (1965) and it has been given significant attention by practitioners and researchers eventually (Kim and Han, 2013)**.** With the desire to beat competitors, organizations realized the need to offer high quality product or service and ensure the satisfaction of customers. Satisfied customer is an intangible asset for an organization that ensures a long-term business success (Tsoukatos & Rand, 2006).

Previous studies claim that satisfaction includes both cognitive and emotional components of customer satisfaction. The cognitive component refers to a customer's evaluation of the perceived performance in terms of its adequacy in comparison to some kind of standard expectation. The emotional component consists of various emotions such as happiness, joy, and disappointment (Oliver, 1997; Kim & Han, 2013)**.** Kotler & Armstrong, (2012) defined customer satisfaction as a person's feeling of pleasure or disappointment resulting from the comparison of a consumption's perceived quality in relation to expectations. Oliver (1997**)** and Gupta & Zeithaml (2006) defined customer satisfaction as a disconformation of the expectations. This view holds that customers compare their expectations of a specific product or services with its actual benefits (Abbasi, Khan, & Rashid, 2011). Parasuraman & Berry (1991); Razak, Chong, & Lin, 2007) also reported that overall

satisfaction is the outcome of the customer's evaluation of a set of experiences that are linked to the specific service provider.

Bagozzi *et al*. (1992) propose the existence of reciprocity in customer-firm relationships. In other words, the satisfaction of a customer on a service organisation could motivate the customer to utilise the organisation's product or services again. In this context, satisfaction is defined as a feeling of pleasure of having or achieving a need, desire, demand or expectation (Magesh, 2010).

Various constructs of customer satisfaction are divided into outcomes and processes (Yi, 2000). Outcomes refer to the emotional reaction to an accumulated experience of purchase transactions while processes refer to the assessment that a given consumption is perceived to have met or exceeded some priori comparative standard of comparison (Spreng, MacKenzie, & Olshavsky 1996). Cronin, Brady, & Hult (2000); Mittal & Kamakura (2001) stated that customer satisfaction leads to a customer's personal decision in future consumption and share their positive experiences with others. In contrast, the combined effect of negative word-of-mouth, switching and reduced consumption will adversely affect the performance of the bank. Therefore, organizations have to exert continuous effort to meet or exceed the expectation of customers and ultimately promote their satisfaction and loyalty.

3.4.5. Customer Loyalty

Customer loyalty has been a real concern in banking to professionals because of serious rivalry and higher client expectations (Wasif, Sajid, Shahid, & Ahmad, 2015.). Customer loyalty was defined from the behavioural and attitudinal perspectives. The behavioural dimension of customer loyalty was characterized in terms of the consumption probability, repeat purchase behaviour, and recommend to relatives and friends (Dick & Basu, 1994; Zeithaml, *et al*., 1996; Reichheld, 2000; Pritchard & Silvestro, 2005; Eshghi *et al*., 2007).

However, researchers indicated a problem with the behaviour-based loyalty measure when actual repurchase conduct is not an outcome of an emotional commitment to a product or service. For example, purchase behaviour may be affected as a result of

restrictions imposed in the market or absence of a supplier (Caruana, 2002). Dick & Basu (1994) also asserted that loyalty built on false behavioural disposition fades away in the event an alternative offers a better deal. Therefore, according to this point of view, loyal behaviour cannot offer an eternal cause of loyalty.

The attitudinal perspective believes that customer loyalty is an attitude that inspires behaviour towards repeated and steady purchases of a product or service in spite of the potential contending marketing influences which might give rise to change behaviour. Among the factors that influence customer loyalty are image (Tu, Wang & Chang, 2012)**,** trust, and service quality (Boohene & Agyapong, 2011). The attitudinal approach assumes customer loyalty from the point of psychological association (cognitive and emotional association) towards particular products or services (Jahanshahi *et al*., 2011). Liu-Thompkins & Tam (2013) defined attitudinal loyalty as a favourable evaluation that is held with sufficient strength and stability to promote a repeatedly favourable response towards a product/service. In other words, attitudinal loyalty reflects the psychological bond towards the product or service of a company. Hence, attitudinal loyalty signifies both higher repurchase intention and refusal to shift or have a negative intention towards a brand or service.

3.5. Hypotheses Development:

Previous studies have provided some empirical support and theoretical backing that profitability, customer loyalty, customer satisfaction, service quality, and employee satisfaction are likely to be associated with one another. This was tested among others in the works of Yee, Yeung, & Cheng (2011**).** Then, the relevant theories and empirical studies on the interrelationships of internal-service quality, employees' job satisfaction, quality service, customer satisfaction, customer loyalty and profitability are discussed as follows to formulate the hypotheses.

3.5.1. The Relationship between Internal Service Quality and Employee Job Satisfaction:

The relationship between internal service quality/marketing and employee job satisfaction is grounded on the contributions of various theories such as Alderfer's

ERG Theory (1969), Adam's Equity theory (1963, 1965), Vroom's Expectancy Theory (1964), and Lock's Goal Theory (1968) and the Social Exchange Theory (Blau, 1964, Cropanzano & Mitcchell, 2005).

Alderfer's ERG Theory (1969) condensed Maslow's Maslow's Hierarchy of Needs into three basic needs (Existence, psychological and self-esteem, and Growth). The theory considered the human motivation in the workplace to understand what constitutes job satisfaction, identify incentives and improve performance in the workplace (Ivancevich, *et al.*, 2007). Arnolds & Boshoff (2002) concluded their study suggesting to management to devise strategies to address the motivational needs of the front line employees in order to improve their job performance and build the reputation from the customers.

Adam's Equity theory (1963, 1965), Vroom's Expectancy Theory (1964), and Lock's Goal Theory (1968) are cognitive theories or value theories of motivation that attempt to describe the level of effort people perceive they put into work for the rewards they receive as well as other variables that influence employee job satisfaction

Equity Theory perceives satisfaction or dissatisfaction as a consequence of the feeling of fairness or inequity in relationships (Adams, 1965) and this emerges from social comparisons (Redmond, 2010). Vroom (1964) states personal characteristics and work environment contribute to job satisfaction. This theory assumes that employee effort leads to performance and performance leads to rewards. Spector (1997; 1985) describes job satisfaction as the feeling about the job or an attitude towards one's job which could be measured by the dimensions of equity in compensation, promotion, relations with supervision, policies and procedures, relations with co-workers, nature of work, and communication

The expectancy theory and equity theory represent both a cognitive approach to motivation. In both cases, it is about dealing with individuals' motivation when they perceive their efforts will lead to the reward they expect. It is about the valence of

rewards - if employees do perceive their efforts will pay off (effort – reward relationship), they will be more inclined to adjust their behaviour positively.

Locke's (1968) Goal Setting Theory states that goals lead towards improvement in employee performance and considered satisfaction as the difference between an employee's perception and expectation in a job (Khan & Mansoor, 2013). Locke (1976) claimed that employees are satisfied with their jobs when they are positively influenced by the work content, the work itself, salary, recognition, achievement and a sense of opportunities for success of the job.

The Social Exchange Theory emerged as a concept for understanding workplace behaviour and is known for connecting such disciplines as social psychology (Cropanzano & Mitcchell, 2005; Smith, Mackie, & Claypool, 2015) and sociology (Blau, 1964). The social exchange theory involves a sequence of interactions that generate obligations and these interactions are usually seen as interdependent and contingent on the actions of another person. Besides, the theory emphasizes that the interdependence of transactions has the potential to generate high-quality relationships among the participants involved (Cropanzano & Mitchell, 2005).

The Social Exchange Theory asserts that the employer strives to setup constructive relations with employees with an anticipated reciprocal positive contribution of the employees to the firm. In other words, customer service quality is believed to improve if employees are kept satisfied. Therefore, it is important for policy makers and managers to focus their attention to maintain the job satisfaction of their employees.

The SPC advocates that employee satisfaction with the job leads to employees remaining in their job for longer (Heskett *et al*., 1997; Parish *et al.,* 2008).and Heskett *et al*. (1994) noted that satisfaction in the job marks the intention to remain in the job and that these intentions impact behaviour, employee retention or loyalty.

Various studies have been carried out on the relationship of internal service quality on employee satisfaction, but there is a diversity of opinion on the dimensions of

internal service quality that bear a consequence on employee satisfaction. Ngoc, (2014), Khan, Nawaz, Aleem, M. & Hamed (2012), Kameswari & Rajyalakshmi (2012), Lages & Piercy (2012), Gull & Ashraf (2012), Sang, Ison, & Dainty (2009), and Lee, park & Park (2008) indicated that the dimensions of internal marketing like salary and benefits, relations with colleagues, career & development, relations with a supervisor, working conditions, job security, promotion, employee recruitment and selection, and the nature of work to be positively correlated with employee job satisfaction. However, the studies of Ahmad, Khalil, Rasheed, & Ferdoushi (2012) revealed opportunities for promotion and pay emerged as major sources of dissatisfaction.

H 1 There is a significant relationship between internal service quality dimensions and employee satisfaction in the commercial banks in Ethiopia.
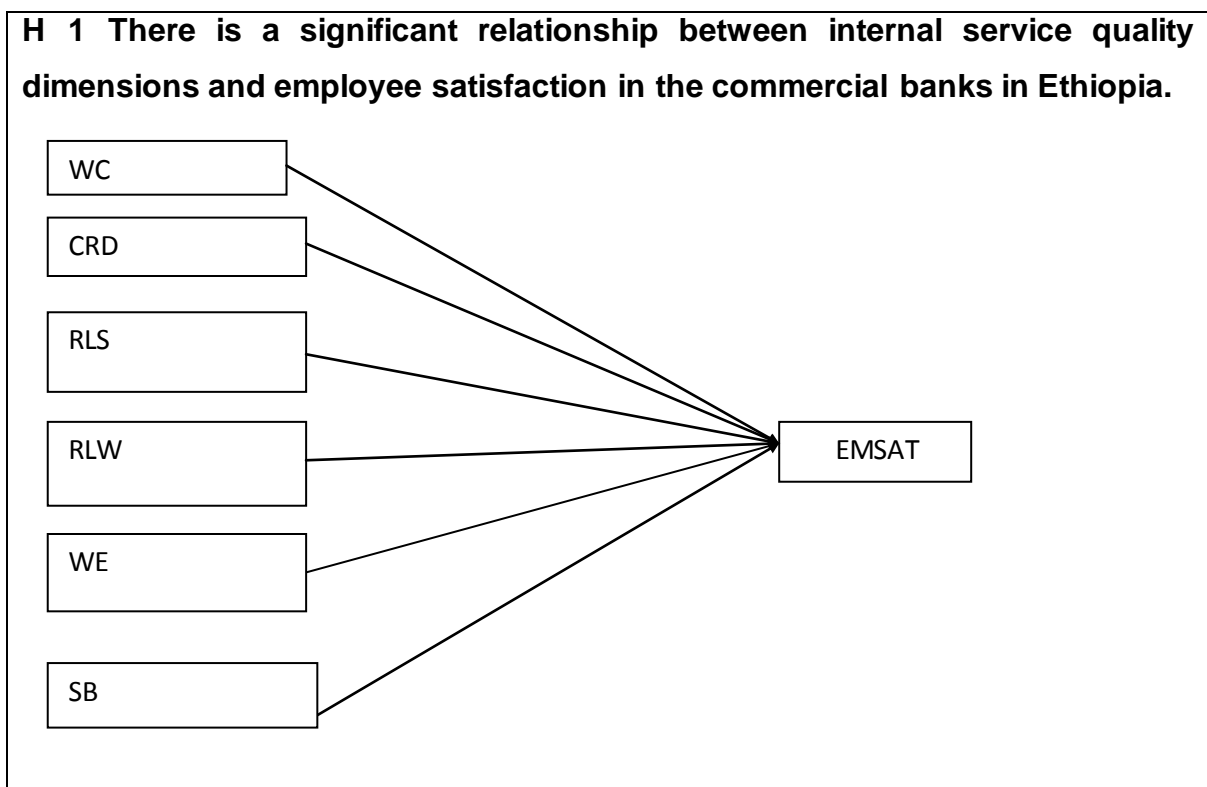
Figure 3. 1: Path Model of Multiple Regression Analysis on the effect of internal Service Quality Dimensions on Employee Satisfaction.

Therefore, based on the previous literature review of employee job satisfaction factors, this study developed a measurement framework to evaluate how employees in the commercial banks in Ethiopia are satisfied with their jobs. Referring to figure 3.1, six jobs related factors are considered to constitute the research hypothesis for this study. That is, work content, career and development, relations with supervisor, relations with colleagues, work environment and salary and benefit.

Further, the following sub hypotheses were drawn based on the Social Exchange Theory and the established relationship from the literature between the various internal marketing dimensions and employee job satisfaction:

H 1-2 Career & development (CRD) has a significant effect on service quality.

H 1-3 Relationship with supervisors (RLS) has a significant effect on employee satisfaction.

H 1-4 Relationship with co-workers (RLW) has a significant effect on employee satisfaction.

H 1-5 Workplace environment (WE) has a significant effect on employee satisfaction.

H 1-6 Salary and benefits (SB) have a significant effect on employee satisfaction.

3.5.2. The Relationship between Employee Satisfaction and Customer Service Quality (Internal Business Process Perspective)

Consequent to the changes in the global economy from the industrial–based to knowledge–based industries, quality has become a major competitive advantage of the industries and employees have been acknowledged since then as the key resource and players in the production of quality products or services.

The fundamental assumption of equity in social exchanges is that people expect social justice or equity to prevail in interpersonal transactions (Cropanzano, Rupp, & Byrne, 2003). The social exchange theory posits that an employer takes care of employees through provision of conducive working environment that make its service employees satisfied and reciprocally be committed to achieve the objectives of the organization (Flynn, 2005; Cropanzano & Mitchell, 2005) leading to a higher level of service quality. Reciprocal interdependence emphasizes on contingent interpersonal transactions, whereby an action by one party leads to a response by another. In other words, interdependence exists because an exchange requires a bidirectional transaction. Reciprocal relationships evolve over time into trust, loyalty, and joint commitments from both the employer and employees (Cropanzano & Mitchell 2005).

Empirical studies suggest that employee satisfaction plays a key role in improving employee retention, enhancing productivity, increasing customer satisfaction, reducing turnover, recruiting, and training costs (Meena & Dangayach, 2012). The rational for this argument is based on the assumption that employees taken care of by their organization will reciprocally take care of the customers. As discussed on earlier (sub heading 3.5.1. Internal marketing) taking care of employees can be defined as providing among others better compensation, training and development, and making employees feel secure.

The survey, conducted by Gull & Ashraf (2012) showed moderately positive impact of internal marketing on service quality. Satisfaction with work and work environment induces employees to be committed to their organizations, lower the intent for withdrawal; and engage in all means for provision of quality goods or services for their customers (Christina and Gursoy, 2009; Steven and Lam, 2008; Yee, et al., 2008; Yee, et al., 2010). Factors such as the work content, co-workers, work environment, management, opportunities for career and development, and salary and benefits can broadly influence positively or negatively employee job satisfaction (George, Louw, and Badenhorst, 2008; Kim and Han, 2013). However, the findings of Kim and Han (2013) indicated that performance assessments, relationships with co-workers, and pay had significant effects on service quality, whereas supervisor relationships, job content, and workplace environments had no significant effects. Yet, their studies concluded that job dissatisfaction leads to loss of loyalty, increased absenteeism, and increase the number of accidents while the reverse leads to employee satisfaction.

The learning and growth dimension of the BSC emphasises on employee satisfaction as a necessary condition for the prevalence of quality services/products, customer satisfaction, customer loyalty and attainment of ultimate organizational goals (Cohen, Gan, Yong, & Chong, 2007). In other words, the notion behind satisfying the needs of internal customers emanates from the desire of the firm to deliver quality products/services and satisfy external customers. This perspective intends to measure the key aspects by which an organization meets the expectations of customers and shareholders. It identifies the critical processes, skills,

competencies and technologies that will add value to the expectation of the employees and the ultimate success of the firm through customer satisfaction.

H2: There is a significant association between internal service quality/employee satisfaction dimensions and customer service quality in the commercial banks in Ethiopia.
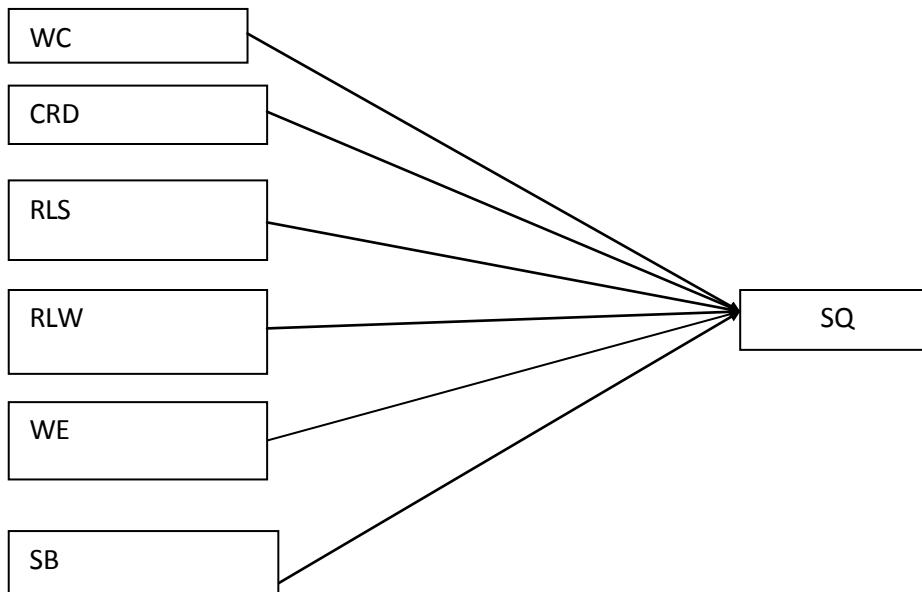
Figure 3. 2: Path Model of Multiple Regression Analysis of the effect of internal Service Quality Dimensions of Service Quality.

Customer service employees are the key actors who are faced with the challenges posed by customer interaction. Therefore, employees' perceptions of service delivery should receive more attention as they are the ones that can judge the quality of service that they deliver. In this regard, Lages & Piercy (2012), Sergeant & Frenkel (2000), Malhotra & Mukherjee (2004) focussed their study on investigating the drivers of employee initiatives in the service development process. The results of their study indicated the ability to comprehend the needs of customers, organizational commitment and job satisfaction as the source of front line employee innovative approach to produce quality products or services.

Thus, based on the principle of reciprocity in the social exchange theory and the empirical studies, the major hypothesis H-2 depicted on the model in figure 3-2, the following sub hypotheses were established to be tested.

H 2-1: Satisfaction with supervisors has a significant positive effect on service quality.

H 2-2: Satisfaction with career & development has a significant positive effect on service quality.

H 2-3: Satisfaction with co-workers has a significant positive effect on service quality.

H 2-4: Satisfaction with job content has a significant positive effect on service quality.

H 2-5: Satisfaction with pay and benefits has a significant positive effect on service quality.

H 2-6: Satisfaction with workplace environments has a significant positive effect on service quality.

3.5.3. The Relationship between Employee Satisfaction and Customer Satisfaction

The quality of services provided to customers is determined by the attitude and behaviours of the employees. In this regard, the theory of emotional contagion has been used in marketing research to explain the link between employee job satisfaction and customer satisfaction (Homburg & Stock, 2004). Emotional contagion is defined as the tendency of a person to automatically mimic and correspond expressions, postures, and communication with another person and consequently bond emotionally (Hatfield, *et al*., 1994). The theory explains the linkages between employees' internal stimuli (cognitions, emotions, mental states, etc) and the responses reflected in their work environment, thereby leading to a better performance (e.g., Wangenheim et al 2007; Homburg & stock 2004, and Pugh 2001). The emotional contagion theory claims that the reciprocal relationship from employee to customer and from customer to the employee with the outcome expected in terms of satisfaction or dissatisfaction. When the employers are aware of and respond to the needs of their employees, customers will ultimately be satisfied consequent with the emotional responses of the employees (Zeithaml *et al*., 1988).

Loyal customers sustain an emotional connection with the organization via the service encounters. Satisfied and loyal employees are necessary for better customer

service quality and maintain an emotional connection with the organization for which they work (Christina & Gursoy, 2009).

In the studies carried out in the area of employee-customer satisfaction, the service-profit chain model (Heskett, *et al*., 1994; 1997) is a popular conceptualization which holds several relationships between employee satisfaction, customer loyalty and company performance. Heskett, *et al*., 1994 proposed the idea of the service profit chain that underscores the significance of employee commitment to deliver high levels of service quality to satisfy customers, and in turn increase organizations performance. Studies of Matzler & Renzl (2007); Yee, *et al*., 2010) showed a positive relationship between employee satisfaction and customer satisfaction that could lead to a productive and profitable relationship. That is, employees who are willing to work together, able to work beyond expectations, and put themselves loyal to the organization tend to work more efficiently, provide better services and, therefore, create higher customer satisfaction thereby leading to customer loyalty.

Employee satisfaction has also been found to be influential on customers' satisfaction and customers' satisfaction has been found to be positively related to financial performance **(**Christina & Gursoy, 2009, Koys, 2001, Steven & Lam, 2008, Tornow & Wiley, 1991; Yee, et al., 2008).

Put the other way, Homburg & Stock (2004) found in their study that the level of job stress as negatively correlated to the employee's job satisfaction. Thus, a highly dissatisfied employee exhibits a high level of emotional tension expressed through different observable behaviours. Such tension affects the perception of customers (Yee et al., 2011) which ultimately leads to customer dissatisfaction.

Therefore, hypothesis H-3 was formulated based on the theoretical approach, empirical findings and the model in figure 3:3. In other words, the hypothesis was based on the emotional contagion theory, attitude theory, social exchange theory and the empirical studies, the following sub hypotheses were established to be tested.

H 3-1: Satisfaction with supervisors has a significant positive effect on service quality.

H 3-2: Satisfaction with career & development has a significant positive effect on service quality.

H 3-3: Satisfaction with co-workers has a significant positive effect on service quality.

H 3-4: Satisfaction with job content has a significant positive effect on service quality.

H 3-5: Satisfaction with pay and benefits has a significant positive effect on service quality.

H 3-6: Satisfaction with workplace environments has a significant positive effect on service quality.

H3: H3. There is a significant relationship between internal service quality/employee job satisfaction dimensions and customer satisfaction in the commercial banks in Ethiopia.

WC
CRD
RLS
RLW
WE
SB

Customer satisfaction
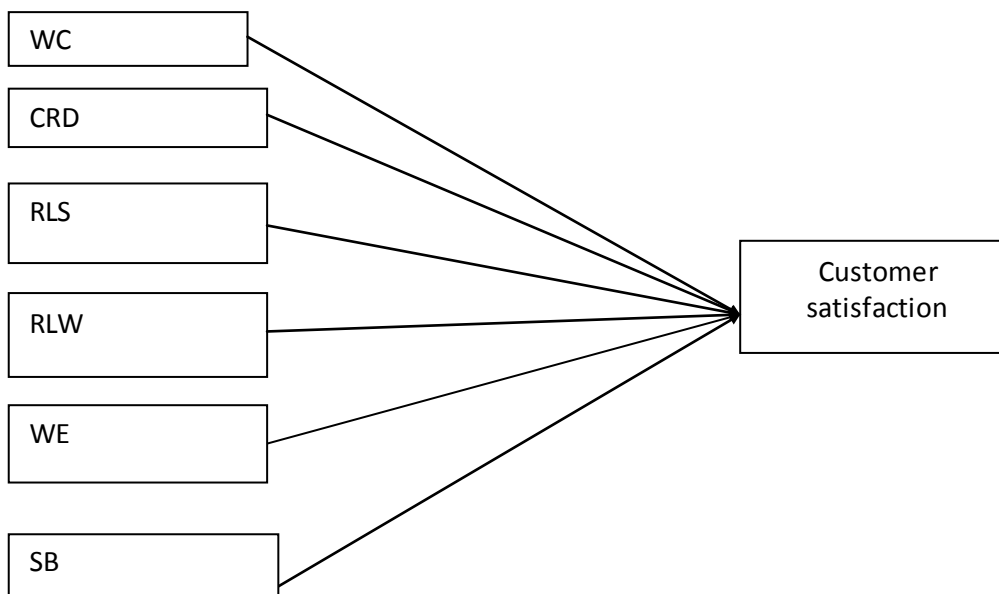
Figure 3. 3: The Path Model of Multiple Regression Analysis on the effect of employee satisfaction on Customer Satisfaction:

3.5.4. The Relationship between Customer Service Quality and Customer Satisfaction

Service quality is a service that can meet the needs or expectations of the customer. In other words, service quality is characterized in terms quality processes and quality

output. Service quality is believed quality when the course of the process is acceptable to consumers. The output quality is the quality perceived by the customer after the service is, received (Dotchin & Oakland, 1994, Lewis & Mitchell, 1990). Service quality can also be defined as the difference between customer expectations of the service and the service perceived or received by the customer (Parasuraman, et al. 1985). If the customer service received is equal to the expected, the service quality is quite decent. If on the other hand the services received are below the expectations, service quality is considered dubious.

Assessment of service quality performed during the service delivery process usually requires the presence of a relationship between the customers and employees who provide services. Results of research conducted by Priyathanalai & Moenjohn (2012) show a positive and significant relationship between employee satisfaction and service quality. This suggests a significant correlation between job satisfaction and employee performance.

Customer satisfaction is a function of the service quality that is perceived and valued by customers. It is the perception or judgment made by customers for services they receive. With the increasing level of awareness of customers, the relationship between service quality and customer satisfaction has been recognized as a key factor for success and survival in today's competitive market.

The attitude theory proposed by Lazaus (1991) and Bagozzi *et al.* (1992) demonstrates the relationship between service quality and customer satisfaction. The theoretical model suggests that the appraisal process of internal and situational conditions lead to emotional responses, which in turn induce coping responses. Since customers are engaged in social exchange relationships, they can possibly make a judgement (Groth, 2005). Bagozzi, *et al.* (1992) state that the appraisal process is followed by an emotional response which is expressed in terms of customer satisfaction and customer satisfaction has a direct effect on behavioural intentions to use a particular service in the future. Then, it can be inferred that customer emotional response and attitudinal behaviour have an impact on customer satisfaction and customer loyalty expressed in terms of, for example, repurchase intention and referrals.

A large number of researchers have hypothesized that service quality leads to customer satisfaction (Parasuraman *et al.,* 1988, Cronin & Taylor, 1992, Oliver, 1999**,** Anderson and Sullivan, 1994, Heskett, *et al*., 1994, 1997, Babakus, Bienstock, & Scotter, 2004, Steven & Lam, 2008, Christina & Gursoy, 2009, Yee, *et al.,* 2010, Cheng & Abdul Rashid, 2013, Abd-El-Salam, Shawky, & El-Nahas, 2013) and conclude as the success of marketing strategy (Wong, Rexha, & Phau, 2008).

The most pronounced SERVQUAL model was developed by Parasuraman et al, (1988) designed to measure customer service quality dimensions of tangibles, reliability, responsiveness, assurance and empathy. They believe that customer satisfaction is the result of customers' evaluation and judgement of prior expectations and actual use. The SERVQUAL is advanced in line with the underlying psychological state of understanding customer satisfaction. An individual's prior expectation of quality may vary, but as long as the psychological judgment of satisfaction exists, it can be measured through systematic methods.

The customer perspective of the BSC model also emphasises on the perception of quality products and services that meet the expectations of customers and ultimately lead to the financial performance of an organization (Al Sawalqa, *et al.,* 2011). The customer-value propositions represented by quality product/service are the core of any business strategy that makes the difference from its competitors (Kaplan & Norton, 2001).

Empirical studies have shown the relationship of service quality dimensions to customer satisfaction. Khan & Fasih (2014) conducted their studies on the difference in the impact of service quality on customer satisfaction between public and private banks in Pakistan. Results indicate that all dimensions of service quality have a significant and positive association with customer satisfaction on both public and private banks. However, studies of Gorji & Sargolzaee (2011) show a significant difference in the relationship between service quality and customer satisfaction in the public and private sector. To Naeem, Akram, & Saif, (2011) service quality is a strong predictor of customer satisfaction in case of the foreign banks compared to the public sector banks.

H 4: customer service quality in commercial banks in Ethiopia positively affects customer satisfaction.

TANGIBLES

RELIABILITY

RESPONSIVNESS

ASSURANCE

EMPATHY

CUSTOMER SATISFACTION
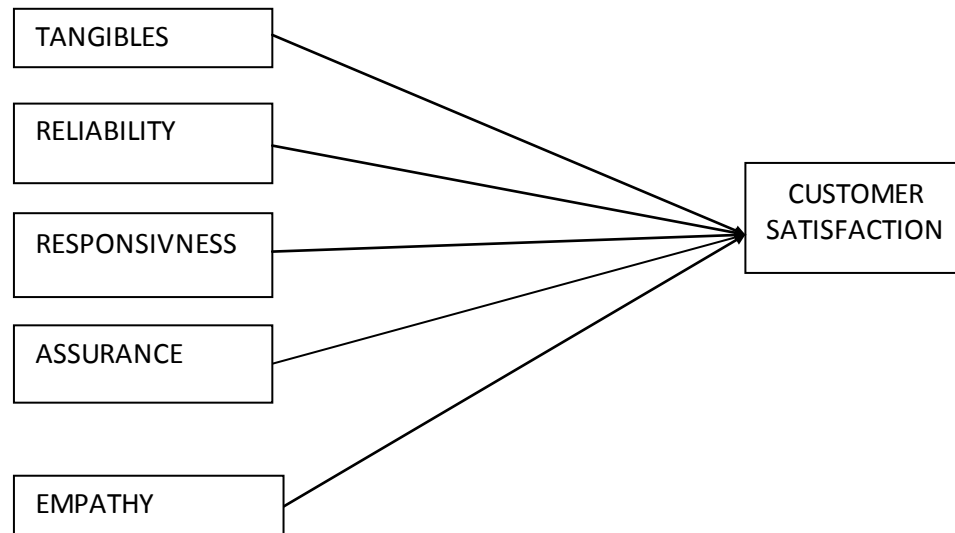
Figure 3. 4: The Path Model of Multiple Regression Analysis on the effect of Service Quality on Customer Satisfaction:

Wilson, Zeithaml, Binter, & Gremle (*2008*) state that service quality is a focused evaluation that reflects the customer's perception of reliability, assurance, responsiveness, empathy and tangibility while satisfaction is more inclusive and it is influenced by perceptions of service quality, product price situational factors and personal factors. Karim & Chowdhury (2014); Lau & Lam (2013); and *Ojo (*2010) conducted their studies on the interrelationships between service quality and customer satisfaction in the banking sector in Bangladesh, and Hong Kong respectively and Mobile Telecommunication Network in Nigeria. The results of their studies indicated a positive relationship between the five SERVQUAL dimensions (tangibility, reliability, responsiveness, assurance and empathy) and customer satisfaction. Further, the studies indicated that the SERVQUAL model could be adopted in different countries and different service organizations. Yet, Kim and Han (2013) show only tangibility and reliability among the dimensions of service quality which have positive effects on customer satisfaction.

Then, on the basis of the empirical studies, the theoretical arguments, and the major hypothesis in the conceptual framework on figure 3:4, the following sub hypotheses

were formulated on the premises that quality dimensions affect customer satisfaction.

H 4-1: Empathy (EM) has a positive effect on customer satisfaction.

H 4-2: Responsiveness (RES) has a positive effect on customer satisfaction.

H 4-3: Tangibility (TA) has a positive effect on customer satisfaction.

H 4-4: Reliability (REL) has a positive effect on customer satisfaction.

H 4-5: Assurance (AS) has a positive effect on customer satisfaction

3.5.5 The Relationship between Customer Satisfaction and Customer Loyalty:

Customer loyalty was characterized from the behavioural and attitudinal stances. The behavioural dimension of customer loyalty was characterized in terms of the consumption probability, repeat purchase behaviour, and recommend to relatives and friends (Dick & Basu, 1994; Zeithaml, *et al*., 1996; Reichheld, 2000; Eshghi et al., 2007).

The service management and marketing literature have given rise to the impression that satisfied customers are loyal customers. Loyalty arises when a customer's perception of the service is valued more than the expectation (Heskett *et al.,* 1994; Zeithaml *et al.,* 1996). In this regard, Lin & Wang (2006) state loyalty of customers as a key factor in maintaining competitive advantage and Chen & Hu (2010) stress the need to comprehend customer desires as a necessary condition for adopting strategic policies that could help in winning customer loyalty. Customer loyalty is reflected in behaviours such as continuing relationship, repeat purchases, and recommendation.

Early empirical studies have recognised a positive causal relationship between customer satisfaction and customer loyalty (Reichheld & Sasser, 1990, Fornell, 1992, Siddiqi, 2011, Abd-El-Salam *e al*., 2013, Cheng & Abdul Rashid, 2013, Khan *et al*., 2012, Mohsan, Nawaz, Khan, Shaukat, & Aslam, 2011, & Pan, Sheng & Xie, 2011) claim a strong relationships between customer satisfaction and loyalty and conclude that a firm can develop long lasting and profitable relationship with

customers by building loyalty of customers. Khan et al., (2012) conclude satisfied customers tend to repurchase and further recommend new customers consequent to their satisfaction with the goods or services. Siddiqi (2011) identifies the most important drivers of customer loyalty and the interrelationships between service quality, customer satisfaction, corporate image, customer value and customer loyalty in the retail banking sector in Bangladesh. Siddiqi concludes customer satisfaction as the most important driver of customer loyalty and a means of retaining existing customers in the retail banking sector in Bangladesh. This implies that unsatisfied customers would not be expected to have long run relationships with a firm.

On the contrary, other studies indicate that high customer satisfaction does not always indicate high loyalty (Bae, 2012, Oliver 1999, Seiders, Berry, & Gresham, 2000). In other words, customers' satisfaction is not necessarily sufficient to guarantee for loyalty (Mohsan, *et al.*, 2011, Reichheld 1996, Kamakura *et al.* 2002). That is, a positive relationship between customer satisfaction and loyalty applies in some situations, but not for all conditions. Consequently, satisfied customers may defect as the case may be (Reichheld, 1996).

Service quality is also a commonly cited as an antecedent to loyalty (Caruana, 2002). The findings of Kheng *et al.* (2010) indicate that reliability, empathy, and assurance have a significant effect on customer loyalty. Interpersonal relationships between employees and customers are also considered as important factors for the development of customer loyalty (Gremler & Brown, 1996, and Peter, 2014). Gremler and Brown define interpersonal relationship as the degree to which customers perceive having a personal and sociable relationship with customer service employees, including customer feelings of familiarity, care, friendship, understanding, and trust. Switching cost is also considered by many researchers as an important determinant of customer loyalty (Beerli, Martin, & Quintana, 2004, & Deng, Lu, Wei, & Zhang, 2010). Therefore, having a loyal customer base indicates an opportunity to be tapped as it is less costly to retain and serve loyal customers than to attract new ones.

H 4: customer satisfaction in commercial banks in Ethiopia positively affects customer loyalty.

CS2

CS3

CS4

CS5

CS6
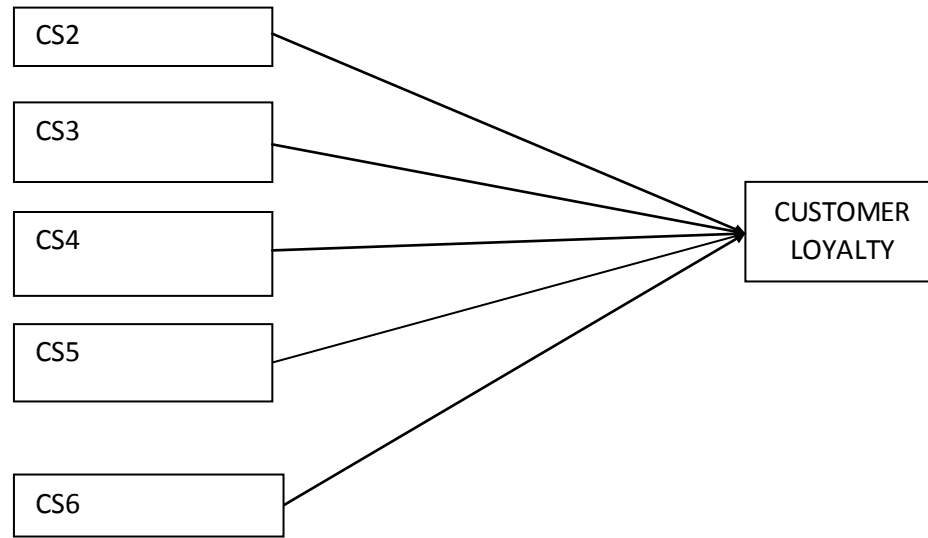
CUSTOMER LOYALTY

Figure 3. 5: The Path Model of Multiple Regression Analysis on the effect of Customer Satisfaction on Customer Loyalty:

Besides, the following sub hypotheses were drawn based on the above empirical studies and the conceptual framework depicted in figure 3:5.

H 5-1: CS2-Satisfaction with the way service is provided has a positive effect on customer loyalty.

H 5-2: CS3-Satisfaction with the overall services of the bank has a positive effect on customer loyalty.

H 5-3: CS4- satisfaction with the workers' skill in providing services has a positive effect on customer loyalty.

H 5-4: CS5- satisfaction with the courteousness of the workers has a positive effect on customer loyalty.

H 5-5: CS6- satisfaction satisfied with the speed of providing services has a positive effect on customer loyalty.

3.5.6 The Relationship between Customer Loyalty and Profitability:

Advocates of the service management and marketing literature discuss the links between satisfaction, loyalty, and profitability and propose that customer satisfaction influences customer loyalty, which in turn affects profitability. The service-profit

chain model (Heskett *et al.,* 1997) establishes the relationships between a firm's profitability and customer loyalty.

Anderson & Sullivan. (1994), Heskett *et al.* (1994), Reicheld & Sasser (1990), Rust, & Zahorik (1993), and Zeithaml *et al.,* (1996**)** find customer satisfaction as an antecedent of customer loyalty significantly and positively influences profitability. Nelson *et al.* (1992) establish the relationship of customer satisfaction to profitability among hospitals. Zafar, et al (2012), Rust & Zahorik (1993) analysed the impact of customer satisfaction on customer loyalty and ultimately profitability in the context of the banking sector. Chi & Gursoy, (2009), Zhang & Pan (2009), and Xu & Goedegebuure (2005) also establish a positive and significant relationship between customer satisfaction, customer loyalty, and profitability. Studies of Nadem & Ekpenyong (2013) reveal a strong relationship between customer behaviour and customer profitability; modest links between repurchase intentions and subsequent behaviour; and a weak and non-significant direct link between customer satisfaction and customer profitability. Gupta and Zeithaml (2006) disclose a strong impact of customer satisfaction on financial performance. Fornell, Johnson, Anderson, Cha, and Bryant. (1996) state the relationship of customer satisfaction to the market value of equity. Yee, Yeung, and Cheng (2010) examined the relationships among employee satisfaction, service quality, customer satisfaction, and firm profitability. The findings indicate the significant role of employee satisfaction in improving service quality and customer satisfaction, while customer satisfaction in turn influences a firm's profitability. They also found that firm profitability has a moderate effect on employee satisfaction. On the contrary, Tornow & Wiley (1991) found a negative correlation between customer satisfaction and gross profits.

H 6. Improvement in customer loyalty significantly improves the financial performance of the commercial banks in Ethiopia.

CUSTOMER LOYALTY
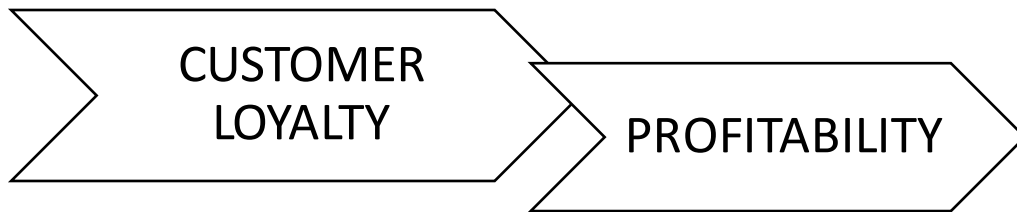
PROFITABILITY

Figure 3. 6: The Path Model of Multiple Regression Analysis on the effect of Customer Loyalty on Profitability:

On the other hand, the researchers also suggest the uncertainty in the direct link between customer satisfaction and a firm's profitability (Eccles & Pyburn, 1992). Bernhardt et al., (2000) observe no significant relationship between customer satisfaction and financial performance in their studies on consumer and employee responses on services of the restaurant. However, the researchers conclude the impact of an increase in customer satisfaction on profits is likely to be significantly positive in the long run even if it is obscured in the short run. Expressed differently, past satisfaction has a positive effect on current profitability, and past profitability affects current satisfaction (Rust, Moorman & Dickson, 2002, Guo, Kumar, & Jiraporn, 2004).

Therefore, the mixed results in the above discussion induced the need for further study based on the hypothesis framed in figure 3:6.

3.6. Summary of the Chapter

The chapter covered the empirical studies on profitability and the multiple antecedents of measures of performance. Having an overview of the impacts of non-financial variables on performance measures, the conceptual definitions of internal service quality, employee satisfaction, customer service quality, customer satisfaction and customer loyalty were debated in depth. In the course of investigating the interrelationships among the variables, the appropriate theoretical grounds and empirical studies were referred to in order to draw the dimensions for

the frameworks. The chapter finally culminated by formulating the hypotheses of the study to be tested.

CHAPTER 4

METHODOLOGY

4.1. Introduction

This chapter covered the research methods used to empirically test the theoretical frameworks. The chapter outlined the research design, the methods of data collection, the population and unit of analysis, sample size determination, the sampling frame, source of data, instruments used in the data collection, method of data analysis and the procedures that were used to measure the validity and reliability of the research hypothesis.

4.2. Research hypotheses

Based on empirical findings and variant of theoretical grounds, the research hypotheses of the present study are presented as follows:

H1. There is a significant relationship between employee satisfaction and customer service quality in the commercial banks in Ethiopia.

H2. Customer satisfaction in the commercial banks in Ethiopia is significantly affected by customer service quality.

H3. Improvement in customer loyalty significantly improves the financial performance of the commercial banks in Ethiopia.

4.3 The Research Design

The research took an epistemological stance in dealing with the social phenomena which are employee satisfaction from the perspectives of employees; and service quality and customer satisfaction from the customers' point of view. The study used cross sectional data and adopted a multivariate approach for data analysis.

Quantitative analysis provides objective results and ensures a lack of bias (Creswell, 2004).

4.4 The Population and the Unit of Analysis

The data from the National Bank of Ethiopia ending June, 2013 indicated a total number of 19 licensed banks with a network of 2,002 branches across the country (see table 4:1). This includes three public Banks, and 16 private banks (NBE, 2013). All the banks are specialized banks; however, the Development Bank of Ethiopia and the Business and Construction Bank (both public banks) do not fall under the category of commercial banks as they are set up to address specific objectives that are not dealt with the other commercial banks. However, customers close to these banks had the possibility being addressed in the sampling frame in the survey. Zemen Bank, Abay Bank S.C, Addis International Bank, Berhan International Bank, Bunna International Bank, Cooperative Bank of Oromia, Debub Global Bank, Enat Bank, and Oromia International Bank are not within the latitude the study since they all had no branch in the sampling area, in Tigai Region during the study period.

In order to assess the performance of any sort of financial institutions, a minimum duration of being in operation has to be given due consideration. In this regard, the study considered five years as an ample period for analysis of the commercial banks in Ethiopia. Consequently, six of the private banks are not within the scope of the study because these banks have not yet attained the minimum five years threshold of the study period.

The banks are within a similar business environment to compete among themselves for new customers and retention of long-standing customers. The banks are engaged in the provision of similar service/products, operate under the same banking regulations and protected from foreign entry in the market. Therefore, this study focuses on perceptions of employees and customers of the banks.

This study addressed mainly two sectors of stakeholders (employees and customers) believed to have a major concern with the banking sector. Therefore, the target unit of analysis of the study is based on employees and customers from the sample of commercial banks (Refer to appendix 4:2).

The details on the sampling frame of the employees and customers were not known. Therefore, consequent to the difficulty of easily locating the addresses of the sample frame, the researcher was not able to randomly select the sample respondents. Consequently, a convenient sampling technique was employed to distribute the survey questionnaires. The commercial banks have their respective strategies and policies with respect to human resource policies, and customer value. This called for adequate representation of employees and customers from each bank.

4.5 Sample Size Determination

Since the statistical population was unlimited, after reviewing available literature on sample size determination, the researcher has identified certain scientific procedures to determine the sample size. There are five major indicator variables in the proposed study viz:

1) Internal marketing ,
2) Employee satisfaction,
3) Service quality,
4) Customer satisfaction,
5) Customer loyalty, and
6) Profitability.

Tabachnick & Fidell (2007) state that N should ideally be $50 + 8(k)$ for testing a full regression model or $104 + k$ when testing individual predictors.

Where n = the lower bound sample size
r = the ratio of indicators of latent variables
k = the number of latent variables

The multiple regression equation for predicting Y can be expressed a follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \mu$$

Where:

Y = dependent variable

α = Constant

β = Beta coefficient

$X_1, X_2, X_3, X_4, X_5 =$ Independent variables

μ = random error

Alternatively, the independent variables can be expressed in terms of standardized scores where Z_1 is the z score of variable X_1, etc. The regression equation then simplifies to:

$$Z_{Y'} = \beta_1 Z_1 + \beta_2 Z_2 + \beta_3 Z_3 + \beta_4 Z_4 \; \beta_{5_5} Z_5 + \varepsilon$$

ε = error term

The value of the multiple correlation R and the test for statistical significance of R are the same for standardized and raw score formulations.

Therefore, the sample size can be computed as follows:

50 + 8(5)   = 50+40

                      = 92

Then, the sample size can be taken as 104+5 = 109

The research has taken the approach of Tabachnick & Fidell (2007) for multiple regression sample determination. Given the importance of higher sample sizes, the research has taken greater than the minimum threshold of the two approaches.

Therefore, in the second stage, a sample of 250 employees and 250 customers were selected from a sample 20 among the 74 branches of the banks in the Northern

Region in Tigrai using the convenience sampling method. The region is also an area where all banks that could have been sampled at country level are in operation. Therefore, the banks are all represented. The limitation of the sampling area to Tigrai Region is also due to the funding and time constraints as well as owing to the proximity and convenience of the researcher.

Table 4. 1: Summary of sample banks and branches of the commercial banks in Ethiopia.

Item	Name of bank	Number of branches	Number of sampled branches
1	C.B.E.	45	10
2	Dashen Bank	5	2
3	AIB	2	1
4	LIB	8	2
5	NIB	2	1
6	United Bank	3	1
7	Abyssinia Bank	3	1
8	Wegagen Bank	8	2
Total		74	20

In view of this, a minimum of 20 employees and 20 customers were taken from each bank. The sample employees and customers of each bank were taken in proportion to the total number of branches considered in the study area. The variation in the position of the sampled employees was offset within the 20 branches. With respect to sample branch managers, it was automatically determined by selection of the sample branches.

The branch managers of the sample branches were highly collaborative in distributing the questionnaires to the employees. The customer respondents were selected from the bank customers who visited the sampling locations during the chosen time intervals and period of study. This helped to eliminate the sampling errors and to ensure the representation of the population under study in the sample units. To reduce any potential bias, the questionnaires were distributed during various working hours of the working days of the banks.

Respondents were approached at each of the sample bank's branches politely and the purpose of the study was explained. Then, they were asked if they were prepared to voluntarily fill in the questionnaire. Once they agreed to participate, they

then were handed over with the questionnaire to be answered either in English or in Amharic according to their preferences. The researcher/research assistants then refrained from any sort of interference with the respondent in order to avoid any potential bias.

4.6 Data Source and methods of data collection

Primary data and secondary/archival data sources were used in this study for the purpose of analysis, testing the hypothesis and answering the research questions. Survey research through questionnaires was mainly used for collecting data on those variables for which information is inaccessible from public sources and treated as first hand data. Archival research was used for collecting data that tend to be publicly available in the financial statements of the commercial banks under consideration.

The variables and data instruments that were used to measure perceptions of employee satisfaction, service quality, customer satisfaction, and profitability were drawn through the well-established instruments adopted in human resources management, psychology organisational behaviour, and organisational management research.

4.6.1 Measurement Instruments for Primary Data Source

Likert scale (Likert, 1932) instruments were used to capture data related to the attitudes, behaviours, and opinions of respondents. The measurement instruments were based on the questions used to operationalise the concepts and variables relevant to the framework models constructed and the hypotheses developed from the literature. The instruments comprising the measurement questions for the study appear in appendix A, provided in both English and Amharic. The primary data for employee satisfaction (internal marketing), service quality, customer satisfaction and customer loyalty were obtained through structured questionnaires.

4.6.1.1 Employee Job satisfaction measures:

Two approaches are mainly used in the literature of measuring job satisfaction. The first one is a comprehensive approach that involves only one item in asking the respondent directly about his or her overall feeling about the job while the second is an approach that involves a respondent to answer on several aspects of the job that determine the overall degree of job satisfaction. The Job Descriptive Index (Smith, Kendall & Hulin, 1969) and the Minnesota Satisfaction Questionnaire (*Weiss et al.,* 1967) are most popular in using the second approach.

Smith *et al.,* (1969) present the employee satisfaction factor in their method called Job Descriptive Index (JDI). The Job Descriptive Index was first introduced in 1969 as a scale with five dimensions of employee job satisfaction measures, namely: the nature of the work itself, the relationship with supervisors, opportunities for development, relationship with co-workers, and salary and benefits. Description Index (JDI) involve: 1) intrinsic factors involving the work-itself and advancement opportunities, and 2) extrinsic factors including the level of compensation/salary, supervisory support, and co-worker relations (Smith *et al.*, 1969).

The Minnesota Satisfaction Questionnaire (Weiss *et al.*, 1967) has also been widely used to evaluate the degree to which employees are satisfied with their job. The Minnesota Satisfaction Questionnaire (MSQ) is a popular measure of employee satisfaction that conceptualizes satisfaction as being related to their job. The MSQ is self-reported measure, suitable for individuals of all levels that can be administrated separately or individually. The MSQ has been in use for over 30 years in a wide range of jobs, including factory/production work, management, education (primary, secondary, college), health care (including nurses, physicians, and mental health workers), and banks (Hirschfeld, 2000; Yee, *et el.* 2011**).** In relation to this study, therefore, the MSQ, is adopted as the research instrument.

The MSQ survey instrument addressed to the employees of the commercial banks comprised two major sections with an introductory letter clarifying the purposes of the study. The first section contained questions about the personal and demographic profiles of the respondents such as gender, educational level, age, occupation and

other relevant variables. The second section gathered information about perceptions of the employees on their job.

The instrument evaluates 36 items of job satisfaction and 6 latent variables: work content; career and development; relationship with managers/supervisors; relationship with co-workers; working environment; and salary and benefits. Each item represents 1 of the 6 dimensions of latent variables. Respondents were asked to rate their satisfaction with various aspects of their work along a 5-point Likert-type scale, ranging from 1 = not satisfied to 5 = extremely satisfied. The Likert Scales were used on the assumption that Likert scales produce interval data and justify a wide range of statistical calculations, including averages, correlations, and so on.

4.6.1.2 Service quality

The survey instrument addressed to the customers comprised three major sections with an introductory letter clarifying the purposes of the study. The first section contained questions about the personal and demographic profiles of the respondents such as gender, educational level, age, occupation and other relevant variables. The second section gathers information about expectations of customers. The third section of the customer questionnaire is meant to collect data about the perceptions of customers.
.
The measurement of service quality within commercial banks was built on the seminal work of Zeithaml *et al.* (1988) construct of the SERVQUAL model. The SERVQUAL is a multiple-item scale for measuring consumer expectations and perceptions of service quality (Parasuraman, et al., 1988). The gap between expected and perceived quality is measured using a 22-item SERVQUAL scale adapted to the banking industry. This scale has five components:

   I.   Tangibles,

  II.   Reliability,

 III.   Responsiveness,

 IV.   Assurance, and

  V.   Empathy.

The SERVQUAL questionnaires were designed on a five-point Likert - scale anchored at 1 = totally disagree and 5 = totally agree.

.

4.6.1.3 Customer satisfaction, customer loyalty, and profitability perception:

The survey instrument used to measure customer satisfaction involved seven items adapted from Anber & Shireen (2011). To measure customer satisfaction, the instrument used a five-point Likert scale anchored at 1 = very dissatisfied and 5 = extremely satisfied. The survey instrument used to measure customer loyalty involved four items adapted from Zeithmal et al. (1996). To measure customer loyalty, the instrument used a five-point Likert scale anchored at 1 = very dissatisfied and 5 = extremely satisfied. Finally, to measure profitability perception three items were adapted from Yee, Young, & Cheng (2010) anchored on a five point Likert scale at 1 = very high and 5 = very low.

4.6.2 Secondary data source

Secondary data were obtained from the audited financial statements of the commercial banks involved in the study to measure profitability. Besides, journals, periodicals, and books were used as secondary sources.

4.7. Methods of data analysis

Employee satisfaction, service quality and customers' satisfaction are realities that exist outside the researcher's mind. Taking positivist view, the objects of investigation (the respondents) are independent from each other and they are investigated without being influenced by the researcher. The interaction with the respondents is limited to mere handing of the questionnaires to respondents so as to make the findings fully dependent on the respondents.

This research is a snapshot or cross-sectional and explanatory in nature because the data were collected on the behavioural aspects of a specific period of time. Behavioural responses are likely to change over time in either positive or negative direction as the case may be. Besides, a significant number studies have been conducted in a similar manner on subjects that relate to service quality, employee satisfaction and customer satisfaction.

Multiple regression analysis is a popular statistical method used to understand how one or more predictor variables influence the independent variable (Beckstead, 2012; Bonett & Wright, 2011). Researchers use multiple regression analysis to understand the extent that the independent variables affect the prediction of the dependent variable (Tonidandel & LeBreton, 2011). Researchers use other statistical tests such as ANOVA and t-tests to test for correlation between variables (Levine, Ramsey, & Smidt, 2001). However, regression analysis is an appropriate statistical test to use if the goal is to assess the influence of one or more predictor variables on the response variable (Levine et al., 2001)

To address the research, the researcher has used six models with different dependents and explanatory variables

Model specification

The basic regression model is written as follows;

$$y_n = \alpha + \beta x_n + \varepsilon_n \tag{1}$$

Where, y denotes a dependent variable and α denotes intercept term, X represents explanatory variables while β is regression coefficient. The basic functional form of study models and the respective regression models are shown as follows:

Model I:

Employee satisfaction = f (Work content, Relations with supervisor, Relations with workers, Salary& benefits, and Career & Development) (2)

$$EMSATn = \alpha + \beta_1 WCn + \beta_2 RLSn + \beta_3 RLWn + \beta_4 SBn + \beta_3 CRDn + \varepsilon n \qquad (3)$$

Where,

EMSAT represents employee satisfaction, WC denotes work content, RLS represents relations with supervisors, RLW is relations with workers, SB shows salary & benefits, and CRD reflects career and development while ε is the error term.

Model II:

Service Quality satisfaction = f (Work content, Relations with supervisor, Relations with workers, Salary & benefits, and Career & Development) (4)

$$SQn = \alpha + \beta_1 WCn + \beta_2 RLSn + \beta_3 RLWn + \beta_4 SBn + \beta_3 CRDn + \varepsilon n \qquad (5)$$

Where,

SQ denotes service quality, WC represents work content, RLS depicts relations with supervisors, RLW shows relations with workers, SB is salary & benefits, and CRD indicates career and development while ε is the error term.

Model III:

Customer satisfaction = f (Work Content, Relations with Supervisor, Relations with Workers, Salary & Benefits, and Career & Development) (4)

$$CUSATn = \alpha + \beta_1 WCn + \beta_2 RLSn + \beta_3 RLWn + \beta_4 SBn + \beta_3 CRDn + \varepsilon n \qquad (5)$$

CS 2 (satisfaction with the way the service is provided) is a strong predictor of customer loyalty and highest correlation is shown between between CS 3 (satisfaction with the easy access to the services of the bank) and CS 6 (satisfaction with the speed of providing services).

Model IV:

Customer satisfaction = f (tangibles, reliability, responsivness, assurance and empathy) (6)

$$CUSAT_n = \alpha + \beta 1 TAN + \beta 2 REL_n + \beta 3 RRES_n + \beta 4 ASS_n + \beta 5 EMn + \varepsilon_n \qquad (7)$$

Where,

CUSAT signifies customer satisfaction, TAN denotes tangibles, REL is reliability, RES indicates responsiveness, ASS replicate assurance and EM designates empathy while ε is the error term.

Model V:

Customer satisfaction = f (satisfaction in dealing with the bank, satisfaction with the way service is provided, satisfaction with the easy access to the services of the bank, satisfaction with the workers' skills in providing services, satisfaction with courteousness of workers, satisfaction with the speed of providing services, and satisfaction with the facilities and materials the bank provides). (8)

$$CUSATn = \alpha + \beta 1 CS1n + \beta 2 CS2n + \beta 3 CS3n + \beta 4 CS4n + ... + \beta 7 CS7n + \varepsilon n \qquad (9)$$

Where,

CUSAT signifies customer satisfaction, CS1 denotes *satisfaction in dealing with the bank, CS2 indicates* satisfaction with the way service is provided, CS3 portays satisfaction with the easy access to the services of the bank, CS4 deals with satisfaction with the workers skills in providing services, CS5 shows satisfaction with courteousness of workers, CS6 denotes satisfaction with the speed of providing services, and CS7 identifies satisfaction with the facilities and materials the bank provides) while ε is the error term

Model VI:

Profitability = f (satisfaction with the over all service of the bank, saying good things about the bank, continue using service of the bank, and recommend the bank to relatives and friends)   (10)

$PPn = \alpha + \beta_1 CL_{1n} + \beta_2 CL_{2n} + \beta_3 CL_n + \beta_4 CL_n + \varepsilon_n$ (11)

Where,

PPn represents overall profitability, CL1 denotes satisfaction with the over all service of the banks, CL2 denotes to say good things about the bank, CL3 indicates continue using service of the bank, and CL4 signifies recommending the bank to relatives and friends whereas ε is the error term.

4.8. Chapter summary

This chapter extensively discussed on the epistemological approach of the study, the population and unit of analysis, sample size determination, sampling frame, data source measurement instruments, and method of data analysis. The research was based on a survey and archival data. A sample frame of 250 customers, 250 employees and 8 commercial banks located in Tigrai Region was used. A total of 180 valid research questionnaires was collected from each customer and employee respondents. The annual reports were used as the source of the financial data (ROA & ROE) of the banks.

CHAPTER 5

DATA ANALYSIS

5.1. Introduction

Data analysis for this study was undertaken in two steps; the preliminary analysis and the main analysis. The preliminary analysis involved mainly descriptive statistics summarizing the demographic characteristics of the respondents. Statistical Package for Social Sciences (SPSS) software program version 16 was used for processing the data.

Data on the various multi-items constructs representing the different components of internal service quality, employee satisfaction, customer service quality, customer satisfaction, customer loyalty and profitability were first tested for reliability by computing Cronbach's alpha values. Cronbach's alpha ranges between 0 (denoting no internal reliability) and 1 (denoting perfect internal reliability). A reliability coefficient above 0.70 is considered sufficient for exploratory studies (Cronbach, 1951; Nunnally, 2010; Cavana, Delahaye, & Sekaran, 2001).

Construct validity was adopted as validity measurement and factor analysis were used to measure the construct validity (Cavana *et al.*, 2001). Based on Hair, Black, Babin, Anderson,and Tatham (2006), Tabachnick and Fidell (2007), and Thompson (2004) factor analysis was conducted for the research to summarise the original information into a smaller set of variables or factors and establish underlying dimensions between measured variables and latent constructs.

Correlation Analysis was done to check the strength of the relationship between the dimensions of internal service quality, employees' satisfaction, service quality, customer satisfaction, customer loyalty, and profitability. Further, in order to test the mutual relationship of variables as well as the direction of the relationship, Linear Regression Analysis (Bivariate) was performed. Regression and ANOVA were used to test the hypothesis with target statistical significance alpha levels of .05 which is

typical in most researches. Wilcoxon Signed Ranks Test and Kruskal-Wallis Analysis of Variance was also used to test the effect of categorical demographic factors on interval variables.

The unit of analysis were employees and customers of the commercial banks in Ethiopia. 250 questionnaires were distributed to each of the employee and customer categories of the commercial banks. Of the 250 distributed questionnaires, a total of 180 employees' and 180 customers' questionnaires were found valid for analysis.

The degree of response rate is an important indicator in evaluating the significance of the research findings. When responses are obtained from a non-random group that differs from the population in terms of the variables of interest, it is possible for such differences to cause distortion of the 'true' effects (Schalm & Kelloway, 2001). There is a lack of consistency across the literature as to what rate of responses should be considered acceptable. However, Fowler (2013) suggested 60%, and De Vaus (2013) argued for 80% as a minimal level for response rate. Baruch and Holtom (2008) conducted a summary analysis of a comprehensive range of academic studies in 17 referred management and behavioural sciences journals published in the years 2000 and 2005. The findings indicate an average response rate of 52.7% for data collected by individuals while the average response rate of 35.7% for data collected by organizations. Therefore, drawing from the works of Fowler (2013), De Vaus (2013) and Baruch and Holtom (2008), the response rate in the context of this research study is 72% which is acceptable

5.2 Demographic Characteristics of Employees of the Sampled Commercial Banks:

The descriptive analysis of the data on the demographic characteristics of the sampled employees of the commercial banks in Ethiopia is shown in table 5:1.

Based on the analysis of the data, 56 (31.11%) and 124 (68.89%) of the 180 valid employee respondents were drawn from public and private banks respectively. Moreover, 57 (31.67%) and 123 (68.33%) of the employee respondents were

females and males respectively. Out of these, 36 female and 88 male respondents were employees of private banks while 21 female and 35 male respondents were from the public banks. This reflected the prevalence of male dominance in both the private and public banks. With reference to age classification, 106 (58.9%) were in the category of 20-30 years and 62 (34.4%) were in the age category of 31-40 years. With respect to the service period of the employees, 59.44% of them were within a period of 1-5 years while 26.67% were within the period of 5-10. Only 14.89% of the respondents had a service period of above 10 years.

Table 5. 1: Summary of employee demographic statistics (N= 180)

Variable	Valid	Private banks		Public banks		Total		Cumulative Percent
		Frequency	Percent	Frequency	Percent	Frequency		Percent
Gender	Female	36	29.0	21	37.5	57	31.7	31.7
	Male	88	71.0	35	62.5	123	68.3	100.0
Age	From 20-30 year	70	56.5	36	64.3	106	58.9	58.9
	From 31-40 years	45	36.3	17	30.3	62	34.4	93.3
	Above 41 years old	9	7.2	3	5.4	12	6.7	100
Ed. Level	Diploma & below	44	35.5	18	32.14	62	34.44	31.1
	First degree & above	80	64.5	38	67.85	118	65.56	100
Job profile	Management	25	20.2	15	26.8	40	22.2	22.2
	Clerical	73	58.9	29	51.8	102	56.7	82.2
	Non-clerical	26	21.0	12	21.4	38	21.1	100.0
Bank ownership	Private	123	68.9			124	68.9	69.5
	Public			57	31.1	56	31.1	100.0
Ser year	From 1- 5 years	74	59.7	33	58.9	107	59.4	59.4
	From 6-10 years	35	28.2	13	23.2	48	26.7	86.1
	From 11-15 years	9	7.3	4	7.1	13	7.2	93.3
	>15 years	6	4.8	6	10.7	12	6.7	100.0

Source: computed & complied from the SPSS 16 output.

The age category and the tenure of employees in both public and private banks indicated that the majority of the staffs were in the generation of young age which revealed an energetic workforce of the industry. Related to this, 85% of the respondents' term in office did not exceed 10 years. This seems to be due to the horizontal and vertical expansion of the banking business after the liberalization of the economy and its impact on creating employment opportunity.

Regarding the educational level of qualification, 118 (65.56%) were first degree and masters holders, while 62 (34.44%) were at the level of diploma and below. This proportion of the employees' qualification indicated that the banking industry, mainly required intellectual resources in the provision of its service operations. The similarities between the private and public banks also indicated the degree in which the banks intended to maintain a higher mix of intellectual staff. This was also due to the inducements that banks generally offered to subsidize the tuition of their staff in the course of furthering their academic career. Besides, it might also have been as the result of the increased higher level educational opportunities have been promoted in the country.

Finally, the job profile of the respondents indicated that 40 (22.22%), 102 (56.67%), and 38 (21.11%) were from management, clerical, and non-clerical employees respectively. The mix of employees' respondents indicated that all levels of job designations were fairly represented in the study.

5.3. Demographic Characteristics of Customers of the Sampled Commercial Banks

The descriptive analysis of the data on the demographic profiles of the sampled customers of the commercial banks in Ethiopia is shown in table 5.2. Accordingly, 43 (23.9%) and 137(76.1%) of the respondents were female and male respectively, indicating the higher opportunity of the male to the exposure of banking services. This may indicate the economic dominance of male over female. In terms of age, 32 (17.8%) were in the category of 20-30 years, 48 (26.7%) in the age category of 31-40 years and the majority of the respondents 100 (55.6 %) were above the age of 40 years. On the issue of educational qualification, 104 (57.8%) obtained their first degree and second degrees while 76 (42.2%) were at the level of diploma and below.

Regarding the job profile, 136 (75.6%) of the respondents, were from trade & commerce while the remaining 44 (24.4%) were employees in the private and government sector.

Table 5. 2: Summary of the demographic statistics of customers (N= 180)

Variable	Valid	Private banks		Public banks		Total		
		Frequency	Percent	Frequency	Percent	Freq.	Percent	Cumulative percent
Gender	Female	27	22.1	15	26.8	43	23.9	23.9
	Male	95	79.1	41	73.2	137	76.1	100.0
Age	From 20-30 year	24	19.2	8	14.3	32	17.8	17.8
	From 31-40 years	31	25.0	17	30.4	48	26.7	44.4
	Above 40 years	69	55.6	31	55.4	100	55.6	100
Ed. Level	Diploma & below	53	42.7	24	42.9	76	42.2	42.2
	First degree & above	71	57.3	32	57.1	104	57.8	100
Job profile	Private & government employees	20	16.1	24	42.9	44	24.4	24.4
	Trade & commerce	104	83.9	32	57.1	136	75.6	100
Ownership	Private	124					68.9	68.9
	Public			56			31.1	100.0

Source: computed & complied from the SPSS 16 output.

5.4. Descriptive Statistics of the Dimensions

Descriptive statistics in the form of arithmetic means and standard deviations for respondents were computed for the various dimensions of employee job satisfaction, customer service quality, customer satisfaction, and customer loyalty.

Table 5. 3:: Descriptive statistics for the dimensions employee job satisfaction

Dimension	Variables	N	Mean	SD
WC (work content)		180	4.06	.859
CRD (Career & Development)		180	3.96	.922
RLS (Relations with supervisor)		180	4.18	.792
RLW (Relations with Co-workers		180	4.28	.621
SB (Salary & benefits		180	3.54	.858

Source: computed and complied from the SPSS 16 output.

Table 5.3 above provided the descriptive statistics of the dimensions of internal marketing, as independent variables, had an impact on the dependent variable of

employee satisfaction. The result indicated that employees of the banks had the highest satisfaction from the subscales relations with workers, relations with supervisors, and work content constituting mean of 4.28, 4.18 and 4.06 respectively. The average level of satisfaction of these subscales was 4.00. It, therefore, appeared that the employees at the commercial banks were relatively satisfied with RLW, RLS, and WC. It was also observed a high Standard Deviation for CRD, WC, and SB is demonstrating the data were wide spread which indicated the variety of opinion given by customers and the relatively lower standard deviation for RLS and RLW indicated the close opinion expressed by customers.

Table 5. 4: Descriptive statistics for customer satisfaction

Variables	N	Mean	SD
CS 2	180	3.54	.988
CS 3	180	3.44	.970
CS 4	180	3.74	1.010
CS 5	180	3.91	.895
CS 6	180	3.52	1.091

Source: computed & complied from the SPSS 16 output.

Table 5.4 above indicated that customers of the banks had the highest satisfaction from the subscales CS5 and CS4 constituting mean of 3.91 (SD= .895) and 3.74 (SD= 1.01) respectively. It appeared that the customers of the banks were more comfortable with the courteousness and the skill of the employees in providing services respectively.

Table 5. 5: Descriptive statistics for customer loyalty

Variables	N	Mean	SD
CL 1	180	3.64	1.024
CL 2	180	3.83	.920
CL 3	180	4.14	.753
CL 4	180	3.91	.950

Source: computed & complied from the SPSS 16 output.

Based on Table 5.5, CL3 was the highest indicator in the loyalty of the customers of the commercial banks with a mean of 4.14. This was followed by CL4 with a mean

score of 3.91. This described the decision of the customers to continue using the service of their banks and refer the bank to relatives and friends.

5.5. Customer Service Quality Expectations and Perceptions – The GAP Score Analysis:

The gap between expected and perceived services, also known as the Zone of Tolerance, was the basis for the assessment of service quality. The gap score analysis enabled to find out how customers assess the service quality in the commercial banks in Ethiopia and identify in what dimensions of service quality customers were satisfied with. The expectations and perceptions were both measured using 5-point Likert scale whereby a higher number indicated a higher level of expectation or perception. In this respect, Parasuraman et al. (1985) proposes that the higher the perception (P - E) score, the higher the perceived service quality and thereby leading to a higher level of customer satisfaction.

A non-parametric Wilcoxon matched pair tests was run to measure the difference between customers' expected and perceived service quality of the commercial banks in Ethiopia. Based on the results given in Table 5.6, there was a significant difference between scores that customers expressed their expectation and perceptions. According to the mean ranks, the service offered by the commercial banks in Ethiopia was far below the expectations of customers. Then, it can be inferred that the commercial banks service quality did not meet the expectations of their customers. Higher gaps were revealed in responsiveness and assurance variables while lower gaps were observed in tangibles, empathy, and assurance with arithmetic gap means of -.02, -.92 and -1.04 respectively. Since the significance level was less than .05, it can be concluded that the difference between the two sets of scores were statistically different.

Table 5.6 below shows the statistical description of service quality of customer respondents. It is noticeable that customers of the commercial banks were satisfied with the convenience of branch location and working hours, the behaviour of bank employees in paying due attention to their specific needs and dealing with customers

in a caring fashion (empathy), appealing facilities and materials, modern looking equipment, neat and professionally appearing employees (tangibles) and the behaviour of employees in instilling confidence in customers, the feeling of safety in transactions, the consistency and courteousness of customers, and knowledge employees to answer customers' questions (assurance). Finally, responsiveness were perceived as the least of all dimensions of service quality.

Table 5. 6: Service gap for the dimension of service quality in the commercial banks in Ethiopia

Dimensions	Actual Mean (P)	Expected Mean (E)	Gap (P-E) Mean	Z	P-value (2tailed)
Tangibles	3.77	4.79	-1.02	-10.374	.000
Reliability	3.66	4.79	-1.13	-9,926	.000
Responsiveness	3.50	4.72	-1.22	-10.612	.000
Assurance	3.69	4.73	-1.04	-10.463	.000
Empathy	3.76	4.68	-0.92	-10.037	.000

a Wilcoxon Signed Ranks Test

b Based on positive ranks.

5.6. Testing Validity and Reliability

Testing validity and reliability of the measures was the basis to ensure that measurement error was kept to a minimum and the quality of the research was thereby maintained. The validity of a research referred to the properties of the measure that gave us confidence that the instrument measured what was intended to measure or achieved the goal of the research. The content validity of the instrument has been fulfilled, because established instruments were used in the study.

Construct validity of latent variables used for the current study was assessed by factor analysis to test how well the items selected for the dimension(s) of the variable define the construct (Cavana et al., 2001). The dimensions (or factors) underlying a latent variable were established using an eigenvalue of greater than one as the dimension criterion. Items with loading of >0.5 for a specific factor were incorporated into the dimension of the specific latent variable.

5.7. Factor Analysis and Validity of Measures

.

Factor analysis is a multivariate statistical procedure used to validate the construct of dependent and independent variables by reducing a large number of variables into a smaller set of variables or factors. Besides it is used to establish underlying dimensions between measured variables and latent constructs, thereby allowing the formation and refinement of theory and provide, construct validity evidence of self-reporting scales (Hair *et al.* 2006; Tabachnick & Fidell, 2007).

Confirmatory factor analysis seeks to determine if the number of factors and the loadings of measured (indicator) variables on them conform to what is expected on the basis of pre-established theory. Indicator variables were selected on the basis of prior theory and factor analysis was used to see if they load as predicted on the expected number of factors. The principal axis factoring (PAF), also called common factor analysis was used for purposes of confirmatory factor analysis in structural equation modelling. PAF is generally used when the research purpose is to identify latent variables which contribute to the common variance of the set of measured variables, excluding variable-specific (unique) variance.

Exploratory factor analysis seeks to uncover the underlying structure of a relatively large set of variables. The researcher's *à priori* assumption is that any indicator may be associated with any factor. There was no prior theory and factor loadings were used to perceive the factor structure of the data. The most common type of factor analysis in this case, exploratory factor analysis, is principal components analysis (PCA). PCA is generally used when the research purpose is meant to reduce the data in many measured variables into a smaller set of components.

This study adopted an exploratory factor analysis, through a principal component analysis (PCA). Several methods could be applied for a rotation such as Quartimax,

Oblimin and Varimax. A Varimax procedure in orthogonal rotation, widely used by previous researchers among others, such as Buchanan, McCubbin, & Adesope

(2016), Dubey, Singh, Samar Ali, Venkatesh, & Gupta (2014), Hammedi, Kandampully, Zhang, & Bouquiaux (2015), Martins & Proença (2012), and Mittal, Gera, & Batra (2015) was adopted to test the construct validity of questionnaire items. Principal components analysis (PCA) seeks a linear combination of variables such that the maximum variance is extracted from the variables. It then removes this variance and tries to find for a second linear combination which explains the maximum proportion of the remaining variance, and so on. This is called the principal axis method and results in orthogonal (uncorrelated) factors. PCA analysis was undertaken as a method of extraction in using statistical software packages of SPSS (Costello & Osborne, 2005; Courtney & Gordon, 2013; Ha, N.P.N., 2014; Sanda, M.A. and Kuada, J., 2016)

To investigate whether the items of each factor were significantly related to each other, a correlation matrix using the criteria of at least 0.3 of correlation was prepared based on Hair *et al*. (2006) for each factor before conducting factor analysis.

The Bartlett's test of sphericity (Bartlett, 1954) and the Kaiser-Meyer-Olkin (KMO), (Kaiser, 1974) generated by SPSS, were used as pre-analysis mechanism for testing the validity and suitability of the responses collected to the problem being addressed through the study. Bartlett's test of sphericity should be significant ($p < .05$) for the factor analysis to be appropriate. The KMO index ranges from 0 to 1, with 0.6 suggested as the minimum value for a good factor analysis (Pallant, 2010). The factors of employee satisfaction, customer service quality, customer satisfaction, and customer loyalty were identified based on factor loadings.

5.7.1. Factor analysis of internal service quality/Employee job satisfaction

Exploratory factor analysis was conducted to validate the internal marketing construct and identify the number of factors of employees' job satisfaction (refer table 5.7).

Table 5. 7: Summary of total Variance Explained of internal service quality dimensions

Construct	Factor	Variable	Factor loading	Commonality	Eigen Value	% of the Variance Explained	Cumulative % of the Variance Explained
EMSAT		KMO=.905 p=.000 According to the result of Bartlett sphericity test, the approximated χ_ =3,716.416. df.325					
	RLS				10.737	41.298	41.298
		E 31	.730	.690			
		E 32	.763	.660			
		E 33	.667	.580			
		E 34	.611	.539			
		E 35	.802	.761			
		E 36	.741	.639			
		E 37	.643	.552			
		E 38	.707	.644			
		E 39	.655	.562			
		E 40	.693	.576			
	SB				3.075	11.825	53.123
		E 61	.898	.922			
		E 62	.907	.903			
		E 63	.850	.843			
		E 64	.934	.970			
	RLW				2.030	7.808	60.931
		E41	.601	.461			
		E42	.814	.715			
		E43	.739	.643			
		E44	.758	.660			
		E45	.633	.475			
	WC				1.549	5.956	66.887
		E 13	.585	.469			
		E 14	.815	.769			
		E 15	. .527	.400			
		E 17	.605	.499			
	CRD				1.126	4.332	71.219
		E 24	.573	.470			
		E 25	.592	.695			
		E 26	.604	.686			

Source: computed & complied from the SPSS 16 output.

The Kaiser–Meyer–Olkin (Kaiser, 1974) technique was used to measure the adequacy of sampling of the research. The method calculates the squared correlation between variables to the squared partial correlation between variables.

The KMO value varies between 0 and 1. A value of 0 indicates that the factor analysis would be inappropriate, whereas a value close to 1 indicates that the factor analysis is reliable. Kaiser (1974) recommends a KMO = 0.5 to be the main acceptable value, whilst values 0.5 < KMO < 0.7 to be mediocre, 0.7 < KMO < 0.8 to be good, and KMO > 0.8 to be excellent (Hutcheson and Sofroniou, 1999). The KMO for the current research was equal to 0.905 which was within the range of being excellent for the five internal service quality dimensions. Therefore, the factor analysis could confidently be specified as an appropriate method for data analysis.

Bartlett"s test of sphericity and the anti-image correlation and covariance metrics provided similar information on the relationship between correlation and covariance, shown in Table 5.7 (Field, 2005). The KMO values for each attribute were generated on the diagonal of the anti-image correlation matrix. All values were above the bare minimum 0.5 which was good. The rest of anti-image correlation matrix, the off-diagonal elements represented the partial correlations between attributes (variables). The majority of these correlations were very small. For this study, the Bartlett's test was highly significant (P, 0.001; df 0.325), and therefore based on the anti-image correlation and covariance metrics the factor analysis was appropriate. The diagonals of the anti-image correlation matrix were all over the acceptable limit of .5 (Pallant, 2010) thereby supporting the inclusion of each item in the factor analysis. Hence Factor technique for further analysis of the data was appropriate.

The factor extraction part of factor analysis assesses the eigenvalues that determine the linear components within the data set. The eigenvalue is a measure for discovering whether predictors are dependent or otherwise.

Table 5.7 represented eigenvalues associated with each linear factor (component) before extraction, after extraction and after rotation. On the basis of the extraction, five linear components were identified within the data set. The eigenvalues with each factor represented the variance explained by that particular linear component and using the SPSS tool. Eigenvalue was achieved in terms of the percentage of the variance (for instance, attribute RLS explains 43.209% of total variance). Some attributes explained relatively larger amounts of variance (especially RLS) while

subsequent attributes explained relatively smaller amounts of variance. In the Extraction Sums of Squared Loadings column, the attributes with eigenvalues greater than 1 were extracted. Thus, less than 1.0 eigenvalues indicated that specific factor exposed less evidence compared with an individual item that would have explained.

In the final part of the table and based on the principal components analysis and VARIMAX procedure in orthogonal rotation, the results of the dimensions of job satisfaction with eigenvalues > 1 included RLS, SB, RLW, WC, and CRD ranging from the lowest, 1.126 (CRD) to the highest of, 10.737 (RLS). The rotation has the effect of optimising the structure and the consequence is that the relative importance of the factors is equalised. Before rotation, attribute RLS accounted for considerably more variance than the remaining four (43.209%) and the cumulative percentage of the cumulative variance explained for the independent variables was 71.219%.

5.7.2 Factor Analysis of Customer Service Quality Based on the Difference between Perceptions and Expectations (Gap scores)

The exploratory factor analysis conducted to validate and identify the number of factors of customer service quality is shown in Table 5.8. Eigenvalues were used to measure the total variance explained. Table 5.8 depicted eigenvalues > 1 ranging from the highest 3.354 (empathy) to the lower 2172 (reliability).

Kaiser-Meyer-Olkin (Kaiser, 1974) and Bartlett's Test of Sphericity (Bartlett, 1954) was used for testing the sampling adequacy and the suitability of the sample for factor analysis. Al-Hawary, Alhamali and Alghanim (2011) recommended the value of the Kaiser-Meyer-Olkin measure be used to assess the suitability of the sample for each unifactorial determination.

The KMO values found in Table 5.8 were generally considered acceptable. Each of the unifactorial test accounted for tangibles, reliability, assurance, empathy, and responsiveness showed 75.16%, 72.41%, 64.89%, 69.31%, and 67.08% of the variance respectively. A larger amount of the total variance for each group of

variables indicated its association with the causes of the factor itself while only a small amount of the total variance for each group of variables was associated with causes other than the factor itself. The Bartlet tests of sphericity were significant, (p = 0.000) indicating the suitability of the sample for factor analysis

Table 5. 8: Total Variance Explained of Customer Service Quality GAP scores

Factor	Variable	Factor loading	Commonality	Eigen value	% of the Variance Explained	Cumulative % of the Variance Explained	Cronbach Alpha	Number of Itmes
TANGIBLES				2.255	75.160	75.160	.832	3
	GT21	.842	.708					
	GT22	.925	.856					
	GT23	.831	.690					
KMO=..651 p=.000								
According to the result of Bartlett sphericity test, the approximated χ_ = 233.325..df. 3								
RELIABILITY				2.172	72.414	72.414	.808	3
	RL21	.827	.684					
	RL22	.894.	.799					
	RL23	.830	.690					
KMO=..685 p=.000								
According to the result of Bartlett sphericity test, the approximated χ_ =185.038. df.3								
RESPONSIVNES				2.588	64.888	64.8888	.810	4
	RS21	.715	.512					
	RS22	.868	.753					
	RS23	.882	.778					
	RS24	.738	.544					
KMO= .748 p=.000								
According to the result of Bartlett sphericity test, the approximated χ_ = 280.582. df.6								
ASSURANCE				2.722	69.307	69.307	.851	4
	AS21	.809	.654					
	AS22	.786	.618					
	AS23	.890	.791					
	AS24	.842	.709					
KMO=.805 p=.000								
According to the result of Bartlett sphericity test, the approximated χ_ = 310.781. df. 6								
EMPATHY				3.354	67.083	67.083	.870	5
	EM21	.850	.723					
	EM22	.735	.540					
	EM23	.877	.768					
	EM24	.793	.630					
	EM25	.832	693					
KMO=.854 p=.000								
According to the result of Bartlett sphericity test, the approximated χ_ = 448.627. df. 10								

Source: computed & compiled from the SPSS output.

5.7.3. Factor Analysis of Customer Satisfaction and Customer Loyalty

The Kaiser-Meyer-Olkin (Kaiser, 1974) measure (Table 5.9) of sampling adequacy for customer satisfaction predictor variables was .750 indicating above the recommended value of .6 (Pallant, 2010). Bartlett's test of sphericity (Bartlett, 1954) χ^2 (10) = 687.872, (p = 0.000; df. = 10).

Table 5. 9: Summary of total variance explained of customer satisfaction and customer loyalty dimensions

Construct	Factor	Variable	Factor loading	Communiality	Eigen Value	% of the Variance Explained	Cumulative % of the Variance Explained
	CUSTOMER SATISFACTION	CS2	.797	.636	3.657	73.130	73.130
		CS3	.856	.733			
		CS4	.863	.744			
		CS5	.880	.775			
		CS6	.877	.769			
KMO=.750 p=.000 According to the result of Bartlett sphericity test, the approximated χ_ = 687.872. df. 10							
	CUSTOMER LOYALTY	CL1	.900	.811	3.063	76.569	76.569
		CL2	.877	.769			
		CL3	.870	.725			
		CL4	.852	.758			
KMO=.753 p=.000 According to the result of Bartlett sphericity test, the approximated χ_ = 471.684. df. 6							
	OVERALL PROFITABILITY	PP1	.959	.802	2.540	84.656	84.656
		PP2	.905	.819			
		PP3	.895	.919			
KMO=.686 p=.000 According to the result of Bartlett sphericity test, the approximated χ_ = 395.514. df.3							

Source: computed & complied from the SPSS 16 output.

Besides, the Kaiser-Meyer-Olkin measure (Table 5:9) of sampling adequacy for customer loyalty variables was .756. Bartlett's test of sphericity χ^2 (6) = 467.670, (p = 0.000; df. = 6).

Table 5.9 also indicates the factor analysis that was conducted to validate the structure of customer satisfaction on 6 items, customer loyalty on 4 items, and

profitability on 3 items with orthogonal rotation (varimax). An initial analysis was run to obtain eigenvalues for each component in the data. The result of the factor analysis indicated the existence of one dimension for each of customer satisfaction, customer loyalty and overall profitability items with eigenvalues greater than one. The cumulative percentage of the variance explained for customer satisfaction was 73.130%, for customer loyalty was 76.569% and for overall profitability was 84.656%. All items had factor loadings exceeding 0.5, indicating sufficient validity.

5.7.4 Goodness-of-fit Measures

In this study, two item scales of MSQ (items E11 and E12), six item scales (3 x 2) of SERVQUAL (items C111- C11, C124-C24, and C125-C25, and two item scales of customer satisfaction (item CS1 and CS7) were removed in order to increase their related Cronbach's alphas (Cronbach, 1951) and the remaining values with less than their respective final alpha values were found to be reliable.

Items E16, E21, E22, E23, E51, E52, and E53 were dropped because their loadings were below the cut-off point of .50. Item E54 of internal service quality/employee job satisfaction was dropped in the interpretation because of its meaningful loading in more than one component. The remaining data were run using the internal consistency test to assess the reliability between the dimensions of the internal service quality, external customer service quality, and customer satisfaction variables based on the Cronbach's alpha coefficient. As discussed earlier, factors with eigenvalues greater than 1.0 and factor loadings equal to or greater than 0.50 were retained. Accordingly, 26; 19; 5; and 4 items loading under five dimensions of internal service quality and SERVQUAL and one dimension of each of customer satisfaction and customer loyalty were extracted from the analysis.

5.8. Reliability Analysis – Cronbach Alpha Test Results

Reliability test is essential to validate the degree of dependability or freedom from error of the variable measures and whether an instrument can be interpreted consistently across different situations (Hair *et al.*, 2006). The reliability of the

measures of the study was assessed using the inter-item consistency measure of Cronbach's alpha. Alpha value is considerable for Likert-type scale data for composite scores (Raza *et.al,* 2015). Cronbach's alpha reliability coefficient normally ranges between 0 and 1. George and Mallery (2003) provided the following rules of thumb: ≥ .9 = Excellent; ≥ .8 = Good; ≥ .7 = Acceptable; ≥ .6 = Questionable; ≥.5 = Poor; and < .5 = Unacceptable. Tables 5-10 - table 5-12 are depicted as follows to present the tests for reliability and Cronbachs' – α value

Table 5. 10: Reliability Coefficient of employee satisfaction dimensions (Cronbach's alpha) Item-Total Statistics

Construct	Cronbach's Alpha	No. Of items	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
EMSAT	.941	26				
Work content	.803	4				
E 13			12.21	4.603	.573	.775
E 14			12.14	4.158	.722	.701
E 15			12.24	4.621	.551	.786
E 17			12.17	4.408	.629	.748
CRD	.815	3				
E 24			7.76	3.057	.591	.819
E 25			7.88	2.416	.724	.686
E 26			8.08	2.691	.695	.718
RLS	.935	10				
E 31			37.75	31.507	.784	.927
E 32			37.81	31.897	.766	.928
E 33			37.48	32.776	.725	.930
E 34			37.62	33.544	.666	.932
E 35			37.72	32.070	.839	.924
E 36			37.87	31.882	.747	.929
E 37			37.53	33.401	.725	.930
E 38			37.73	31.763	.771	.927
E 39			37.39	34.485	.687	.932
E 40			37.66	33.197	.726	.930
RLW	.873	5				
E41			17.08	4.725	.628	.863
E42			17.21	3.997	.752	.832
E43			17.06	4.091	.737	.836
E44			17.14	4.120	.733	.837
E45			17.13	4.306	.657	.856
SB	.973	4				
E 61			10.61	5.447	.950	.959
E 62			10.71	5.349	.917	.970
E 63			10.54	5.714	.905	.972
E 64			10.68	5.435	.960	.957

Source: computed & complied from the SPSS 16 output.

The result of the Cronbach's alpha coefficient value of all the remaining 26 items of internal service quality construct variables were acceptable and reliable for the analysis with the overall value of 0.941 which is higher than the threshold value of 0.70 suggested by Cavana et al. (2001)and George & Mallery (2003).

Based on the details of the coefficients shown in Table 5.10, the individual reliability scale value of the items was also analysed showing .803 (WC); .815 (CRD); .935 (RLS); .873 (RLW) &.973 (SB). These results are also more than 0.70, and the reliability of the instrument is acceptable.

Table 5. 11: Reliability Coefficient of customer service quality dimensions (Cronbach's alphas) Item-Total Statistics

Construct	Cronbach's Alpha	No. of items	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Service Quality						
Tangibles	.832	3				
TA1			-1.96	2.86	.646	.812
TA2			-2.06	2.52	.805	.654
TA3			-2.11	2.75	.634	.827
Reliability	.808	3				
REL1			-1.78	3.14	.623	.774
REL2			-2.07	2.91	.732	.654
REL3			-2.22	3.55	.623	.772
Responsiveness	.810	4				
RES1			-3.76	7.66	.530	.805
RES2			-3.66	6.66	.708	.721
RES3			-3.73	7.02	.740	.713
RES4			-3.46	6.94	.556	.801
Assurance	.851	4				
AS1			-3.05	7.85	.659	.824
AS2			-3.12	7.66	.630	.837
AS3			-3.17	7.07	.778	.773
AS4			-3.14	7.51	.702	.806
Empathy	.870	5				
EM1			-3.68	12.52	.744	.829
EM2			-3.52	14.04	.592	.866
EM3			-3.77	14.03	.787	.828
EM4			-3.66	12.44	.670	.852
EM5			-3.70	13.13	.727	.834

Source: computed & complied from the SPSS 16 output.

As revealed in table 5.11, the reliability of the SERVQUAL measurement instrument was examined using Cronbach's alpha. Results on the Cronbach's alpha coefficient value of the items of SERVQUAL administered is acceptable and reliable for analysis

with the overall value of 0.948, higher than the threshold value of 0.70 suggested by George & Mallery (2003) and slightly similar to that of Parasuraman et al., (1988) study which was 0.92. The reliability value is substantial considering the fact that the highest reliability that can be obtained is 1.0 and this is an indication that the items of the five dimensions of SERVQUAL model are accepted for analysis as a true measure of service quality. The results of the analysis of the individual items reliability scale value also indicate .832 (Tangibles); .808 (Reliability); .810 (Responsiveness); .851 (Assurance); and .870 (Empathy).

Table 5. 12: Reliability Coefficient of customer satisfaction and customer loyalty dimensions (Cronbach's alphas) Item-Total Statistics

Construct	Cronbach's Alpha	No. of items	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Customer satisfaction	.906	5				
CS2			14.61	12.18	.692	.901
CS3			14.70	11.82	.776	.884
CS4			14.41	11.62	.769	.885
CS5			14.24	12.13	.803	.880
CS6			14.63	10.98	.797	.879
Customer loyalty	.895	4				
CL1			11.87	5.31	.818	.847
CL2			11.68	5.89	.780	.860
CL3			11.37	6.77	.737	.880
CL4			11.61	5.84	.760	.867
Overall profitability	.900	3				
PP1			7.9722	1.167	.763	.897
PP2			7.8944	.844	.792	.892
PP3			8.0333	.982	.898	.779

Source: computed & complied from the SPSS 16 output.

Table 5.12 also indicated the reliability of customer satisfaction and customer loyalty constructs. Results of the Cronbach's alpha coefficient value of the customer satisfaction and customer loyalty were .906 and .895 respectively, still higher than the threshold value of 0.70.

5.9 Correlation and Multiple Regression Analysis

A correlation coefficient (r) summarises and signifies the strength of the relationship between two variables. Kline (1998) defined correlation matrix as a set of correlation

coefficients between two variables. The value of the coefficient ranges from +1 to -1, where +1 indicates perfect positive correlation, -1 indicates perfect negative correlation and 0 indicates no correlation. Based on the suggestion of Pallant (2010), the interpretation of r-value indicating the strength of the relationship between two variables is as follows:

$r = .10$ to $.29$ or $r = -.10$ to $-.29$ weak

$r = .30$ to $.49$ or $r = -.30$ to $-.49$ Medium

$r = .50$ to 1.0 or $r = -.50$ to -1.0 High

Although the correlation coefficient helps to show the strength of the relationship between two variables, it cannot show the rate of change in the dependent variable when it is concurrently influenced from several independent variables. Therefore, multiple regression analysis helps to know how much of the variance in the dependent variable is explained by several independent sets of predictors (Hair, Anderson, Tatham, and Black, 1998). Multiple regression analysis, with SPSS 16, was used in this research to test the following hypothesis.

H1. There is a positive correlation between internal service quality and employee satisfaction in the commercial banks in Ethiopia.

H2. There is a positive correlation between employee satisfaction and customer service quality in the commercial banks in Ethiopia.

H3. Customer satisfaction in the commercial banks in Ethiopia is positively influenced by employee satisfaction.

H4. There is a positive correlation between customer service quality and customer satisfaction in the commercial banks in Ethiopia.

H5: There is a positive correlation between customer service quality and customer loyalty

H6. There is a positive correlation between customer satisfaction and customer loyalty in the commercial banks in Ethiopia.

H7. There is a positive correlation between customer loyalty and overall profitability in the commercial banks in Ethiopia.

H8. There is a positive correlation between demographic variables (number of branches, age of bank, and bank type) and overall profitability of the commercial banks in Ethiopia?

The relevant dependent and independent variables in each of the formulated hypothesis are presented as follows.

1) Employee satisfaction (dependent variable) versus internal service quality dimensions (the independent variables).
2) Customer service quality (the dependent variable) versus internal service quality/employee satisfaction (the independent variables).
3) Customer satisfaction (the dependent variable) versus internal service quality/employee satisfaction (the independent variable).
4) Customer satisfaction (the dependent variable) versus customer service quality dimensions (the independent variables).
5) Customer loyalty is the dependent variable and customer satisfaction (the independent variable).
6) Profitability (the dependent variable) versus customer loyalty (the independent variable).
7) Lastly, profitability is the dependent variable while the demographic variables (number of branches, age of bank, and bank type) are the independent variables.

5.9.1. The Framework for Linking Employee Satisfaction, Customer Service Quality, Customer Satisfaction, Customer Loyalty and Profitability

Regression analyses are usually driven by a theoretical or conceptual model that can be drawn in the form of a path diagram. A path diagram provides the model for setting the regression and what statistics to examine. The literature review and many of the empirical studies have examined each concept considered in this study. However, this study has considered an integrated model in order to analyse all concepts in an integrative manner. Therefore, as shown in Figure 5.12, the model is

designed to examine the correlations between internal marketing/internal service quality, employee job satisfaction, service quality, customer satisfaction, customer loyalty and profitability.

Theoretical Framework of the Study:

Figure 5. 1: An Integrated Research Model - linking ISQ, ES, ESQ, CS, CL, & and profitability:

The argument that employees' satisfaction improves services quality is grounded on the theory of equity in social exchange. The relationship between service quality and customer satisfaction is accounted for by the attitude theory. The direct relationship between employee satisfaction and customer satisfaction is established based on emotional contagion theory. Customer satisfaction enhances customer loyalty, increase future business exchange, and increase profitability

These arguments reiterate the notion that the level of internal service quality influences employee satisfaction; employee satisfaction influences customer service quality and customer satisfaction; customer service quality influences customer satisfaction; and customer satisfaction influences customer loyalty which in turn helps to enhance the performance of the organization.

5.9.2 Testing the Fundamental Assumptions of Multiple Regression Analysis

Multiple regression analysis makes a number of assumptions about the data which include linearity, homoscedasticity, normality, multicollinearity and residual independence and outliers. These assumptions have to be tested in order to make a conclusion about the population. When the assumptions of regression are met, the likelihood that the model obtained from a sample of being the same as the population of interest (the coefficients and parameters of the regression equation are said to be unbiased) is increased.

5.9.2.1 Collinearity or Multicollinearity Test

Two or more variables can be strongly correlated in a regression model. In this case (multicollinearity), it becomes impossible to obtain accurate estimates of the regression coefficients because there are an infinite number of combinations of coefficients that would work equally well. Three methods were used in this study to test for multicollinearity or collinearity. The first measure of multicollinearity test was an examination of the correlation matrix for the independent variables. The presence of high correlation, for example over 0.90 is an indicator of a multicollinearity problem (Hair et al., 2006). As shown in the correlation analysis, the correlation coefficients were within the acceptable range.

Tolerance value (1-R) and the VIF value (1/ 1-R) presented in the coefficients tables were also used as a second method to trace the problems of multicollinearity. According to Menard (1995), a tolerance value less than 0.2 indicate a serious collinearity problem.Moreover, a VIF value greater than 10 is a cause for concern (Myers, 1990; Bowerman & O"Connel, 1990).

In these data set, the average and in all the Tolerance and VIF values (refer to the tables of multiple regression) are within the acceptable range of cutoff points of multicollinearity. In other words, the tolerance values were greater than .10 (Menard,

1995) and the VIF values were below 10 (Bowerman & O"Connel, 1990). Therefore, the multicollinearity assumption was not violated in both situations.

5.9.2.2 Outlier Analysis

Tabachnick & Fidell (2007) define outliers as cases that have a standardised residual (as displayed in the scatter plot) of more than 3.3 or less than –3.3. In relation to this study (appendix 7), the residuals are roughly rectangularly distributed in the Scatter plot of the standardised residuals, with most of the scores concentrated in the centre (along the 0 point). However, based on the literature, it is also found unnecessary to take any action for outliers' residuals that may commonly be found in a number a large sample study.

The Cook's Distance was also used to check the presence of outliers. Therefore, no strange cases were identified having an undue influence on the results for the model as a whole. According to Field (2005**),** cases with values larger than 1 are potential problems. The acceptable value for Cook's Distance value is when it is less than 1 (Hair et al., 2006). In this situation, the analysis result of the Cook's Distance is within the desired range, suggesting no major problem.

5.9.2.3 Assessment of Normality

The presence of outliers can also be checked by inspecting the Normal Probability Plot (P-P) of the Regression Standardised Residual and the Scatter plot helps to identify the presence of outliers. The residuals displayed in the Scatterplot were roughly rectangularly distributed (along the 0 point) indicating no violation of the assumption.

The Normal Probability Plot (P-P) of the Regression Standardised Residual and the Scatter plot requested as part of the analysis are used to detect outliers. Referring to appendix 7-14, the points in the Normal P-P Plot lie in a reasonably straight diagonal line from bottom left to top right implying no major deviations from normality. The

histogram also appears to be normal, indicating that normality assumption is not a real issue of concern.

5.9.2.4 Independence of Residuals or Independence Test

The sample for the current study has been chosen randomly and thus it satisfies the independence assumption. Each person or case is counted only once and did not appear in more than one category or group. Consequently, the data from one subject cannot influence the data from another.

The exception to this is the repeated measures techniques (Wilcoxon Signed Rank Test), where the same participants were retested on expectations and perceptions of service quality of the banks under consideration.

The Durbin–Watson test is used to check the independence of residuals. In this case, the computed Durbin-Watson values are in between [1.568 - 2.065] thereby indicating of being within the acceptable range of 1-3 (Field, 2005).

5.9.2.5 Linearity:

Examination of the residual plots and scatter plots (SPSS output) helps to identify the presence of linear relationships between the dependent variable and the independent variables. The plotted points on appendix 6 depict a straight line stretching diagonally from the bottom left to the top right. Therefore, linearity in this situation is not a major cause of concern.

8.9.2.6 Homoscedasticity

The presence of homoscedasticity can be checked visually by plotting the ZRESID (Y- axis of the SPSS dialog box) against ZPRED (X- axis of the SPSS dialog box). That is, the statistical software scatter plots of residuals with independent variables are considered as a method to examine this assumption. Appendices show that the assumptions of homoscedasticity have been met.

5.10. Testing the Hypotheses of the Study

The hypothesis testing was undertaken in two stages. The first stage considered testing the mediating effects of the dimensions in the commercial banks in Ethiopia in general. In the second stage, comparative test result of public and private banks were taken into consideration.

The hypotheses in this study were aimed at investigating the effect of the independent variables on the dependent variable. Pearson's correlation analysis was performed to assess the nature of the relationship between the dependent variable and independent variables. Various summaries of the correlations among the factors considered in the study are presented and discussed below indicating the strength of relationships among the variables considered in the questionnaires. The formulated hypotheses were further tested using multiple regression and ANOVA.

Hypothesis 1:

H 1.0: There is no correlation between internal marketing/internal service quality and employee job satisfaction in the commercial banks in Ethiopia.

H 1.1: There is a positive correlation between internal marketing/internal service quality and employee satisfaction in commercial banks in Ethiopia.

EMSAT = Employee satisfaction

WC = Work content

RLS = Relations with supervisor

RLW = Relations with workers

SB = salary& benefits

CRD = Career & Development

The above hypothesis were grounded based on the theoretical frameworks of Alderfer's ERG Theory (1969), Adam's Equity theory (1963, 1965), Vroom's Expectancy Theory (1964), and Lock's Goal Theory (1968) and the Social Exchange Theory (Blau, 1964, Cropanzano & Mitcchell, 2005).

Correlation analysis:

Bivariate Correlations were used to know the nature, direction and significance of the bivariate relationship of the variables of this study.A correlation matrix was constructed using the variables in the questionnaire to show the strength of relationships among the variables considered in the questionnaire. According to Kline (1998), correlation matrix is defined as a set of correlation coefficients between a number of variables.

Appendix 21 demonstrated the inter-item correlations for the internal marketing dimensions of RLS, SB, WC and CRD. All these dimensions were positively correlated at ≤ 0.01 (two-tailed) level of significance. It can thus be inferred that the satisfaction of employees with the dimensions of internal marketing enhances employee job satisfaction.

The highest coefficient correlation between internal marketing dimensions (RLW and SB) was .52 which was below the cutoff point of .90 indicating that the data was not affected by a collinearity problem. These correlations were also a sign of validity and reliability of measurement scales used in this research (Hair et al., 1998).

The correlation matrix also indicated that four internal service quality dimensions were positively and strongly or highly correlated with employee job satisfaction. Accordingly, the coefficient of correlation of RLS and employee satisfaction was very strong and significant positive relationship (r = 0.89, n = 180, p (two tailed) ≤ 0.01).

Besides, positive and strong correlation prevails between WC and employee job satisfaction; SB and employee job satisfaction; and RLW and employee satisfaction with p ≤0.01; n =180; r= 0.73, 0.66, and 0.64 respectively. In summary, the results of the correlation analysis depicted higher level of internal service quality showing higher levels of positive responses towards employee job satisfaction. Therefore, this reinforces in favour of H1.

Multiple regression analysis

A stepwise multiple regression analysis was conducted in order to determine which of the independent predictors make a meaningful contribution to the prediction of the overall employee job satisfaction. Regression results indicated that the variable CRD had no significant predicting power on employee job satisfaction and was dropped from the model. The multiple correlation co-efficient (R) was found to be 0.992, which demonstrated that there was good correlation between the dependent variable and the set of independent variables.

Table 5. 13: A Model summary, ANOVA and determination of multiple regression equation for hypothesis 1 showing internal marketing dimensions and employee satisfaction: (N180).

Variable	Coefficient	Std. error	Beta	T	Sig.	Correlations			Collinearity Statistics	
						Zero-order	Partial	Part	Tolerance	VIF
(Constant)	-1.409	1.184		-1.189	.236					
RLS	1.119	.026	.539	42.570	.000	.889	.955	.413	.588	1.701
SB	1.199	.048	.284	25.083	.000	.664	.885	.243	.736	1.359
WC	1.190	.058	.247	20.512	.000	.727	.840	.199	.651	1.536
RLW	1.112	.059	.215	18.726	.000	.638	.817	.182	.717	1.395
R	.992ᵃ									
R Square	.984									
Adjusted R Square	.983									
Probability	.000									
Std. Er. of the Estimate	1.760									
F	2,611.954									
Durbin-Watson	1.960									

a. Predictors: (Constant),RLS, SB, WC, RLW; b. Dependent Variable: EMSAT

Table 5.13 shows how much of the variance in the dependent variable (EMSAT) was explained by the model, which includes in combination the variables of RLS, SB, WC, and RLW. In this case, the R^2 value of 0.984 meant 98.4% of the variance in the employee job satisfaction was explained by internal marketing or service quality variables. This strengthened the results of correlation analysis confirming that a positive relationship between internal service quality dimensions and employee job satisfaction.

The proposed model was adequate as the F-statistics (p-value = 0.000) was significant at the ($p \leq 0.01$) level of significance. Since $F(4, 175) = 2,611.954$; $R^2 = 0.984$; $P < .01$ level of significance, the alternative hypothesis H1:1 is accepted and conclude that internal service quality has effect on employee job satisfaction

The ubstadardized coefficients indicated how much the dependent variable varies with an independent variable, when other independent variables are held constant. In other words, the β coefficient indicated how and to what extent the internal service quality dimensions such as RLS, SB, WC, & RLW influence employee satisfaction of the commercial banks. Results showed a positive relationship between internal service quality and employee job satisfaction. This affirmed that the higher the level of these variables, the higher its significance on employee job satisfaction. The data on table 5:14 further displayed which of the variables included in the model contributed to the prediction of the dependent variable. It has been found that the variables RLS (β = 1.119; t = 42.570; $P < .01$); SB (β = 1.199; t = 25.083; $P < .01$); WC (β = 1.190; t = 20.512; $P < .01$); and RLW (β = 1.112; t = 18.726) were significantly independent predictors of employee job satisfaction. This implies that effective supervision, salary & benefits, the work itself and the cohesive relationship with co-workers have significant impact on employee job satisfaction.

Then the fitted Regression Model for measuring employee job satisfaction level in general is as follows:

$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + e$

Where:

Y = Value of the Dependent variable or what is being predicted or explained (EMSAT)

α = Constant or intercept

β_i = the slope (Beta coefficient) for X_i

X_1 = relations with supervision (RLS)

X_2 = salary &benefits (SB)

X_3 = work content (WC)

X_4 = career & development (RLW)

Y= -1.409 + .539 RLS+ .284 SB + .247 WC + .215 RLW

.

The intercept of employee job satisfaction score, as the predicted value of the dependent variable when all of the independent internal service quality variables have a value of 0, is -1.409.

The beta coefficients depicted the relationship between EMSAT and each predictor. If the value is positive, there is a positive relationship between the predictor and the outcome, whereas a negative coefficient represents a negative relationship. For these data, all four predictors have positive beta coefficients indicating positive relationships. Therefore, with the increase in the values of RLS, SB, WC, and RLW, EMSAT increases. That is, EMSAT level is higher as and when the values of these variables are increased. In this case, coefficient value of RLS (relations with supervisors) is the highest (.539) followed by SB (salary & benefits) which is also equal to .284. The empirical statistics reveal that in order to increase Y (EMSAT level in general), the levels of RLS, SB, WC, and RLW need to be given weight in an orderly manner.   Results indicated that employees gave the highest priority to RLS (Relations with supervisor) and followed by SB (Salary & Benefits).

Taking the data of the commercial banks in general, four dimensions of internal service quality were independently significant predictors of employee job satisfaction. In other words, supervision (RLS), salary & benefits (SB), conditions related to work (WC), and interpersonal relations (RLW) were the driving factors that enhance job satisfaction of the bank employees in Ethiopia. I.e. RLS, SB, WC, and RLW had to-value of > 2. Hence, the alternative hypothesis (H: 1) was supported.

The result of the linear regression analyses was in congruence with the works of Yee, Yeung, & Cheng (2011) and the relevant theories on the relationships of internal-service quality and employee satisfaction. In addition, the results of the study were consistent with the findings of Rose, Kumar, & Pak, 2011; Ahmed, *et a*l., 2011; Ahmad et al., 2012; Tsai & Wu, 2011; Tsai & Tang, 2008; Heskett, *et al*., 1997, 2008; Pritchard & Silvestro, 2005; Lee & Park, 2008**;** and Rafiq & Ahmed, 2000, in that there is a positive and significant correlation between internal-service quality and employees; job satisfaction

Hypothesis 2:

H 2.0: There is no correlation between internal service quality and customer service quality in the commercial banks in Ethiopia.

H 2.1: There is a positive correlation between internal service quality and customer service quality in commercial banks in Ethiopia.

SQ = Service Quality

Correlation analysis:

As indicated in appendix 22, there was a positive correlation between internal marketing variables/employee satisfaction and customer service quality (SQ). The correlation between CRD and SQ was r = .229; $p \leq$ .05 and the correlation between WC and SQ is r = .220; p ≤ .05 which in both cases was weak but positive. However, no significant correlation was observed between RLS, RLW, SB and customer service quality.

Multiple regression analysis

To evaluate how well internal service quality variables predicted customer service quality, a multiple correlation co-efficient (R) was 0.326. This displayed that there was a moderate correlation between the dependent variable and the set of independent variables. Table 5.14 shows a model summary of the linear combination of the independent variables (CRD, RLW, SB, WC & RLS) and customer service quality. The R^2 value is 0.106 and expressed as a percentage, the model explains 10.6% of the variance in customer service quality. According to Cohen (1988), R^2 between 1.0 and 5.9 % is considered as small, between 5.9 and 13.8 % is medium, and above 13.8 % is large.

The proposed model was adequate as the F-statistics (p-value = 0.000) was significant at the 5 % level (p ≤ 0.05). This indicated that overall model was statistically significant with $F_{(5, 174)}$ = 4.132; R^2 = 0.106; P<.05. Therefore, the alternative hypothesis H.2:1 is accepted concluding that internal service quality has

an effect on customer service quality. The table further shows which of the variables included in the model contributed to the prediction of the dependent variable.

Table 5. 14: Model summary, ANOVA and determination of multiple regression equation for hypothesis 2 showing internal marketing dimensions and customer service quality: (N180).

Variable	Coefficient	Std. error	Beta	T	Sig.	Correlations			Collinearity Statistics	
						Zero-order	Partial	Part	Tolerance	VIF
(Constant)	-29.991	9.849		-3.045	.003					
RLS	-.507	.230	-.218	-2.202	.029	.015	-.165	-.158	.526	1.900
SB	-.394	.415	-.083	-.948	.344	.077	-.072	-.068	.670	1.493
RLW	-.250	.497	-.043	-.503	.616	.034	-.038	-.036	.703	1.423
WC	1.189	.495	.220	2.403	.017	.220	.179	.172	.614	1.629
CRD	1.870	.626	.301	2.987	.003	.229	.221	.214	.507	1.971
R	.326[a]									
R Square	.106									
Adjusted R Square	.080									
Probability	.000									
Std. Er. of the Estimate	14.242									
F	4.132									
Durbin-Watson	1.923									

a. Dependent Variable: SQ*

b. Predictors: (Constant), RLS,, SB, WC, RLW, CRD

The βeta values were used to compare the contribution of each independent variable to the prediction of the dependent variable. The higher the absolute value of Beta, the more important is the variable in predicting the customer service quality. The result indicated that CRD with a beta coefficient of 1.870 had the strongest unique contribution to explaining the dependent variable (customer service quality).The βeta coefficient of WC was 1.189 indicating significant contribution. Besides, RLS indicated a beta coefficient of -.507. Therefore, CRD (β = 1.870; t = 2.987; P <.01) and WC (β = 1.189; t = 2.403; P <.05) were found to have a significant and positive effect on customer service quality while RLS (β = -0.507; t = -2.202; P <.05), was found to have a significant and negative effect on customer service quality. Since the Sig. Value of RLW and SB is greater than .05, the study failed to observe significant unique contribution of these variables to the prediction of the dependent variable (customer service quality).

In the table 5:14, the standardized coefficient variable and the significance value of the variables indicated RLS, WC & CRD were significantly related to the customer satisfaction with the value of .029, .017 and .003. Under the standardized coefficients it is proved that CRD has the highest value as compared to other variables, so it shows that it is more important factor for customer satisfaction with standardized coefficient of .220. The second most important factor causing customer satisfaction is WC with the standardized coefficient of .301.

Therefore, the regression equation for predicting Y could be expressed as follows:

$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3$

Where:

Y = value of the Dependent variable (SQ)

α = Constant or intercept

β_i = the slope (Beta coefficient) for X_i

X_1 = Relations with supervisor (RLS)

X_2 = Work content (WC)

X_3 = Career & Deve. (CRD)

Y = -29.991 - .218 CRD+ .220 WC +301RLS

Therefore, customer service quality was higher when the values of the variables CRD and WC were increased. The Constant –29.991 showed the predicted value of the dependent variable when all of the independent variables have a value of zero.

The result of the linear regression analysis was partially incongruent with the theories and the works of Yee, Yeung, & Cheng (2011) and Ahmed, et al.(2011) revealing that employee satisfaction positively influences customer perceived service quality.

Hypothesis 3:

H 3.0: There is no correlation between internal service quality and customer satisfaction in the commercial banks in Ethiopia.

H 3.1: There is a positive correlation between internal service quality and customer satisfaction in the commercial banks in Ethiopia.

CUSAT = Customer satisfaction

The theory of emotional contagion has been used in marketing research to explain the relationship between employee job satisfaction and customer satisfaction (Homburg & Stock, 2004). Yi & Gong (2008) argued that communication between service employees and customers is a reciprocal process. Accordingly, the above hypotheses were drawn to investigate the relationship between employee job satisfaction and customer satisfaction in the commercial banks in Ethiopia.

Correlation analysis:

As depicted in Appendix 23, there was a weak positive correlation between WC and CUSAT, $r = .179$; $p \leq .05$. Besides, a weak positive correlation was registered between CRD and CUSAT, $r = .188$; $p \leq .05$. The correlation of RLS, RLW, and SB with CUSAT was not significant.

Multiple regression analysis

The regression model summary showed how much of the variance in the dependent variable (CUSAT) was explained in combination by the model, including the variables RLS, SB, RLW, CRD, & WC. The R^2 value was .081 indicating that the model explained 8.1% of the variance in the customer satisfaction.

The internal service quality independent variables in combination indicated a significant predictor of customer satisfaction. This meant that the proposed model was adequate as the F-statistics (p-value = 0.000) was significant at the 5 % level ($p \leq 0.05$). This indicated that overall model was statistically significant with $F_{(5, 174)} = F_{(5, 174)} = 3.066$; $P < .05$), and thus the alternative hypotheses H 3.1: was accepted thereby concluding that internal service quality has an effect on customer satisfaction. CRD ($\beta = 0.467$; $t = 2.561$; $P < .05$) and WC ($\beta = 0.298$; $t = 2.066$; P

<.05) were the factors with the largest beta coefficients and with the strongest unique contribution explaining the dependent variable- customer satisfaction.

Table 5. 15: Model summary, ANOVA and determination of multiple regression equation for hypothesis 3 showing internal service quality dimensions and customer satisfaction: (N180).

Variable	Coefficient	Std. Error	Beta	T	Sig.	Correlations			Collinearity Statistics	
						Zero-order	Partial	Part	Tolerance	VIF
(Constant)	15.069	2.871		5.249	.000					
RLS	-.110	.067	-.164	-1.637	.103	.026	-.123	-.119	.526	1.900
SB	-.225	.121	-.165	-1.858	.065	-.005	-.139	-.135	.670	1.493
RLW	.022	.145	.013	.151	.880	.075	.011	.011	.703	1.423
WC	.298	.144	.192	2.066	.040	.179	.155	.150	.614	1.629
CRD	.467	.182	.261	2.561	.011	.188	.191	.186	.507	1.971
R	.285[a]									
R Square	.081									
Adjusted R Square	.055									
Probability	.011[b]									
Std. Error of the Estimate	4.118									
F	3.066									
Durbin-Watson	1.891									

a. Predictors: (Constant), RLS, SB, RLW, WC, CRD

The standardized coefficient variable and the significance value of the variables indicated CRD & WC were significantly related to the customer satisfaction with the value of .011 & .40 respectively. Thus, under the standardized coefficients CRD recorded the highest value as compared to WC.

Therefore, the fitted regression equation for predicting Y could be expressed as follows:

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2$$

Where:

Y = value of the Dependent variable (CUSAT)

α = Constant or intercept

β_i = the slope (Beta coefficient) for X_i

X_1 = work content (WC)

X_2 = Career & Dev. (CRD)

Y = 15.069 + .192 WC + .261 CRD

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Therefore, customer satisfaction is higher when the values of the variables CRD and WC are increased. The result of the linear regression analyses were partially incongruent with the theories and the works of Yee, Yeung, & Cheng (2011) and Ahmed, et al. (2011) revealing that employee satisfaction positively influences customer perceived service quality. Besides, the results of the study are in line with the works of Bernard, Donthu & Kennett (2000), who found a strong relationship between employee satisfaction and customer satisfaction.

Hypothesis 4:

H 4.0: There is no correlation between customer service quality and customer satisfaction in the commercial banks in Ethiopia.
H 4.1: There is a positive correlation between customer service quality and customer satisfaction.

The hypothesis was based on attitude theory proposed by Lazaus (1991) and Bagozzi *et al.* (1992). The theoretical model suggests that the appraisal process of internal and situational conditions lead to emotional responses, which, in turn, induce coping responses. The appraisal process is followed by an emotional response which is expressed in terms of customer satisfaction (Bagozzi *et al.,* 1992).

CUSAT = customer satisfaction

TA = Tangibles

REL = Reliability

RES = Responsiveness

AS = Assurance

EM = Empathy

Correlation analysis:

Appendix 24 demonstrated the inter item correlations for the customer service quality dimensions of tangibles, reliability, responsiveness, assurance, and empathy. All the

dimensions were positively correlated at the 0.01 level of significance. The highest correlation between customer service quality dimensions was .846 which was below the cut-off point of .90 indicating no problem of multi-collinearity.

Besides, the correlation matrix depicted a high and positive correlation of service quality dimensions with customer satisfaction. The coefficient of correlation between AS and customer satisfaction depicted the highest significant positive relationship ($r = 0.831$, n = 180, $p \leq 0.01$). This was followed by the correlation between EM and customer satisfaction($r = 0.821$, n = 180, $p \leq 0.01$) RES, REL and TAN with customer satisfaction with $p \leq 0.01$; n =180; r= 0.81, 0.67, and 0.59 respectively.

Multiple regression analysis

A multiple regression analysis conducted to evaluate the predicting power of customer service quality variables on the dependent variable of customer satisfaction indicated no serious multi-collinearity problem. Therefore, the assumptions required to ensure validity of the significance test of the study are met.

Table 5. 16: Model summary, ANOVA and determination of multiple regression equation for hypothesis 4 showing customer service quality dimensions and customer satisfaction: (N180).

Variable	Coefficient	Std. Error	Beta	T	Sig.	Correlations			Collinearity Statistics	
						Zero-order	Partial	Part	Tolerance	VIF
(Constant)	23.095	.271		85.26	.000					
TA	-.088	.092	-.049	-.960	.338	.592	-.073	-.034	.465	2.151
REL	.172	.080	.122	2.158	.032	.674	.161	.075	.380	2.630
RES	.407	.079	.330	5.153	.000	.806	.364	.180	.298	3.361
AS	.198	.100	.167	1.981	.049	.831	.148	.069	.172	5.816
EM	.379	.065	.401	5.830	.000	.821	.404	.204	.259	3.860
R	.887[a]									
R Square	.787									
Adjusted R Square	.781									
Probability	.000									
Std. Error of the Estimate	1.981									
F	128.78									
Durbin-Watson	1.8014									

a. Predictors: (Constant), EMPATHY*, TANGIBLES*, RELIABILITY*, RESPONSI *, ASSURANCE*

b. Dependent Variable: CUSAT

Table 5.16 portrayed that the independent variables (REL, RES, AS and EM) were in combination significant predictors of customer satisfaction. This indicated projected model was adequate as the F-statistics (p-value = 0.000) was significant at the 5 % level (p ≤ 0.05). This indicated that overall model was statistically significant with F (5, 174) = 128.78; R^2 = 0.787; P<.01). The four predictor variables jointly explained 78.7% variance of customer satisfaction. This meant that in the analysis, the P value =0.000<0.01 which was significant.REL (β = 0.172; t = 2.158; P <.05); RES (β = 0.407; t = 5.153; P <.01); AS (β = 0.198; t = 1.981; P <.05) and EM (β = 0.379; t = 5.830; P <.01) were significantly unique contributors to the prediction of customer satisfaction. This implies that the alternative hypothesis H4:1 is accepted in that customer service quality has significant impact on customer satisfaction.

Standardized coefficient variable and the significance value of the variables indicated REL, RES, AS & EM were significantly related to the customer satisfaction with the value of .032, .000, .049, and .000 respectively. The standardized coefficients indicated EM with the highest value, followed by RES.

Thus, the fitted regression equation for predicting Y (CUSAT) could be depicted as follows:

$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4$

Where:

Y = value of the Dependent variable or what is being predicted or explained (CUSAT)

α = Constant or intercept

β_i =the slope (Beta coefficient) for X_i

X_1 = Reliability (REL)

X_2 = Responsiveness (RES)

X_3 = Assurance (AS)

X_4 = Empathy (EM)

Y = 23.095+.122 REL+ .330 RES+ .167 AS+ .401 EM

The hypotheses test confirmed that REL, RES, AS, and EM attributes were positively correlated with customer satisfaction. The slope of RES is .407 which means that for every one unit increase in RES, the predicted customer satisfaction increases by the same units, after controlling for REL, AS and EM.

The model further depicted which of the variables have a significant impact on customers' satisfaction. The Regression Analysis shows that tangibles had no significant impact on customer satisfaction and this result was similar to the findings of Kheng et al. (2010).

Generally, the linear regression analysis of the relationship of service quality with customer satisfaction is in line with the theoretical model of Lazaus (1991) and Bagozzi *et al*. (1992) and the works of Zeithaml & Bitner (2003), Kheng et al. (2010) Yee, et al. (2011), Siddiqui (2011), and Mahmoodifar, et al. (2014).

Hypothesis 5:

H 5.0: There is no correlation between customer service quality and customer loyalty in the commercial banks in Ethiopia.
H 5.1: There is a positive correlation between customer service quality and customer loyalty in the commercial banks in Ethiopia.

CL = Customer loyalty

The theoretical model proposed by Lazarus (1991) and Bagozzi *et al*. (1992) suggest that the appraisal process of internal and situational conditions lead to customer emotional response that has an impact on customer satisfaction and customer loyalty.

The marketing literature also gives the impression that satisfied customers are loyal customers. Service quality is commonly considered as antecedent to loyalty, but through the mediated effect of customer satisfaction. Customer satisfaction is also suggested as the leading determinant of customer loyalty (Heskett *et al*., 1994).

Therefore, on the basis the empirical and theoretical grounds, the above hypothesis was formulated to investigate the relationship between service quality and customer loyalty.

Correlation analysis:

The correlation matrix (Refer to appendix 25) revealed service quality components were positively and strongly correlated with customer loyalty. Accordingly, the coefficient of correlation between assurance and customer loyalty indicated a high positive relationship (r = 0.70, n =180, p ≤ 0.01). Further, strong positive correlation existed between EM and customer loyalty; RES and customer loyalty; REL and customer loyalty; and TAN and customer loyalty with p ≤0.01; n =180; r= 0.69, 0.68, 0.66, and 0.62 respectively and $p < .01$. The coefficients of correlation between service quality dimensions and customer loyalty are all below the cut-off of 0.90 for the collinearity problem. Therefore, multi-collinearity problem does not occur in this part of the research (Hair et al., 1998). The correlations are also evidence of validity and reliability of measurement scales used in this research (Barclay et al., 1995; Hair et al., 1998).

Multiple regression analysis

The result in table 5.17 demonstrated that the independent variables (TA, REL, RES, AS, and EM) were in combination significant predictors of customer loyalty. Further, the P value = 0.000<0.01 which was significant. This indicated that overall model was statistically significant with F (5, 174) = 51.751; R^2 = 0.598; P<.01). The predictor variables jointly explained 59.8% variance of customer loyalty. TA (β = 0.197; t = 2.072; P<.05); REL (β = 0.239; t = 2.886; P <.01); and Empathy (β = 0.196; t = 2.899; P <.01) were significantly the independent predictors of customer loyalty. Therefore, the alternative hypothesis 5:1 is accepted in that customer service quality has significant impact on customer loyalty.

Table 5. 17: Model summary, ANOVA and determination of multiple regression equation for customer service quality dimensions and customer loyalty: (N180).

Variable	Coe-fficient	Std. error	Beta	T	Sig.	Correlations			Collinearity Statistics	
						Zero-order	Partial	Part	Tole-rance	VIF
Constant	19.001	.281		67.563	.000					
TA	.197	.095	.146	2.072	.040	.617	.155	.100	.465	2.151
REL	.239	.083	.225	2.886	.004	.656	.214	.139	.380	2.630
RES	.139	.082	.150	1.701	.091	.679	.128	.082	.298	3.376
AS	.090	.104	.100	.863	.389	.704	.065	.041	.172	5.782
EM	.196	.068	.274	2.899	.004	.687	.215	.139	.259	3.761
R	.773[a]									
R Square	.598									
Adju. R Square	.586									
P	.000									
Std. Error of the Estimate	2.057									
F	51.751									
Durbin-Watson	1.885									

Source: compiled from spss 16 output

After the standardization of coefficients, the highest beta is 0.274 (EM) which revealed to be the most important variable towards customer satisfaction. Thus, regression equation based on standardized coefficients of beta values for predicting Y could be expressed as follows:

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3$$

Where:

Y = value of the Dependent variable (CL)

α = Constant or intercept

β_i = the slope (Beta coefficient) for X_i

X_1 = Tangibles (TAN)

X_2 = Reliability (REL)

X_3 = Empathy (EM)

Y = 19.001+ .146 TAN + .150 RES + .225 REL + .274 EM

The regression coefficient value of EM (Empathy) level is high which is equal to .274. Hence, to increase customer loyalty, it requires due emphasis on EM and then on the other factors. The Constant is 19.001 when all of the independent variables have zero value. The hypothesis test confirms that tangibles, responsiveness, and empathy were positively correlated with customer loyalty. The findings of the study indicated customer service quality dimensions have significant impact on customer loyalty. This result is in line with the theoretical model proposed by Lazarus (1991) and Bagozzi *et al.* (1992) and the findings of Sureshchandar *et al.*, (2003), Siddiqi (2011), Glaveli *et al.*, (2006), and Ndubisi (2006).

Hypothesis: 6.

H 6.0: There is no correlation between customer satisfaction and customer loyalty in the commercial banks in Ethiopia.

H 6.1: There is a positive correlation between customer satisfaction and customer loyalty in the commercial banks in Ethiopia.

The sixth hypotheses was formulated to investigate the relationship between customer satisfaction and customer loyalty in the commercial banks in Ethiopia. The hypotheses was developed based on the service management and marketing literature and based on the findings among others of Siddiqi (2011).

Correlation analysis:

Based on appendix 26, the correlation matrix disclosed positive and strong correlation between CS2 (satisfaction with the way the service is provided) and CL with coefficient correlation r =.795 at $p < 0.00$ level. The correlation between CS3 (satisfaction with the easy access to the services of the bank) and CL, indicated that there was a significant correlation between two variables with coefficient correlation r = .612 at $p < 0.00$ level. Similarly the correlation between CS 4 (satisfaction with the workers' skill in providing services) & CL, CS5 (satisfaction with the courteousness of the workers) and CL and CS6 (satisfaction with the speed of providing services) and CL showed that there were a significant correlation between two variables with coefficient correlation r =.610 at $p < 0.00$ level, r =.661 at $p < 0.00$ level, and r =.606

at p <0.000 level. This implies that positive customer handling, ease of access to service and efficient services increases loyalty of customers. Increase loyalty of customers is likely to increase revenue and thereby profitability.

Multiple regression analysis

The ubstadardized coefficients indicated how much the dependent variable varies with an independent variable, when the other independent variables are held constant. The β coefficient indicated how and to what extent the internal service quality dimensions such as RLS, SB, WC, & RLW influence employee satisfaction of the commercial banks.

Table 5. 18: Model summary, ANOVA and determination of multiple regression equation for hypothesis showing CUSAT attributes and CL: (N180).

Variable	Coefficient	Std. Error	Beta	T	Sig.	Correlations			Collinearity Statistics	
						Zero-order	Partial	Part	Tolerance	VIF
Constant	4.036	.643		6.274	.000					
CS2	1.946	.189	.601	10.275	.000	.795	.615	.430	.513	1.949
CS3	.848	.278	.257	3.054	.003	.612	.226	.128	.247	4.046
CS4	-.310	.264	-.098	-1.177	.241	.610	-.089	-.049	.253	3.953
CS5	1.053	.309	.295	3.414	.001	.661	.251	.143	.235	4.248
CS6	-.366	.264	-.125	-1.387	.167	.606	-.105	-.058	.217	4.608
R	.833[a]									
R^2	.695									
Adjusted R^2	.686									
P	.000									
Std. E. of the Estimate	1.793									
F	79.138									
Durbin-Watson	2.068									

Predictors: (Constant), CS 6, CS 4, CS 2, CS 3, CS 5

The projected model was acceptable as the F-statistics (p-value = 0.000) was significant at the ($p \leq 0.01$) level of significance. Since F (5, 174) = 74.617; R^2 = 0.695; P< .01 level of significance, the alternative hypothesis H6:1 is accepted and concludes that customer satisfaction has an influence on customer loyalty. The correlation is also high (Adjusted R² = 0.673). Thus, the findings of the study

indicated a significant relationship between satisfaction of customers of commercial banks in Ethiopia and their loyalty.

This result is compatible with the results of the investigation of Kotler & Armstrong (2012) stating that the chances of a customer becoming a loyal and committed customer increases, once the customer has assurance about the quality dimensions of the service/product and responsiveness of the employees of an organization.

Similar attributes of customer satisfaction (CS2. CS3 and CS5) had an impact on both private banks and public banks jointly or public banks separately. Their impact on public banks was higher than on the banks jointly. However, CS3 had no impact on private banks but CS2 had stronger impact in private banks than in public banks or the banks in general,

Then the fitted Regression Model for measuring employee job satisfaction level in general is as follows:

$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 +_e$

Where:

Y = Value of the Dependent variable or what is being predicted or explained (EMSAT)

α = Constant or intercept

β_i = the slope (Beta coefficient) for X_i

X_1 = Satisfied with the way service is provided (CS2)

X_2 = Satisfied with the workers' skill in providing services (CS4)

X_3 = Satisfied with the courteousness of the workers (CS5)

Y= 4.036 + .601 CS2+ .257 CS4 + .295 CS5

The intercept of employee job satisfaction score, as the predicted value of the dependent variable when all of the independent internal service quality variables have a value of 0, is 4.036.

Measures of Profitability:

Profitability is a measure of the financial performance of the commercial banks. Return on Assets (ROA), Return on equity (ROE), and overall profitability are most commonly used measure of the profitability of banks. These measures are based on the data contained in the financial statements of the respective banks. ROE is an important indicator of how efficiently bank capital or shareholders' money is used. ROE measures the profitability of the bank per birr of equity.

To assess the relative profitability of the banks, perceptual data were obtained from the customers about the overall profitability, ROA, and ROE of the commercial banks. Drawing from Yee, Yeung & Cheng (2010), a modified measurement was based on a five point Likert-type scale ranging from 1 = "much lower" to 5 = "much higher".

Hypothesis 7

H7.0: There is no correlation between customer loyalty and profitability in the commercial banks in Ethiopia.
H7.1: There is a correlation between customer loyalty and profitability in the commercial banks in Ethiopia.

Hypothesis seven investigated the relationship between customer loyalty and overall profitability in the commercial banks in Ethiopia.

The relationship between the combination of independent variables CL 1 (satisfaction with the overall service of the bank), CL 2 (say good things about the bank), CL 3 (continue using service of the bank), CL 4 (recommend the bank to relatives and friends) and the dependent variable indicate significant predictors of customer loyalty $(4, 175) = 5.525$; $R2 = 0.112$; $P<.01$). The predictor variables jointly explained 11.2% variance of profitability. CL3 (β = -.950; t = -4.343; P <.01) and CL4 (β = 0.610; t = 3.352; P <.01) were significantly independent predictors of profitability (Refer to table 5.19). In other words, retention and acquisition are very important to the strategic increase in the profitability of the commercial banks in Ethiopia.

Table 5. 19: Model summary, ANOVA and determination of multiple regression equation for hypothesis 7 showing customer loyalty attributes and overall profitability:

Variable	Coefficient	Std. Error	Beta	t	Sig.	Correlations			Collinearity Statistics	
						Zero-order	Partial	Part	Tolerance	VIF
(Constant)	13.530	.591		22.882	.000					
CL 1	-.058	.195	-.041	-.299	.765	-.042	-.023	-.021	.272	3.673
CL 2	.047	.203	.030	.232	.817	-.073	.018	.017	.312	3.210
CL 3	-.950	.216	-.489	-4.393	.000	-.207	-.315	-.313	.409	2.444
CL 4	.610	.182	.396	3.352	.001	.029	.246	.239	.363	2.754
R	.335[a]									
R^2	.112									
Adjusted R^2	.092									
P	.000									
Std. Error of the Estimate	1.393									
F	5.525									
Durbin-Watson	1.621									

Predictors: (Constant), CL4, CL2, CL 3, CL 1

Dependent Variable: profitability

The multiple regression equation for predicting Y or profitability can be demonstrated in the form of the following equation:

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2$$

Where:

Y = value of the Dependent variable (Profitability)

α = Constant or intercept

β = the slope (Beta coefficient) for X_i

X_1 = Usage to the service of this bank will continue (CL3)

X_2 = Recommend this bank to my relatives and friends (CL4)

Y =13.530-.950 CL3 +.610 CL4

The predicted value of the dependent variable is 13.530 when all of the independent variables of customer loyalty have a value of zero.

CL4 has a relatively higher slope in the equation which is 0.610. It is assumed that every one unit increase in CL 4 increases the predicted overall profitability by the same units after controlling CL3. The hypotheses test confirms that CL3 and CL4 are correlated with customer profitability. CL4 shows the highest positive correlation with customer loyalty. CL 3 shows a negative correlation with profitability.

It is noted from the literature that customer satisfaction has a long-term financial impact on the operating results of a business (Nagar & Rajan, 2005; Chi & Gursoy, 2009). Highly satisfied customers of a firm are unlikely switch, but prolong fheir business contact and as a means of attracting new customers (Anderson & Sullivan, 1994, and Gronholdt, et al, 2000).

The service-profit chain model (Heskett *et al*. (1994) proposed a relationship between customer satisfaction, loyalty and profitability and further advocated that higher customer satisfaction is followed by positive financial performance measures. Anderson & Sullivan. (1994), Dresner & Xu (1995), Ittner & Larcker (1998), Bernhardt et al. (2000), Homburg & Stock, (2005), Zhang & Pan, (2009); Yee et al. (2008, 2010, and 2011) also found in their study a significant and positive relationship between customer satisfaction and profitability. Thus, customer satisfaction and customer loyalty are the basis for profitability for a business.

Table 5. 20: Profitability Indicators of Commercial Banks (2009-2013):

Banks	ROA						ROE					
	2009	2010	2011	2012	2013	Ave.	2009	2010	2011	2012	2013	Ave.
C.B.E.	3.5	2.95	3.04	3.98	3.43	3.38	40.41	37.15	48.86	77.71	72.38	55.30
DB	2.85	2.93	3.34	4.05	3.26	3.29	30.49	31.89	35.15	40.44	31.33	33.86
AIB	2.5	3.4	4.0	3.6	3.8	3.46	21.2	29.3	32.1	27.0	28.0	27.52
LIB	0.34	3.45	3.0	4.0	4.0	2.96	1.45	18.43	15.0	19.0	23.0	15.38
NIB	3.6	3.7	4.0	3.7	5.1	4.02	23.2	24.4	24.0	21.0	35.0	25.52
UB	2.4	3.3	3.0	4.0	2.0	3.73	18.9	30.01	30.0	30.0	19.0	25.58
AB	2.1	2.4	2.7	2.8	2.4	2.48	21.4	25.5	29.0	27.6	21.5	25.0
WB	3.9	4.1	4.7	4.1	3.7	4.1	25.1	23.7	27.1	22.9	20.0	23.76
Ave.						3.43						28.99

Source: NBE

ROA measures how efficiently managers have been deploying the assets under their control in generating profit. Many of the rewards to managers are tied up to the profitability measured in terms of ROA. Thus, profit increases, with assets remaining the same, indicates an increase in ROA. In terms of the average ROA (2009-2013), WB is the most profitable bank (based on its 4.1% versus 3.43% industry average) followed by NIB, UB, AIB, C.B.E, DB, LIB and AB respectively (Refer to table 5.26).

Financial leverage or debt is the major factor that separates ROE and ROA. If a firm has no debt, its shareholders' equity and its total assets will be the same and its ROE and ROA would also be the same. However, if a firm decides for financial leverage, ROE would become greater than ROA. The data on table 5.26 indicate that all banks are highly leveraged because their ROEs are by far larger than their respective ROAs. This indicates the nature of banks in their ability to mobilize deposits from customers so as to undertake their operations.

In terms of ROE, the banks under the study have registered increase in profitability in the years 2009-2012 but marginal decrease in 2013. In this respect, C.B.E scored extraordinarily the highest ROE of all banks during the years 2009-2013 based on its average ROE of 55.3% versus the industry average of 28.99% followed by DB which registered 33.86%. However, AIB, UB, NIB, AB, and WB scored slightly lower ROEs than the average ROE while the profitability of LIB is by far lower than the industry average (15.38%).

Impact of customer demographic factors on profitability

The demographic factors of the banks such as number of branches of a bank, age of a bank, and type of bank were considered in the analysis so as to find out for any of their respective possible impact on the overall profitability of the commercial banks in Ethiopia using Kruskal-Wallis Analysis of Variance. The analysis is based on the following hypothesis formulated based on empirical literature.

Hypothesis 8:

H8: 0 Number of branches of a bank has no effect on the overall profitability of the commercial banks in Ethiopia.

H8: 1 Number of branches of a bank has an effect on the overall profitability the commercial banks in Ethiopia.

To this effect, a Kruskal-Wallis Test revealed a statistically significant difference in overall profitability levels across four different numbers of branch categories (Gp1, *n* = 55: >150, Gp2, *n* = 37: [100-150], Gp3, *n* = 71: [99=80], Gp4, n = 17: < 80), χ2 (3, *n* = 180) = 26.472, *p* = .000. The bank with the least number of branches (<80) recorded a lower median score (*Md*= 10) than the other banks which indicated a median of 12. This indicates that higher number of branches is positively and significantly related to the profitability of the commercial banks in Ethiopia.

In order to inspect this effect, means rank was compared. It was identified that banks with >150 number of branches are likely to generate the highest overall profitability (mean rank 111.81), followed by banks with branches [99-80] (mean rank 88.13), and banks with branches of [100=150] (mean rank 82.50) respectively.

H9: 0 Age of a bank has no effect on the overall profitability of the commercial banks in Ethiopia.

H9: 1 Age of banks has an effect on the overall profitability of the commercial banks in Ethiopia.

A Kruskal-Wallis Test was carried out to show the statistical significant difference in the overall profitability levels across three age groups of the banks where (Gp1, *n* = 55: >20 years, Gp2, *n* = 904: [20-15 years], and Gp3, *n* = 31: <16 years, χ2 (2, *n* = 180) = 17.244, *p* = .000. The bank with the highest age group (> 15 years) revealed a higher score (*Md*= 12). This indicates that a longer period of years in operation is positively and significantly related to the overall profitability of the commercial banks in Ethiopia. The mean rank indicates that overall profitability is related the age of the banks. That is, banks with >20 years in service stand first (mean rank 111.81) followed by banks with age of [20-16] years (mean rank 82.97), and by banks with

ages < 16 years (mean rank 88.13), and banks with branches of [100=150] (mean rank 75.53) respectively.

H 10:01: The type of bank has no effect on the overall profitability of the commercial banks in Ethiopia
H 10:1: The type of bank has an effect on the overall profitability of the commercial banks in Ethiopia.

A statically significant difference of overall profitability across bank type was also tested using a Kruskal-Wallis Test. A p-value of 0.000 depicted that H: 10:1 were accepted. This also indicates that type of bank is positively and significantly related to the overall profitability of the commercial banks in Ethiopia.

Abysinia bank revealed a lower median score (Md= 9) and followed by Lion International bank with a median score (Md = 11). Wegagen bank revealed the highest median score (Md = 13) and the other banks indicated a median of 12.

In order to inspect this effect, means rank was compared. It was identified that Wegagen bank revealed the highest overall profitability (mean rank 123.12) followed by CBE with (mean rank 109.55).

5.11 Comparative Tests Using Multiple Regression Analysis of Public and Private Banks:

The result in appendix 21 shows that RLS, SB, WC, & RLW were significantly independent predictors of employee satisfaction of public and private banks respectively with P <.01. The remaining independent variables were in combination significant predictors of employee job satisfaction of both public and private banks.

The predictor variables related to public banks jointly explained 98% variance of employee job satisfaction while those related to private banks explained 97.8% of the variance of employee job satisfaction.

All the four (4) independent variables related to the banks had t-value of > 2 and hence can be inferred that internal service quality dimensions have an effect on the employee job satisfaction of both private and public banks.

The multiple regression equation for predicting Y or employee job satisfaction can be expressed as follows:

Type	Regression model
Public banks:	Y = -2.263 +1.129RLS + 1.090SB+ 1.121 WC+ 1.126RLW
Private banks:	Y = -1.099 + 1.116 RLS + 1.246SB+ 1.152 WC+1.096RLW

The predicted employee job satisfaction score with zero internal service quality variables is =-2.263 and -1.099 for both private and public banks respectively. The slopes of RLS& RLW for public bank are higher than private banks while the slopes of SB and WC in private banks are higher than public bank. On the other hand the slopes of SB &WC of private banks are higher than public banks.

Appendix 22 displays that RLS and CRD were significantly independent predictors of customer service quality in a public sector bank while WC &CRD were significant independent predictors in the private banks. The predictor variables related to a public bank jointly explained 25.2% variance of customer service quality while the predictor variables related to private banks explained 10.8% of the variance of customer service quality.

The multiple regression equation for predicting Y (customer service quality) can be expressed as follows:

Type	Regression model
Public banks:	Y = -31.621 - .884 RLS + 2.499CRD
Private banks:	Y=-21.626+ .1.544 WC +1.499 CRD

The analysis shows that the slope of CRD in public banks is higher than in private banks. Based on the constant value, the predicted customer service quality score with related zero internal service quality variables is = =31.621& -21.626 for public and private banks respectively.

Based on appendix 23, WC was significantly an independent predictor of customer satisfaction to the private banks with P <.05 while SB and CRD were the significant independent predictors of customer satisfaction in public bank with p<.05.

The result indicated that SB, CRD, RLS, & RLW had no significant impact on prediction of customer satisfaction in private banks. Besides, RLW, WC & RLS had no significant power on prediction of customer satisfaction in public banks. The independent variables explained 26.2% and 6.3% of customer satisfaction in the public and private banks respectively.

Following was the multiple regression equation for predicting Y or customer satisfaction.

Type	Regression model
Public banks:	Y = 12.431- .486 SB + .722 CRD
Private banks:	Y= 18.869 +.234 WC

The predicted customer satisfaction score with zero internal service quality variables was = 12.431 and 18.869 for public and private banks respectively.

Referring to appendix 24, the regression analysis indicated that RES and EM were significantly independent predictors of customer satisfaction of public bank with p <.05. In case of private banks, RES, EM (p < .01) and AS (p <.05) were significantly independent predictors of customer satisfaction. The predictor variables associated to public bank jointly explained 70% variance of customer satisfaction and the variables associated with private banks explained 83% of the variance of customer satisfaction.

The regression equation for predicting Y (CUSAT) can be expressed as follows:

Type	Regression model
Public banks:	Y= 22.086 + .546 RES+.319 EM
Private banks:	Y = 23.349 + .355 RES + .205 AS + .398 EM

The slope of RES for public banks is higher than private banks whereas the slope of EM for private banks is higher than public banks. This indicates that RES is more correlated to public bank than private banks while EM is more correlated to private banks compared to public bank. The Constant is the predicted value of the dependent variable when all of the independent variables have a value of zero. In the context of this analysis, the predicted customer satisfaction score with zero customer service quality variables is =.22.086 and 23.349 for public and private banks respectively.

Appendix 25 points out that TA, REL and EM were significantly independent indicators of customer loyalty of private banks with P <.05. These variables explained 50.5% variance of customer loyalty. On the other hand, the customer service quality variables are not in combination significant predictors of customer loyalty in public banks.

The multiple regression equation for predicting Y or customer loyalty can be expressed as follows:

Type	Regression model
Public banks:	Y = -.134 + .407RES+.374EM
Private banks:	Y= 19.184 + .247 TAN +.369 REL + .214 EMP

The predicted customer loyalty score with zero customer service quality variables indicated -.134 and 19.184 for public and private banks respectively.

Appendix 26 revealed that CS2 & CS5 were significantly independent predictors of customer loyalty in both public and private banks. However, CS 3 & CS 4 were independently significant predictors of public and private banks respectively. The predictor variables jointly explained 64.5% and 76.1% variance of customer loyalty in the public and private banks respectively.

The multiple regression equation for predicting Y or profitability can be expressed as follows:

Type	Regression model
Public banks:	Y =4.446+1.161 CS 2+1.336 CS + 1.558 CS 5
Private banks:	Y= 3.755 + 2.803 CS 2- .664 CS 4 + 1.025 CS 5

The predicted profitability score with zero customer satisfaction variables is = 4.446 and 3.755 for public and private banks respectively. CS 2 has the highest slope with private banks while CS 5 has the highest slope with public banks.

Appendix 27 revealed that CL3 & CL4 were significantly independent predictors of overall profitability in the public bank. CL3 was significant independent predictor of private banks. The predictor variables jointly explained 21.3% and 7.2% variance of profitability in the public and private banks respectively.

The multiple regression equation for predicting Y or profitability can be expressed as follows:

Type	Regression model
Public banks:	Y =15.733- 1.263CL 3 +.657CL 4
Private banks:	Y= 12.419-.748CL 3

The predicted profitability scores with zero customer loyalty variables are =15.733 and 12.419 for public and private banks respectively.

5.12 Summary and Key Findings

The theoretical literature and empirical studies provide evidence on the need to incorporate both financial and non-financial measures of performance. The main objective of the current study was to find the interrelationships between employee satisfaction, customer service quality, customer satisfaction, customer loyalty and profitability in the commercial banks in Ethiopia. This study was conducted with a sample of 180 respondents, which were employees and customers of different banks.

This chapter reviewed the demographic characteristics of the sampled respondents relevant to achieve the objectives of the study by means of SPSS 16. Tests of validity and reliability were conducted to the variables of the study. An exploratory factor analysis, through a principal component analysis (PCA) with Varimax rotation was conducted to test the construct validity of questionnaire items. The Kaiser–Meyer–Olkin measure of sampling adequacy for the internal service quality dimensions, employee satisfaction, customer service quality dimensions, customer satisfaction customer loyalty and profitability were all above the recommended value of 0.6. The result of the factor analysis indicated the existence of five dimensions for each of the internal service quality and customer service quality items and one dimension for each of customer satisfaction, customer loyalty and overall profitability items with eigenvalues greater than one. The Bartlet tests of sphericity was significant at $p < 0.01$ indicating suitability of the sample for factor analysis.

The reliability of the measures of the study was assessed using the inter-item consistency measure of Cronbach's alpha. Result of Cronbach's alpha showed that all measurements of the constructs were reliable indicating above the threshold value of 0.70.

Descriptive statistics were computed for the various dimensions of employee job satisfaction, customer service quality, customer satisfaction, and customer loyalty. Results indicated that employees of the banks had the highest satisfaction from the subscales RLW, RLS and WC constituting mean of 4.28, 4.18 and 4.06 respectively. Customers of the banks had the highest satisfaction from the subscales CS 5 and CS 4 constituting mean of 3.91 (SD= .895) and 3.74 (SD= 1.01) respectively. In other words, the customers of the banks were more comfortable with the courteousness and the skill of the employees in providing services respectively. In relation to customer loyalty, CL 3 was the highest indicator with a mean of 4.14, followed by CL 4 with a mean score of 3.91. This was related to the decision of the customers to continue using the service of their banks and refer the bank to relatives and friends.

A set of assumptions for multiple regression analysis were tested. Correlation and multiple regression analysis were used to test the study hypotheses. On the basis of

the perceived customer service quality, customers were satisfied with the convenience of branch location and working hours; the behaviour of bank employees in paying due attention to their specific needs and dealing with customers in a caring fashion (empathy); appealing facilities and materials, modern looking equipment, neat and professionally appearing employees (tangibles); and the behaviour of employees in instilling confidence in customers, the feeling of safety in transactions, consistent courteousness of customers, and knowledge employees to answer customers' questions (assurance).

To identify the strength of the relationship between two variables, correlation analysis was carried out. The correlation matrix indicated that four internal service quality dimensions (RLS, SB, WC, & RLW) were positively and strongly correlated with employee job satisfaction.

Two of internal service quality dimensions (WC & CRD) were positively correlated with customer service quality and customer satisfaction. However, the correlation was weak.

Finally, five of the internal service quality dimensions (TA, REL, RES, AS and EM) were positively and strongly correlated with customer satisfaction and customer loyalty.

CHPTER 6

CONCLUSIONS, IMPLICATIONS, AND AREAS OF FUTURE RESEARCH

6.1. Conclusions

The purpose of the study was to identify a comprehensive measure of performance by assessing the relationship between employee satisfaction and customer satisfaction on the profitability of the commercial banking industry in Ethiopia. The thesis assumed unidimensional path models, multivariate approach and factor analysis to address the objectives of the sttudy.

The hypothesized relationships were constructed on the epicenter of considering people as the most important asset of any organization. In view of this, scholars have spent an undue time and vigour focusing on what motivates employees and customers in cementing their relationships. Various motivational theories have been developed to shed light into what motivates people to behave the way they do. Employee satisfaction is overriding, since it is detrimental to the success or failure of any organization. Satisfied employees are motivated to perform better, leading to improvement in the quality of their work, produce quality service and meet the requirements of customers. These added values, in-turn, increase organisational profitability.

Understanding how to apply motivational theories in the workplace can take the leadership skills to the next level. Therefore, managers need to apply in their practices and policies the concepts of the equity theory, the expectancy theory, social exchange theory, attitude theory and emotional theory among others to leverage on the contributions of the employees towards achieving quality service and customer satisfaction. Customer retention and attraction will ultimately lead to profitability.

6.2. Policy Implications of the Findings

6.2.1. Managerial Policy Implications of the findings

1. The result of the regression analysis indicated that there was a positive significant relationship between internal service quality dimensions and employee job satisfaction in the commercial banks in Ethiopia. It is worth paying due attention to the satisfaction of employees because banks are highly dependent in the intangible knowledge resource of their employees in their operations.

Employees were satisfied with SB, WC, RLS and RLW respectively. In view of this, management should pay attention to remain competitive in SB scales and packages. Management should also pay due attention to make work content more attractive and allow the employees to enthusiastically engage themselves in the work. Besides, the relations of the management with the employees is a motivating factor and this could be stated by management as building trust through the participation of employees in making decisions related to their routine job activities and that are directly related to job satisfaction. Further, the harmonious relationship among the workers is vital in the creation of a favourable work environment and efficient communication.

Generally, banks can use the results of the study in further strengthening the satisfaction of the employees. Besides, the finding of this study highlighted the need for planning and developing strategies related to benefit packages, in public banks, that could induce retention and enhance employee perceptions and satisfaction respectively. The private banks should also invest their effort towards improving the RLW, WC, & RLS components of internal marketing/service quality. It is also important to periodically gauge the level of satisfaction of their employees and design new strategies that could address the situation at hand. This is quite important for the sustainable competitive survival of the banks in the emerging environment.

2. The satisfaction of employees is believed to lead to a real improvement in services provided to customers. Employees who feel that the organisation provides them with

a supportive working environment, and see that the organisation aspires to a high quality of service and excellence, are often more willing to give customers the best service. When customers meet a satisfied and enthusiastic employee, their perceptions of the service are likely to reflect the positive encounter (Schneider, White & Paul 1998).

3. Management of the commercial banks in Ethiopia recognise, at least in their respective annual reports, employees as the most valuable assets of their respective banks. This notion has a reality, since employees are the parties who have direct contact with customers and generate feedback about their feelings on service of the banks. This requires creating an overall environment for the employees to contribute towards service quality.

4. From the perspective of the banks in general, the study confirmed significant a positive relationship between service quality attributes and customer satisfaction. Besides, SERVQUAL can be used as an instrument for measuring the bank service quality in Ethiopia. Therefore, bank managers can use this instrument to assess their respective bank service quality. Based on the results of the study, the management of the banks has to keep up with the service quality dimensions that had significant correlation with customer satisfaction including responsiveness, assurance and empathy components of the SERVQUAL.

However, results show that tangibles and reliability were not positively correlated with customer satisfaction. The proximate availability of banking services consequent to the horizontal and vertical expansion of the banks, the availability of ATMs, and the introduction of IT linked banking services has accelerated the efficiency of the services offered by the banks. All these benefits seem to have offset the desire of customers to focus on tangibles against efficiency. But the importance of tangibles could not be undermined. Therefore, banks have to work more for easier accessibility of their services through the expansion of branch network, the use of ATMs, expansion of IT linked banking services, the appearance of the staff, maintaining secured parking lots, ventilated offices, and sufficient waiting places.
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Reliability is one of the important factors driving customer satisfaction. It refers to the extent to which the service is delivered according to the standards expected and promised. The results of the study indicated no relationship between reliability and customer satisfaction in the banks in Ethiopia. Therefore, management has to work more in providing speedy services and resolve the problems of their customers. However, it is worth noting the impeding external factors such as power, network problems, and policy issues which are beyond the control of management.

The above discussions can also refer to private banks. In case of public banks, there was no correlation between assurance and customer satisfaction. Therefore, the management of the public bank has to build the competence of their staff, including the recruitment, training and the like so as to build the trust and confidence of their customers which is the core of a banking business.

5. Maintaining customer satisfaction has been recognised as a means of building customer loyalty. It is also believed to be less costly to maintain existing customers than attracting new customers. However, loyal customers may also be prone to defect if they feel like getting better value, convenience or quality elsewhere. Therefore, the level of customer satisfaction cannot remain static for long if it is not checked periodically and take the necessary measures for adjustment. Therefore, bank management should always keep on ensuring that their customers are intact in their satisfaction with bank services. Specifically, even if public banks are better in CS2 than private banks, management of both private and public banks have to work towards improving the indicated predictors and their lingering predictors of customer loyalty.

6. Customer loyalty is the core strategic tool in the struggle for a competitive edge. Then, bank management need to have continuous feedback from their customers, evaluate the need for appropriate measures, and build the capacity of the front line staff in handling customer requests. From this perspective, it can be inferred that C.B.E. has made improvements in deposit mobilization.

6.2.2 Public Policy Implications of the Findings

The Ethiopian financial system is still closed to foreign entry. The competitive environment would have been different had there been foreign players in the market. Therefore, the Federal Government of Ethiopia needs to take further measures in the liberalization of the financial sector, including entry of foreign banks given the need for alternative corridors of service quality to the customers, increase the competitive efficiency of the banks, benefit from technology transfer and benefit from the country's desire in joining the World Trade Organisation.

6.3 Limitations of the study

The current study provided empirical and theoretical insights into the relationships between the constructs of employee satisfaction, customer service quality, customer satisfaction, customer loyalty, and profitability. Nevertheless, the study was not free from limitations.

First, the study employed quantitative research design based on survey data collected from employees and customers of banks to test the theoretical models, thus limiting the choice of methodology.

Second, the cross sectional nature of the data on employee job satisfaction, customer service quality, customer satisfaction and customer loyalty limited the scope to justify the causal inferences to profitability which was based on historical data.

Third, the data were also analysed based on the personal experiences and perceptions of the respondents. As a result, the study might be affected by response bias possibly emerging from the respondent's subjectivity.

Fourth, the study was not based on probability sampling (but based on convenience sampling). This was due to the difficulty faced by the researcher to get a list and address of the population of the study. Thus, in spite of the causal relationships

shown between variables using regression models, this limits for making generalisations about the population based on the sample data collected.

Fifth, all the hypotheses were not tested simultaneously in a single model. It has been proved that multiple regression analysis can explain how the predictor variables combine to affect the dependent variable. Despite the advantage of this approach, the nature of the study and the small sample size inhibits the use of more powerful statistical methods associated with larger sample sizes.

Sixth, the sample size of the study was 180 and the study was geographically bound to the banks in Northern Ethiopia of Tigrai Regional State which might affect the generalizability of the results.

Seventh, this study was non-experimental where the researcher relied on interpretation, but could not control, manipulate, or alter the predictor variables. Thus, statements of causality under such causal inferences could not be taken for granted.

Eighth, a firm's financial performance might be influenced by several factors including satisfaction. Nevertheless, this study did not consider other factors that might influence the financial performance of an organisation.

Finally, the research was limited to the commercial banks in Ethiopia and this may raise alarms on the generalisability of the findings on other sectors.

6.4 Suggestions for Future research

Acknowledging the above limitations, the study forwards the following areas of future research.

1. Future research has to be conducted by supplementing the quantitative approach with qualitative research such as focus group sessions, structured interviews, and other complementary sources of data involving other stakeholders from top

management such as corporate level managers including the managers for Branch Banking, Finance and Accounting and Human resource and Central services of the commercial banks. These interviewees could contribute in view of their positions in the formulation and execution of strategies, policies and guidelines relevant to the financial performance, human resource affairs, and operations and branching decisions of their respective banks. Further, this may possibly provide richer data and significantly strengthen the research design and the findings to account for more rigorous tests of causality

2. it would be imperative to conduct longitudinal studies using a mixed method so as to offset the disadvantages of cross-sectional research, assess the changing behaviour of employees and customers, consider the factors affecting the change, examine more accurate causal relationships and draw the consistency of using performance measures based on BSC and SPC approaches over time.

3. Future research should be based on a random probability sampling method which can provide results that are more accurate.

4. Finally, future research could account for more rigorous tests of causality using larger samples, additional relevant explanatory variables, and more powerful statistical analytical methods such as SEM

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Appendices:

Appendix 1: Bank employees' satisfaction Survey (English Version)

_____Bank

Dear participant

The enclosed research questionnaire is part of a doctoral dissertation study dealing with the performance of the commercial banks in Ethiopia being carried out by a student in the Doctor of Business Leadership (DBL) at the University of South Africa's School of Business Leadership (SBL).

The purpose of the study is to identify the current measures of performance of the commercial banks in Ethiopia and propose a comprehensive measure that involves both quantitative/financial and qualitative/nonfinancial measures. To this end, the study is designed to gather data from selected bank officers, branch managers, employees, and customers through questionnaire for which the voluntary and cordial engagement of the participants is vital. The survey will take around 20 minutes to complete and the researcher asserts that your responses will be kept confidential.

The findings of the study are expected to set out the basis for establishing key performance measures in the banking industry in Ethiopia and provide additional evidence for the body of knowledge about the multiple measures of performance relationship.

The researcher would like to thank you in advance for your assistance in completing the enclosed questionnaire.

Regards,

Assefa Worede.

Employee satisfaction questionnaire

The purpose of this questionnaire is to give you a chance to tell how you feel about your present job, on what things you agree with and on what things you do not agree with. On the basis of your answers and those of people like you, the researcher hopes to get a better understanding of the things people like and dislike about their jobs.

The questionnaire below has two parts. The first part deals with questions relating to demographic profile of respondents. The second part deals with questions to identify with factors that influence the satisfaction of employees.

Note: Please
  ❖ Read each statement carefully.
  ❖ Decide how you feel about the aspect of your job described by the statement, and
  ❖ Give your answers for every statement.

Part I: (Please tick on the space provided)
1. Gender:

Male: _____

Female:_____

2. Age:

20–30 years _____

31–40 years _____

41–50 years _____

Above 50   _____

3. Qualification School level:

High school complete   _____

Diploma complete   _____

Undergraduate Degree   _____

Post graduate   _____

Other (please specify)   _____

4. Employment status: Management   _____

Clerical   _____

Non-clerical   _____

5. Indicate owner ship of the bank you are working

Private   _____   State owned _____

7. Indicate the name of your bank_____

8. Indicate the number of years working experience in the banking sector

1 – 5 years_____6-10 years _____11-15 years _____ >15 years. _____
.

Part II

On the basis of the statements related to the different dimensions of employee satisfaction, please put a thick mark on your choice of the rating scales. The rating scales are (1) strongly agree, (2) agree, (3) neither agree nor disagree, (4) disagree, (5) strongly disagree.

Dimension	Code	Statement	1	2	3	4	5
	E11	I understand what is expected of me in my work.					
	E12	I have the material/equipment and tools I need to do my job well					
	E13	I have the chance to do something that makes use of my abilities.					

Dimension	Code	Statement	1	2	3	4	5
	E14	I am satisfied with my job and the kind of work I do.					
	E15	My job is challenging and interesting.					
	E16	I am satisfied with the status I gain in the community.					
	E17	I am satisfied with the variety in my work					
	E21	There is a chance for being recognised and acknowledged for doing a good job					
	E22	I was given enough feedback on my performance.					
	E23	I am satisfied with the opportunities for training.					
	E24	The company makes every effort to fill vacancies from within before recruiting from outside.					
	E25	I am satisfied with the chances for advancement for a better position in the job.					
	E26	Promotion goes to those who most deserve it.					
	E31	My immediate superior deals with all employees fairly.					
	E32	The manger involves my participation in the supervisory decisions that affect my job.					
	E33	My manager is available when I need advice.					
	E34	My managertrusts me.					
	E35	My manager helps me to improve myself.					
	E36	My manager takes prompt and fair corrective action on employees who fail to perform their work satisfactorily.					
	E37	I feel free to talk openly and honestly to my manager.					
	E38	My manager praises me when I do a good job.					
	E39	The manager has the technical know-how of the operations.					
	E40	My manager has the competence in making effective decision.					
	E41	I am treated with respect.					

Dimension	Code	Statement	1	2	3	4	5
	E42	I am satisfied with how members of my work group solve problems.					
	E43	My co-workers harmoniously get along with each other.					
	E44	I enjoy coming to work.					
	E45	I feel free to talk openly and honestly with members of my work group.					
	E51	I believe my job provides me secure employment					
	E52	The physical working conditions (heating, lighting, ventilation, etc.) *on the job* are good.					
	E53	I am satisfied with the way company policies are put into practice.					
	E54	My workload is reasonable					
	E61	I am satisfied with my pay and the amount of work I do.					
	E62	I am satisfied with the bank's reward and incentive systems.					
	E63	I am satisfied with bank's welfare programs such insurance, health care, etc.					
	E64	The payment system is equitable.					

Appendix 2: Bank employees' satisfaction Survey (Amharic Version)

UNISA

የባንክ ሠራተኞች የሥራ እርካታ መጠይቅ

የተከበሩ የመጠይቁ ተሳታፊ!

ይህ መጠይቅ ለትምህርት ጥናት አገልግሎተ የሚውል ሲሆን የጥናቱም ዓላማ በአሁኑ ወቅት ባንኮች የሚጠቀሙበት የሥራ ውጤት ግምገማፋይናንሳዊና ፋይናንሳዊ ያልሆኑ መስፈርቶችን የጠቃልል እንደሆነና ካልሆነም መወሰድ ያለበትን የመፍትሄ እርምጃ ለመጠቆም ነው፡፡ጥናቱ የባንክ ሠራተኞች በሥራቸው ላይ ያላቸውን የእርካታ ደረጃ ምን ያህል እንደሆነ በምርጫ መልክ የሚያስቀምጥ ሲሆን የርስዎን የመላሽ፦ን በነ ፈቃድና ትብብር መሰረት ያደረገ ይሆናል፡፡ መጠይቁ ወደ 20 ደቂቃ ያህል የሚወስድ ሲሆን የጥናቱ ባለቤት የተሳታፊዎቹን ማንነት የማይገልፅና የሚያገኘውም ዝርዝር የመጠይቅ መልስ በሚስጥር የሚጠበቅ መሆኑን ሲያረጋግጥ ለሚደረግለት ትብብር በቅድምያ ምስጋናውን ያቀርባል፡፡ በመጨረሻም የጥናቱ ውጤት እንዳለቀ ይፋ እንደሚደረግ ይገልጻል፡፡

ከሰላምታ ጋር

የባንክ ሠራተኞች የሥራ እርካታ መጠይቅ

መግቢያ፤

የዚህ መጠይቅ ዋና ዓላማ የባንኩ ሠራተኞች አሁን በሚሰሩበት ሥራ ላይ የሚሰማቸውን ስሜት ለመገለፅ እንዲችሉ ከቀረቡት አማራጮች የሚስማሙበትንና የማይስማሙበትን እንዲመርጡ ዕድል የሚሰጥ ነው፡፡ ጥናቱእርስዎና ሌሎችም በሚገልፁት ሃሳብ መሰረት በማድረግ ሠራተኞች በሥራቸው ላይ የሚፈልጉትንና የማይፈልጉትን ምን ምን እንደሆነ ግንዛቤ ለማግኘት ይረዳል፡፡

ይህ መጠይቅ ሁለት ክፍሎች ሲኖሩት የመጀመሪያው ክፍል የመላሹን ወይም የመላሿወን ግላዊ ግን አስፈላጊ መረጃዎችን የሚጠይቁ ጥያቄዎች ናቸው፡፡ ሁለተኛው ክፍል ግን የሠራተኞችን የሥራ ፍላጎት ሊወስኑ ይችሉ ይሆናሉ ተብለው የሚገመቱ ምክንያቶችን ለማወቅ የቀረቡ ጥያቄዎች ናቸው፡፡ ስለሆነም ከቀረቡት ዝርዝር ሃሳቦች እ�   ያ መስማማትዎን ወይም አለመስማማትዎን በደረጃ ያስቀምጣሉ፡፡

መልስዎን በተቀመጠው ክፍት ቦታ (x) ምልክት ያድርጉበት፡፡

ክፍል አንድ፦-

የመላሹ/ሹዋ የግል መረጃዎች

1. ፆታ፤   ወንድ፡ _____   ሴት   _____

2. እድሜ፤

     ከ20-30 ዓመት _____   ከ41-50 ዓመት_____

     ከ31-40 ዓመት _____   ከ፶ምሳ በላይ   _____

3. የት/ት ደረጃ፦-

     አንደኛ ደረጃ _____   ዲፕሎማ   _____

     ሁለተኛ ደረጃ _____   የመጀመሪያ ዲግሪ   _____

     የመሰናዶ ት/ት_____   ሁለተኛ ዲግሪ   _____

     ሌላ (እባክዎን ይጥቀሱ)_____

4. የተሰማሩበት የስራ ሁኔታ:-

ማነጅመንት_____ የጽህፈት ስራ _____ ከማነጅመንትና ከጽህፈት ሥራውጭ_____

5. የሚሰሩበት ባንክ ይዞታ የማን ነው?

የግል _____   የመንግሥት _____

6. የሚሰሩበት ባንክ ስም ማን ይባላል?_____

7. በባንክ ሥራ ለይ ምን ያህል ጊዜ አገልግለዋል?

ከ 1 - 5 ዓመታት   _____   ከ 11 - 15 ዓመታት _____

ከ 6 - 10 ዓመታት   _____   ከ 15 ዓመታት በላይ _____

ክፍል ሁለት፡

ከዚህ በታች በቀረቡት ዝርዝር ሃሳቦች መሰረት ከ 1 - 5 ተራ ቁጥር ከቀረበልዎት የደረጃ እርከን አማራጮች ውስጥ መስማማትዎን ወይም ያለመስማማትዎን ለመግለፅ በክፍት ቦታው (x) ምልክት ያድርጉ፡፡

1.   በጣም አልስማማም

2.   አልስማማም

3.   እስተያየት የለኝም

4.   እስማማለሁ

5.   በጣም እስማማለሁ

	1	2	3	4	5
1. በሥራዬ ላይ ከኔ የሚጠበቅብኝን በሙሉ አውቃለሁ					
2. ሥራዬን ለማከናወን የሚያስፈልጉኝ መሳርያዎች ተማልቶአል					
3. ችሎታዬን ለመጠቀም የሚያስችል ዕድል አለኝ					
4. በምሰራው ሥራና የሥራ ዓይነት ደስተኛ ነኝ					
5. ሥራዬ ፈታኝና ደስታን የሚሰጥ ነው					
6. በዚሁ ሥራ መሰማራቴ በህብረተሰቡ ዘንድ ከበሬታን አስገኝቶልኛል					
7. ሥራዬ የተሊያዩ ክንውኖችን ማቀፉ ያረካኛል					
8. አጥጋቢ የሥራ ክንውን ለፈፀመ ዕውቅናና ምስጋናን የማግኘት ዕድል ይኖረዋል					
9. ለፈፀምኩት የሥራ ክንውን በቂ አስተያየት ተሰጥቶኛል					
10. በባንኩ በኩል የሚሰጡት የስልጠና ዕድሎች ያረኩኛል					
11. ባንኩ ክፍት የሥራ ቦታዎችን በውስጥ ውድድር ለመሙላት ጥረት ያደርጋል					

12. ለበለጠ የዕድገት መሰላል ለመውጣት የሚያስችል ዕድል ስላለው ሥራውን እወደዋለሁ					
13. የሥራ ዕድገት የሚያገኙት የሚገባቸው ናቸው					
14. የቅርብ አለቃዬ ከሁሉም ሠራተኞች መልካም ግኑኝነት አለው					
15. አለቃዬ ሥራዬን በሚመለከት ጉዳይ በሚደረገው ውሳኔ ያሳትፈኛል					
16. አለቃዬን ማማከር በምፈልግበት ወቅት በቅርብ የማግኘት ዕድል አለኝ					
17. አለቃዬ በኔ ለይ እምነት አለው					
18. አለቃዬ ራሴን እንዳሻሻል ድጋፍ ያደርግልኛል					
19. አለቃዬ ስራቸውን በበቂ ሁኔታ ማከናወን ባልቻሉ ሰራተኞች ላይ በወቅቱ ትክክለኛ የእርምት እርምጃ ይወስዳል					
20. አለቃዬን በግልፅ ለማናገር ነፃነት አለኝ					
21. አለቃዬ አጥጋቢ ሥራ በማከናውንበት ወቅት ያበረታታኛል					
22. አለቃዬ በባንክ ሥራ በቂ ዕውቀት አለው					
23. አለቃዬ ወሳኝ ውሳኔዎችን የመወሰን ችሎታ አለው					
24. የሥራ ባልደረቦቼ በምንሰጠው የአገልግሎት ጥራት ሃላፈነት ይሰማቸዋል					
25. በሥራ ባልደረቦቼ መካከል መልካም የሥራ ግኑኝነት አለ					
26. ወደ ሥራ መምጣቱ የደስታ ስሜት ይፈጥርልኛል					
27. ከሥራ በልደረቦቼ ጋር ያለው የሥራ ክፍፍል ፍትሓዊ ነው					
28. ሃሳቤን ከሥራ በልደረቦቼ ጋር ስገልፅ ነፃነት ይሰማኛል					
29. ሥራዬ ቀጣይነት እንዳለው እምነት አለኝ					
30. የሥራ አካባቢዬ ምቹ ነው					
31. በባንኩ ፖሊስዎች አተገባበር ላይ ደስተኛ ነኝ					
32. በሥራ ላይ ያለኝ ጫና ተቀባይነት አለው					
33. ለምሰራው ስራ በቂ ክፍያ ይከፈለኛል					
34. ባንኩ በሚሰጠው ሽልማትና ማትጊያ ደስተኛ ነኝ					
35. ባንኩ በሚሰጠው የኢንሹራንስ፤ የህክምና አገልግልትና የመሳሰሉት ጥቅማ ጥቅሞች ደስተኛ ነኝ					
36. የክፍያው መጠንፍትሃዊ ነው					

ለትብብርዎ እናመሰግናለን

Appendix 3: Bank service quality survey (English Version)

_____Bank

Dear participant

The enclosed research questionnaire is part of a doctoral dissertation study dealing with the performance of the commercial banks in Ethiopia being carried out by a student in the Doctor of Business Leadership (DBL) at the University of South Africa's School of Business Leadership (SBL).

The purpose of the study is to identify the current measures of performance of the commercial banks in Ethiopia and propose a comprehensive measure that involves both quantitative/financial and qualitative/nonfinancial measures. To this end, the study is designed to gather data from selected bank officers, branch managers, employees, and customers through questionnaire for which the voluntary and cordial engagement of the participants is vital. The survey will take around 20 minutes to complete and the researcher asserts that your responses will be honoured as confidential.

The findings of the study are expected to set out the basis for establishing key performance measures in the banking industry in Ethiopia and provide additional evidence for the body of knowledge about the multiple measures of performance relationship.

The researcher would like to thank you in advance for your assistance in completing the enclosed questionnaire.

Regards,

Assefa Worede.

The questionnaire below has three parts. Part I relates to questions dealing with the demographic profile of the participant. Part II asks you as a participant to rank the bank/s according to your expectations i.e. what you expect the bank/s to provide. Part III asks to rank the bank you chose for the survey according to your experiences and perceptions.

Part I

Gender: Male _____

Female _____

Age: 20–30 years

31–40 years

41–50 years

Above 50

Educational level:

Primary school _____

High school_____

Preparatory/Technical qualification_____

Diploma

Undergraduate degree_____

Post graduate

Other _____

Occupation:

Private employee's   _____

Govt. employee's _____

Trade & Commerce _____

Others _____

Part II: Expectations

This sectiondeals with your opinions of banks. Please show the extent to which you think banks should possess the following features. What we are interested in here is a number that best shows you expectations about banking services.

The statements will be ranked as follows:

Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1	2	3	4	5

Dimension		Statement	1	2	3	4	5
	C111	The bank has modern looking equipment.					
	C112	The physical facilities at the bank are visually appealing.					
	C113	The employees have a neat, professional appearance					
	C114	Materials associated with the service (pamphlets or statements) are visually appealing.					
	C121	Provides services as promised					
	C122	Have dependability in handling customers' problems					
	C123	Performing services right the first time					
	C124	Keeping customers informed about when the services will be performed					
	C125	Maintain error free records					
	C131	Employees of the bank tell customers exactly when services will be performed.					

	C132	Employees give prompt service to customers.					
	C133	Employees of are always willing to help customers.					
	C134	Employees are ready to respond to customers' requests.					
	C141	The behaviour of employees in the bank instils confidence in customers.					
	C142	Banks make customers feel safe in transactions.					
	C143	Employees are consistently courteous with customers.					
	C144	Employees have the knowledge to answer customers' questions.					
	C151	The bank gives customers individual attention.					
	C152	The bank maintains convenient branch location and operating hours to its customers.					
	C153	The bank has employees who deal with customers in a caring fashion.					
	C154	The bank has customer's best interest at heart.					
	C155	The employees of the bank understand the specific needs of their customers.					

Part III: Perceptions

The following statements relate to your feelings about the bank you deal with. Please show the extent to which you believe this bank has the feature described in the statement. Here, we are interested in a number from 1 to 5 that shows your perceptions about the bank.

The statements will be ranked as follows:

Strongly Disagree   Disagree   Neutral   Agree   Strongly Agree

1   2   3   4   5

Dimension		Statement	1	2	3	4	5
	C11	The bank has modern looking equipment.					
	C12	The bank's physical features are visually appealing.					
	C13	The bank's reception desk employees are neat appearing.					
	C14	Materials associated with the service (such as pamphlets or statements) are visually appealing at the bank.					
	C21	When the bank promises to do something by a certain time, it does so.					
	C22	When a customer has a problem, the bank shows a sincere interest in solving it.					
	C23	The bank performs the service right the first time.					
	C24	The bank provides its service at the time it promises to do so.					
	C25	The bank insists on error free records.					
	C31	Employees in the bank tell exactly when the services will be performed.					
	C32	Employees in the bank give prompt service.					
	C33	Employees in the bank are always willing to help you.					
	C34	Employees in the bank are ready to respond to a customer's request.					
	C41	The behaviour of employees in the bank instils confidence in customers.					
	C42	Customer feels safe in the transactions with the bank.					
	C43	Employees in the bank are consistently courteous with their customers.					
	C44	Employees in the bank have the knowledge to answer customer's questions.					
	C51	The bank gives customers individual attention.					
	C52	The bank has operating hours and location convenient to its customers.					
	C53	The bank has employees who take care of					

		personal attention.						
	C54	The bank has customers' best interests at heart.						
	C55	The employees of the bank understand customer's specific needs.						
Customer satisfaction	CS1	I am satisfied in dealing with my bank.						
	CS2	I am satisfied with the way service is provided.						
	CS3	I am satisfied with the overall services of the bank.						
	CS4	I am satisfied with the workers' skill in providing services.						
	CS5	I am satisfied with the courteousness of the workers.						
	CS6	I am fully satisfied with the speed of providing services.						
	CS7	I am satisfied with the facilities and materials the bank provides.						
Customer Loyalty	CL1	I am satisfied with the overall service of the banks.						
	CL2	I would say good things about this bank.						
	CL3	My usage to the service of this bank will continue.						
	CL4	I would recommend this bank to my relatives and friends						

Please foreward your perception on the operation of the bank

Code	Perception on profitability of the bank					
Pp1	Overall profitability					

Appendix 4: Bank service quality survey (Amharic Version)

የባንክ ደንበኞች የአገልግሎት እርካታ መጠይቅ

የተከበሩ የመጠይቁ ተሳታፊ!

ይህ መጠይቅ ለትምህርት ጥናት አገልግሎተ የሚውል ሲሆን የጥናቱም ዓላማ በአሁኑ ወቅት ባንኮች የሚጠቀሙበት የስራ ውጤት ግምገማ ፋይናንሳዊና ፋይናንሳዊ ያልሆኑ መስፈርቶችን የጠቃልል እንደሆነና ካልሆነም መወሰድ ያለበትን የመፍትሄ እርምጃ ለመጠቆም ነው። ጥናቱ የባንክ ደንበኞችን የአገልግሎት እርካታ ደረጃ ምን ያህል እንደሆነ በምርጫ መልክ የሚያስቀምጥ ሲሆን የርስዎን የመላሾን በነ ፈቃድና ትብብር መሰረት ያደረገ ይሆናል። መጠይቁ ወደ 20 ደቂቃ ያህል የሚወስድ ሲሆን የጥናቱ ባለቤት የተሳታፊዎቹን ማንነት የማይገልፅና የሚያገኘውም ዝርዝር የመጠይቅ መልስ በሚስጥር የሚጠበቅ መሆኑን ሲያረጋግጥ ለሚደረግለት ትብብር በቅድምያ ምስጋናውን ያቀርባል።

ከሰላምታ ጋር

የባንክ ደምበኞች የአገልግሎት እርካታ መጠይቅ

መግቢያ፤

ይህ የመጠይቅ ቅፅ ሦስት ክፍሎች ሲኖሩት የመጀመሪያው የመላሹን ወይም የመላሿዋን ግላዊ ግን አስፈላጊ መረጃዎችን የሚጠይቁ ጥያቄዎች አሉት፡፡

ሁለተኛው ክፍል እርስዎ እንደተጠቃሚ በመርህ ወይም በሃሳብ ደረጃ እገለገልበታለሁ በሚሉት ባንክ ወይም ባንኮች ውስጥ ሊኖሩ ይገባቸዋል ብለው በሚጠብቋቸው ዝርዝሮች ሃሳቦች አኪያመስማማትዎን ወይም አለመስማማትዎን በደረጃ የሚያስቀምጡበት ነው፡፡

ሦስተኛውና የመጨረሻው ክፍል እርስዎ እንደ ባንክ አገልግሎት ተጠቃሚ ካዳበሩት ልምድና እይታ አንፃር በመንተራስ አሁን በሚጠቀሙበት ባንክ ወይም ባንኮች ውስጥ ያለውን የአገልግሎት ሁኔታ ከተቀመጡት መስፈርቶች አኪያ የእርስዎ መስማማት ወይም አለመስማማት በደረጃ የሚያስቀምጡበት ክፍል ነው፡፡

መልስዎን በተቀመጠው ክፍት ቦታ (x) ምልክት ያድርጉበት፡፡

ክፍል አንድ፡-

የመላሹ/ሿዋ የግል መረጃዎች

1. ፆታ፤ ወንድ: _____ ሴት _____

2. እድሜ፤

      ከ20-30 ዓመት   _____   ከ 31-40   _____

      ከ41-50 ዓመት   _____   ከሃምሳ በላይ _____

3. የት/ት ደረጃ፤

      አንደኛ ደረጃ _____   ዲፕሎማ   _____

      ሁለተኛ ደረጃ _____   የመጀመሪያ ዲግሪ   _____

      ሁለተኛ ዲግሪ _____

      ሌላ (እባክዎን ይጥቀሱ)_____

4. የተሰማሩበት የስራ ሁኔታ፦-

       የግል ተቀጣሪ _____

       የመንግስት ተቀጣሪ_____

       የንግድ ስራ   _____

       ሌላ (እባክዎን ቢገልፁት)_____

ክፍል ሁለት፡

በዚህ ክፍል ውስጥ እርስዎ በመርህ ወይም በሃሳብ ደረጃ እገለገልበታለሁ በሚሉት ባንክ ወይም ባንኮች ውስጥ ሊኖሩ ይገባቸዋል ብለው የሚጠብቋቸውን የአገልግሎት ቅድመ ግምቶች ወይን እሳቤዎች ከተጠቀሱት ዝርዝር ሃሳቦች አኳያ መስማማትዎን ወይም ያለመስማማትዎን ቀጥሎ በቁጥር በተቀመጠው መስፈርት መሰረት የሚያሳዩበት ይሆናል፡፡

1.   በጣም አልስማማም

2.   አልስማማም

3.   አስተያየት የለኝም

4.   እስማማለሁ

5.   በጣም እስማማለሁ

ስለሆነም ከዚህ በታች ለተጠቀሱት ዝርዝር ፍሬ ሃሳቦች ከ1-5 አንዱን በመምረጥ የመስማማትዎን ወይም ያለመስማማትዎን ደረጃ ያሳዩ፡፡

ኮድ	አንድ ባንክ ወይም ቅርንጫፍ ባንክ	1	2	3	4	5
C111	ዘመናዊ የአገልግሎት ቴክኖሎጂ ግብአቶች ሊኖሩት ይገባል፤					
C112	እይታን የሚማርክ ህንፃ፣ ቁሳቁስ፣ የመኪና ማቆምያና ምቹ የእንግዶች መቀመጫ ሊኖሩት ይገባል፤					
C113	ጥንቁቅና ፅዱ ሰራተኞች ሊኖሩት ይገባል፤					
C114	ባንኩ የሚጠቀምባቸው ፅሁፎቹ (በራሪ ፅሁፎች እመለካች ፅሁፎች የሂሳብ መግለጫ ወዘተ) ተነባቢና ማራኪ መሆን አለባቸው፤					
C121	የሚሰጠው አገልግሎት ቃል በገባው መሰረት መሆን አለበት፤					
C122	እስተማማኝና ያልተንዛዛ የደንበኞች ችግር አፈታት ዘዴ መከተል አለበት፤					
C123	ከመጀመሪያ የስራ መክፈቻ ደቂቃ ጀምሮ አገልግሎት መስጠት አለበት፤					

C124	የአገልግሎት መስጫ ጊዜያትን በግልፅ መስቀመጥ አለበት፤					
C125	ከስህተት የፀዱ የመዛግብት አያያዝ ሊኖሩት ይገባል።					
C131	የሚሰጡትን አዳዲስ አገልግሎቶች መቸ እንደሚጀመር በትክክል መግለፅ አለበት፤					
C132	ፈጣን አገልግሎት የሚሰጡ ሰራተኞች ሊኖሩት ይገባል።					
C133	ምንግዜም ደንበኞችን ለመርዳት ፈቃደኛ የሆኑ ሰራተኞች ሊኖሩት ይገባል።					
C134	የተደረገውን የፖሊሲ ለውጥ በግልፅ ለማስረዳት ዝግጁ የሆኑ ሰራተኞች ሊኖሩት ይገባል።					
C141	በደንበኞች ላይ መተማመንን የሚያሰርፅ ባህርይ የተላበሱ ሰራተኞች ሊኖሩት ይገባል።					
C142	ደንበኞች በሚያካሄዱት የንግድ ልውውጥ /ሂደት/ ላይ ደህንነት እንዲሰማቸው ማድረግ አለበት፤					
C143	ወጥና ሁልጊዜም አክብሮትን በተላበሰ አኳኋን የሚያስተናግዱ ሰራተኞች ሊኖሩት ይገባል፤					
C144	ለደንበኞች ጥያቄ ተገቢውን መልስ ለመስጠት ችሎታና ተነሳሽነት ያላቸው ሰራተኞች ሊኖሩት ይገባል፤					
C151	ደንበኞች፤ በተናጠልም ቢሆን ተፈላጊውን ትኩረት የሚሰጡበት መሆን አለበት፤					
C152	ደንበኞች ምቹ የሆነ የአገልግሎት መስጫ ቅርንጫፍና የስራ ሰዓት ሊኖራቸው ይገባል፤					
C153	ደንበኞችን፤ በትህትናና በእንክብካቤ መንፈስ የሚያስተናግዱ ሰራተኞች ሊኖሩት ይገባል።					
C154	የደንበኞችን ፍላጎት ማርካት ዋነኛ መርሆው ማድረግ አለበት፤					
C155	የእያንዳንዱን ደንበኛ ፍላጎት የሚረዱ ሰራተኞች ሊኖሩት ይገባል፤					

ክፍል ሦስት፡-

5. አሁን የሚጠቀሙበት የባንክ ስም ማን ይባላል?_____

6. ከባንኩ ጋር በደንበኝነት ምን ያህል ጊዜ ቆይተዋል?_____

7. ከዚህ ባንክ ውጭ የሌላ ባንክ ደንበኛ ነዎት? _____

8. ከላይ ለቀረበው ጥያቄ መልስዎ አዎ ከሆነ የሚገለገሉበት ባንክ ወይም ባንኮች ስም ቢጠቅሱ!

_____

በዚህ ክፍል ውስጥ እርስዎ እንደ ባንክ ተጠቃሚ በአገልግሎቱ ላይ ያለዎትን ልምድና እይታ መሰረት በማድረግ ከቀረቡት ዝርዝር ሀሳቦች አኳያ መስማማትዎን ወይም አለመስማማትዎን በደረጃ በማስቀመጥ የሚያሳዩበት ይሆናል፡፡ ደረጃውም ከ 1 እስከ 5 ሲሆን በዝርዝርም:-

1. በጣም አልስማማም

2. አልስማማም

3. አስተያየት የለኝም

4. እስማማለሁ

5. በጣም እስማማለሁ

ስለሆነም ከዚህ በታች ለተጠቀሱት ዝርዝር ፍሬ ሀሳቦች ከ1-5 ከቀረቡት መስፈርቶች አንዱን በመምረጥ የመስማማትዎን ወይም ያለመስማማትዎን ደረጃ ያሳዩ፡፡

ኮድ	አሁን የሚገለገሉበት ባንክ	1	2	3	4	5
C11	ዘመናዊ የአገልግሎት ቴክኖሎጂ ግብአቶች አሉት፤					
C12	እይታን የሚማርክ ህንፃ፣ ግቢ፣ ቁሳቁስ፣ የመኪና ማቆምያና ምቹ የእንግዶች መቀመጫ አለው፤					
C13	ጥንቁቅና ፅዱ ሰራተኞች አሉት፤					
C14	የሚጠቀምባቸው ፁሁፎቹ (በራሪ ፁሁፎች አመለካች ፁሁፎች የሂሳብ መግለጫ ወዘተ) ተነባቢና ማራኪ ናቸው፤					
C21	አገልግሎቱን የሚሰጠውቃል በገባው መሰረት ነው፤					
C22	እስተማማኝና ያልተንዛዛ የደንበኞች ችግር አፈታት ይከተላል፤					
C23	ከመጀመሪያ የስራ መክፈቻ ደቂቃ ጀምሮ አገልግሎትይሰጣል፤					
C24	የአገልግሎት መስጫ ጊዜያትን በግልፅ አስቀምጦአል፤					
C25	ለደንበኞች የሚሰጡት የሂሳብ መግለጫዎች ስህተት የላቸውም፣ ቢከሰትም አስፈላጊውን እርማት በወቅቱ ይወስዳል፤					
C31	ለደምበኞቹ የሚሰጡት አዳዳዲስ አገልግሎቶች መቼ እንደሚጀመር በትክክል የሚገልፁ ሰራተኞች ያሉት፤					
C32	ፈጣን አገልግሎት የሚሰጡ ሰራተኞች አሉት፤					
C33	ምንጊዜም ደንበኞችን ለመርዳት ፈቃደኛ የሆኑ ሰራተኞች					

	አለት፤						
C34	የተደረገውን የፖሊሲ ለውጥ በግልፅ ለማስረዳት ዝግጁ የሆኑ ሰራተኞች አለት፤						
C41	በደንበኞች ላይ መተማመንን የሚያሰርፅ ባህርይ የተላበሱ ሰራተኞች አለት፤						
C42	ደንበኞች በሚያካሂዱት የንግድ ልውውጥ /ሂደት/ ላይ ደህንነት እንዲሰማቸው ያደርጋሉ፤						
C43	ለደንበኞች ወጥና ሁልጊዜም አክብሮት በተላበሰ ኣኳኋን የሚያስተናግዱ ሰራተኞች አለት፤						
C44	ለደንበኞች ጥያቄ ተገቢውን መልስ ለመስጠት ችሎታና ተነሳሽነት ያላቸው ሰራተኞች አለት፤						
C51	ለደንበኞች፣ በተናጠልም ቢሆን ተፈላጊውን ትኩረት ይሰጣል፤						
C52	ለደንበኞች ምቹ የሆነ የአገልግሎት መስጫ ቅርንጫፍና የስራ ሰዓት አለው፤						
C53	ለደንበኞች፣ በትህትናና በእንክብካቤ መንፈስ መስተንግዶ የሚሰጡ ሰራተኞች አለት፤						
C54	መሰረታዊ መርሆው የደንበኞችን ፍላጎት ማርካት ነው፤						
C55	የእያንዳንዱን የደንበኛ ፍላጎት የሚረዱ ሰራተኞች አለት፤						
	የደንበኞች ዕርካታ						
CS1	ከባንኩ ጋር ባለኝ ግኑኝነት ረክቻለሁ						
CS2	ባንኩ በሚሰጠው አገልግሎት ረክቻለሁ						
CS3	ባንኩ በሚሰጠው አጠቃላይ አገልግሎት እርካታ አለኝ						
CS4	የባንኩ ሰራተኞች በአገልግሎት አሰጣጥ ችሎታቸው ረክቻለሁ						
CS5	የባንኩ ሰራተኞች ለደንበኞች ባላቸው ትህትና ረክቻለሁ						
CS6	የባንኩ ሰራተኞች በሚሰጡት የተቀላጠፈ አገልግሎት ሙሉ እርካታ አለኝ						
CS7	ባንኩ ለደንበኞቹ በሚያቀርበው ቁሳዊና ማተርያላዊ አገልግሎቶች እርካታ አለኝ						
	የደንበኞች የእርካታ መገለጫ						
CL1	በአጠቃላይ በሚሰጠው አገልግሎት ረክቻለሁ፤						

CL2	ባንኩን በሚመለከት ለሰዎች በጎ ነገር እናገራለሁ፤					
CL3	ለቀጣይም ቢሆን የባንኩ ደምበኛነቴን እቀጥላለሁ፤					
CL4	ሌሎች ጓደኞቼና ቤተሰቦቼ የዚህ ባንክ አገልግሎት ተጠቃሚ እንዲሆኑ አግባባለሁ፤					

ለትብብርዎ እናመሰግናለን

በባንክ የስራ ውጤት በሚመለከት የሚቀርብ አስተያየት

ኮድ	ትርፍን በሚመለከት ያልዎት አስተያየት					
pp	አጠቃላይ ትርፋማነት					

Appendix 5: Emplyee Satisfiction Regression standardized Residual (EMST)

Histogram

Dependent Variable: EMPLOYEE_SATISFACTION

Mean = 3.62E-15
Std. Dev. = 0.989
N = 180
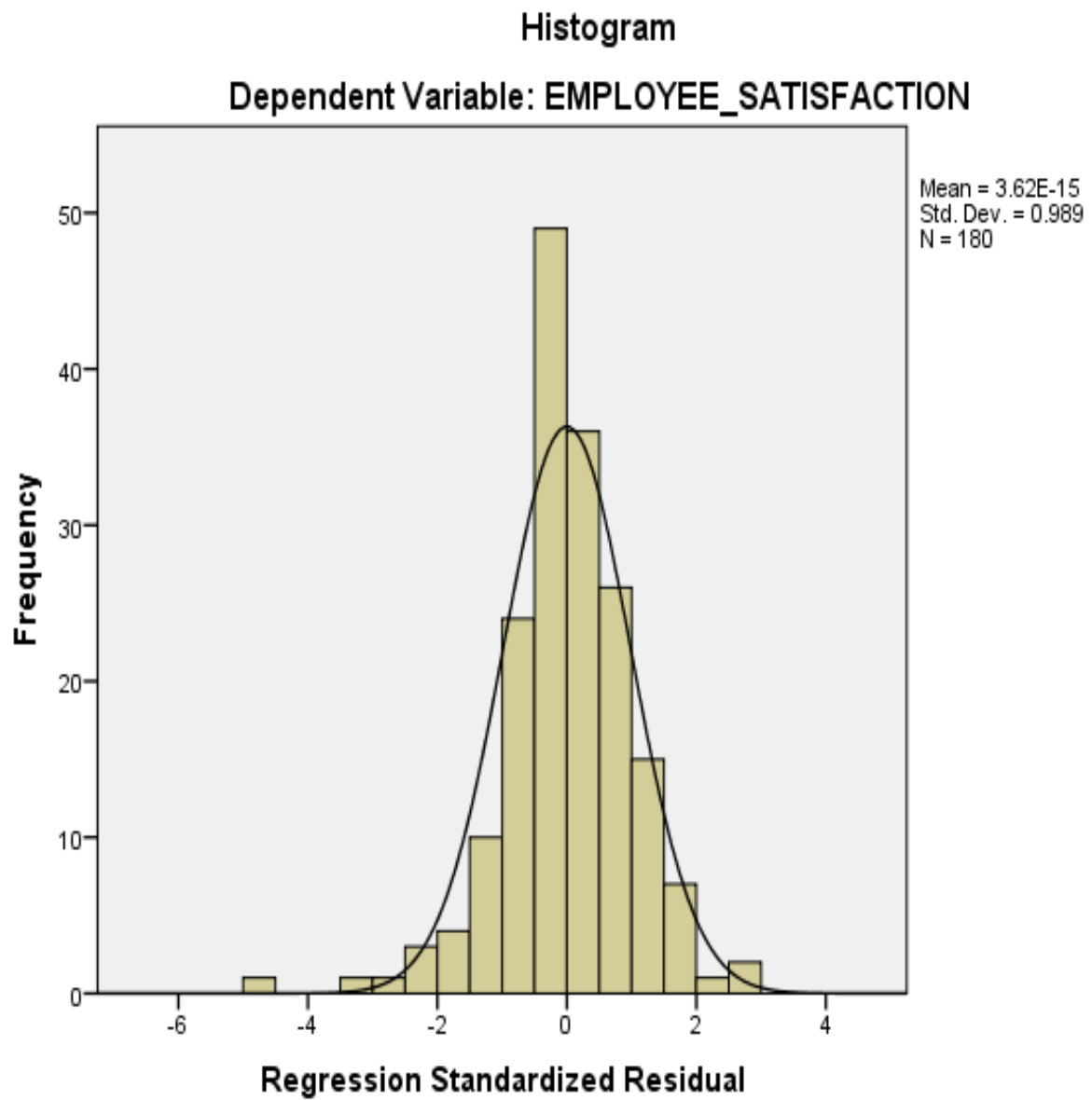
Appendix 6: Normal P -P Plot of regression statndardized residual Observed Cum Prob (EMST)

Normal P-P Plot of Regression Standardized Residual
Dependent Variable: EMPLOYEE_SATISFACTION
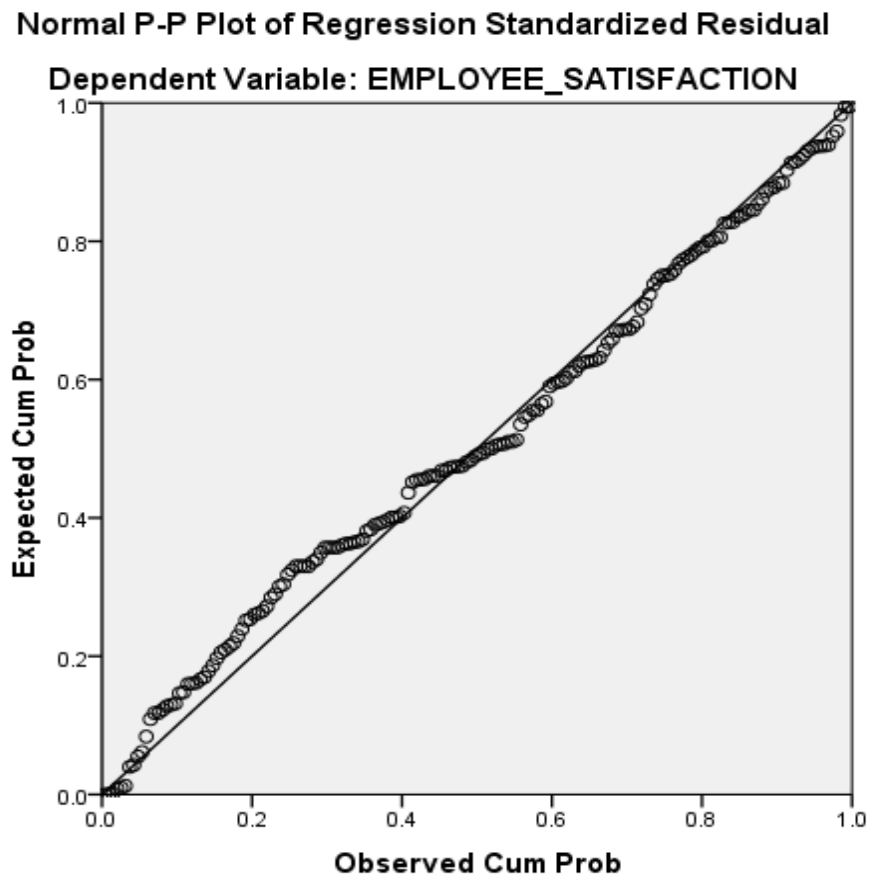
Appendix 7: Scatterplot regression standardized predicted value (EMST)

Scatterplot

Dependent Variable: EMPLOYEE_SATISFACTION
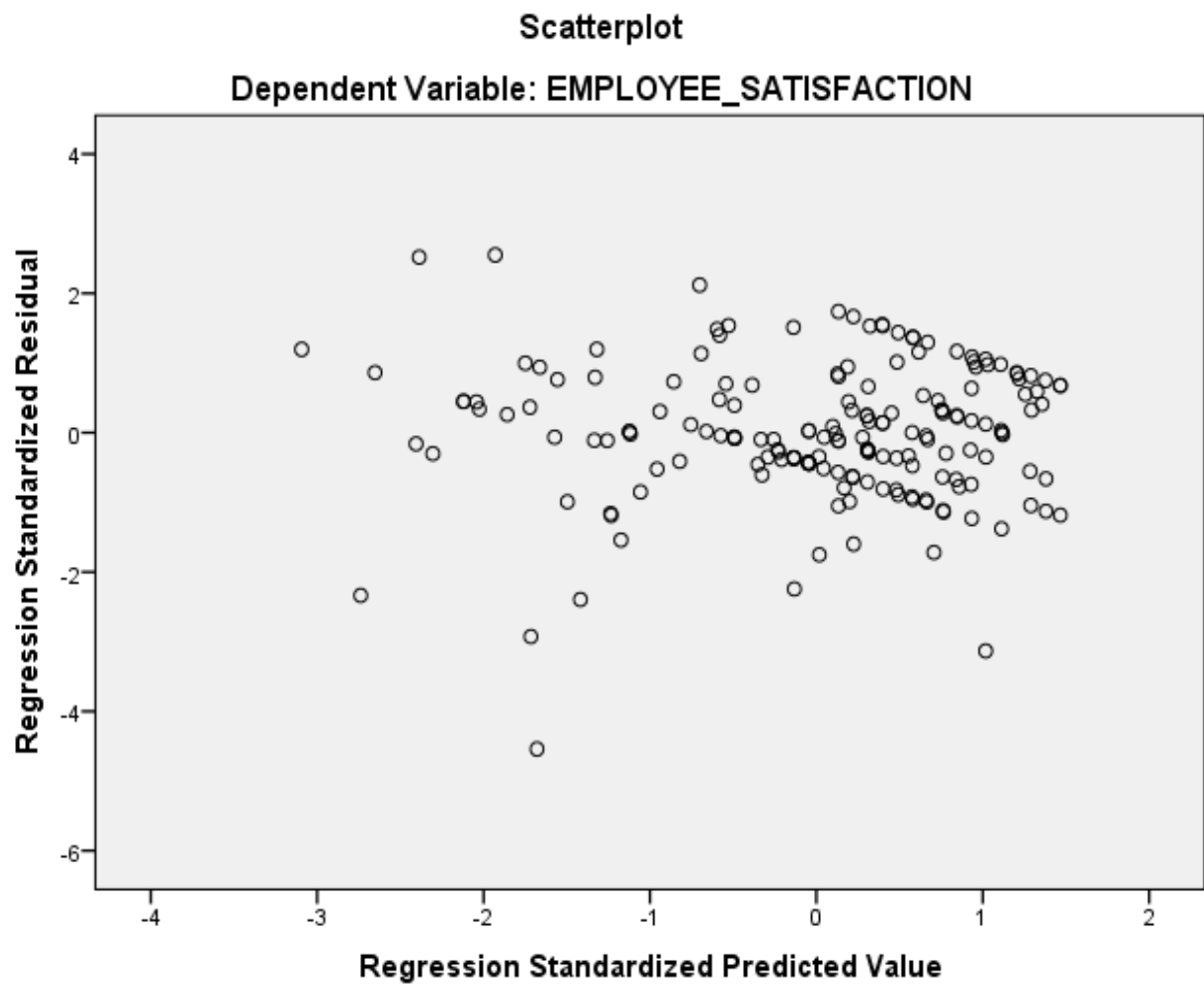
Appendix 8: Histogram Regression Standardized Residual (SER_QUAL)

Histogram

Dependent Variable: SER_QUAL

Mean = 4.49E-16
Std. Dev. = 0.986
N = 180
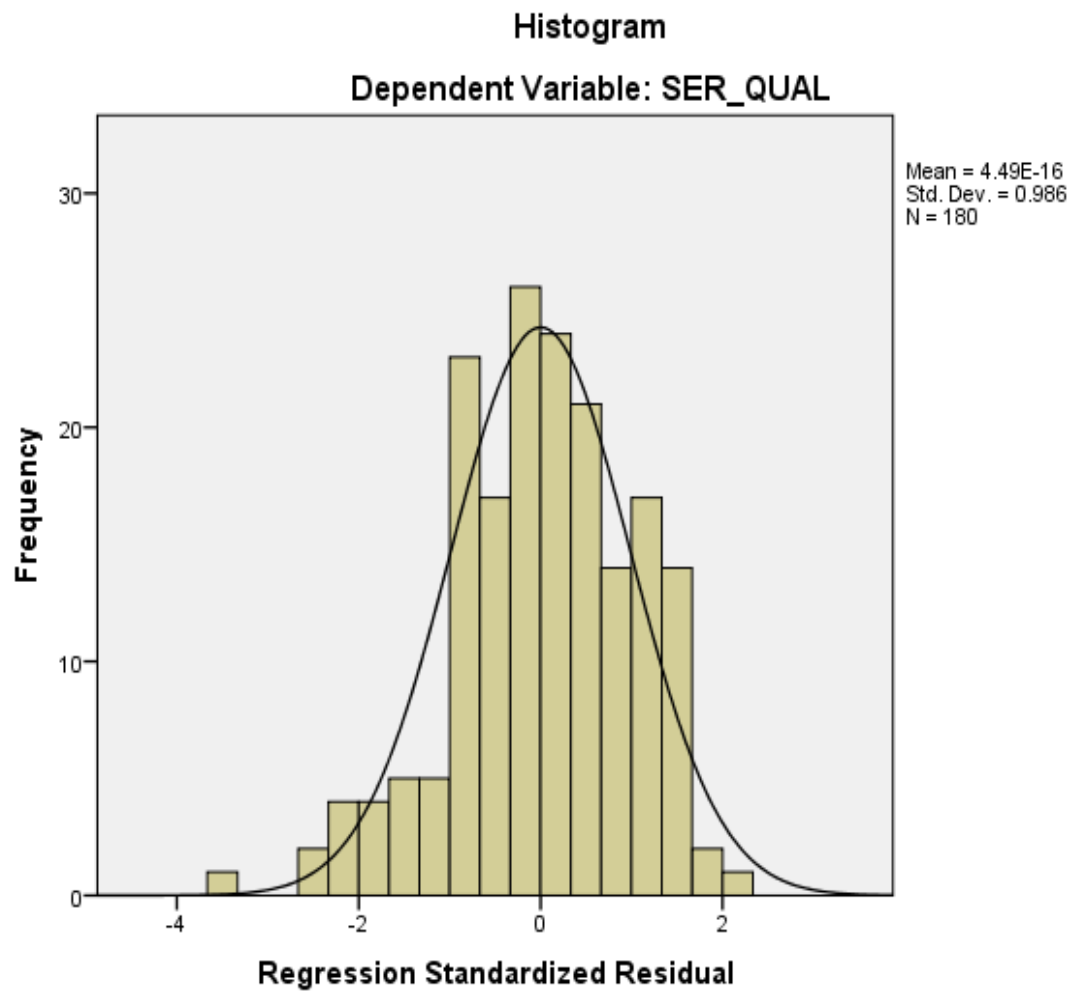
Appendix 9: Normal P –P plot of regression standardized residual Observed cub prob (SER_QUAL)

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: SER_QUAL
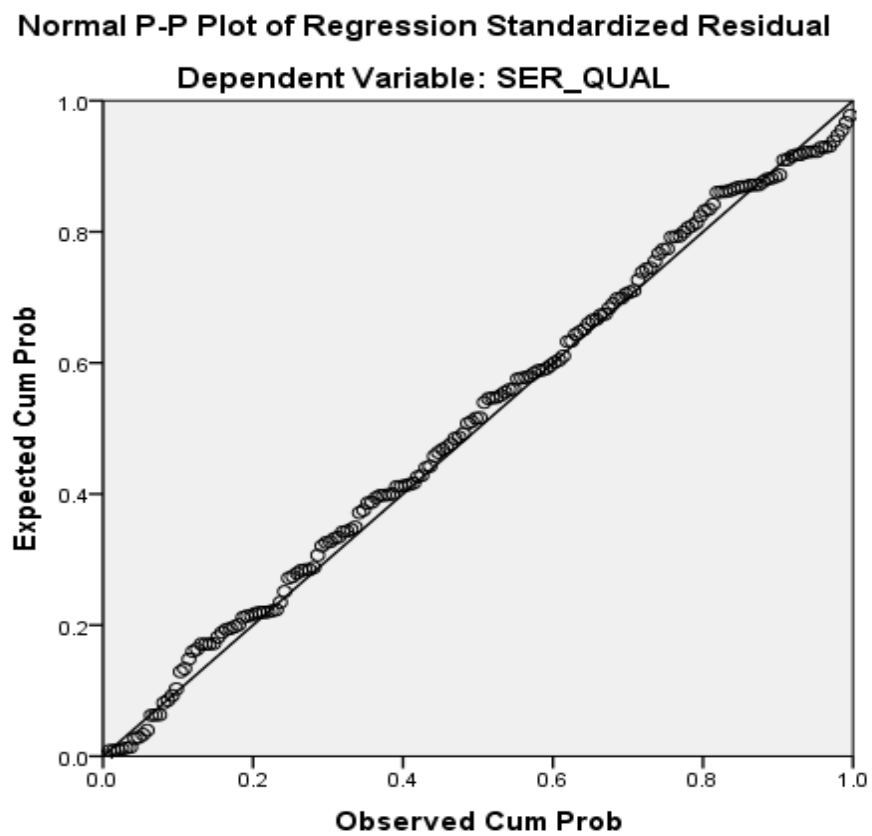
Appendix 10: Scatterplot Regression Standardization Predicted value (SER_QUAL)

Scatterplot

Dependent Variable: SER_QUAL
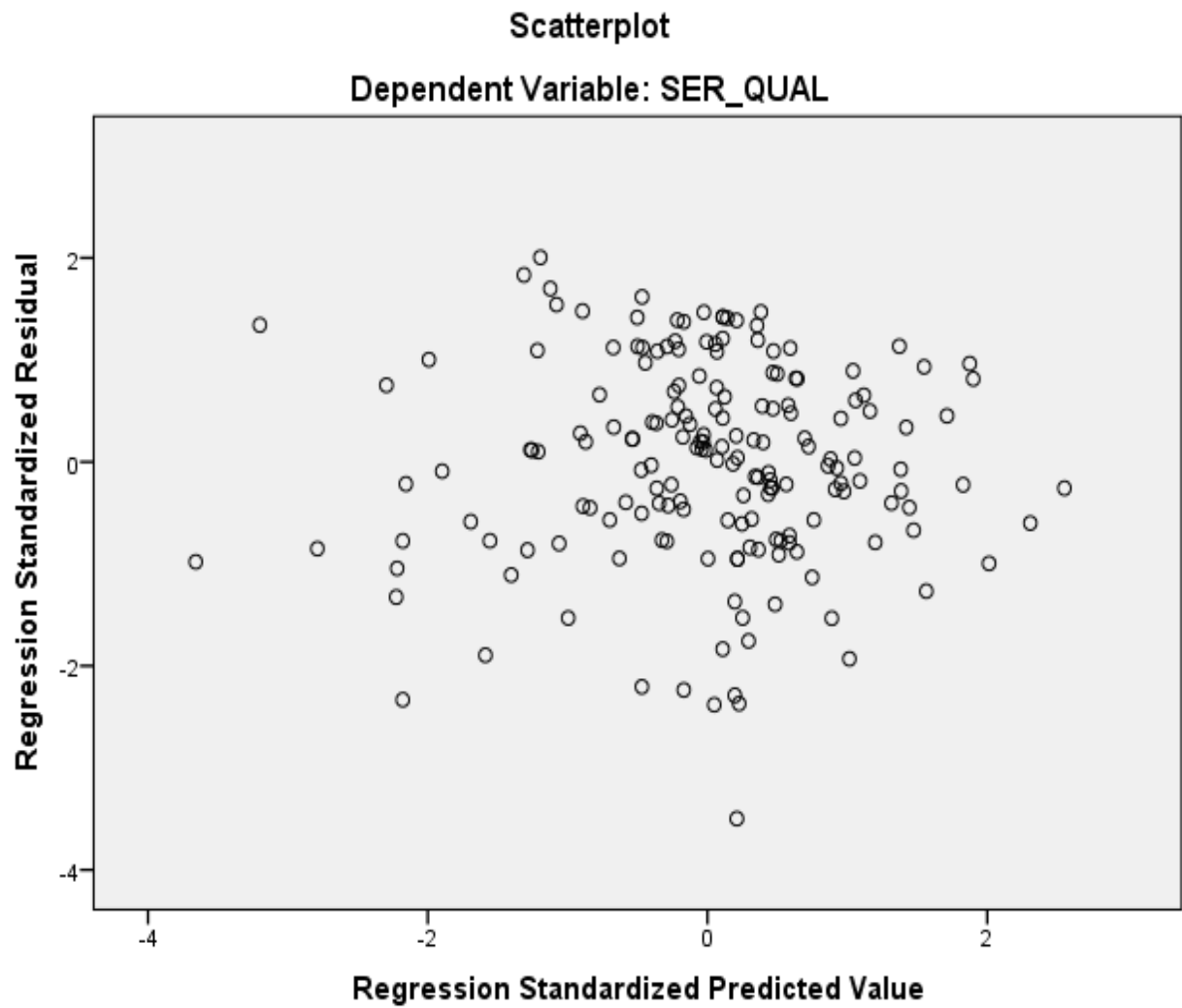
Appendix 11 Histogram Regression Standardized Residual (CU_SATISFACTION)

Histogram

Dependent Variable: CU_SATISFACTION

Mean = -1.34E-16
Std. Dev. = 0.986
N = 180
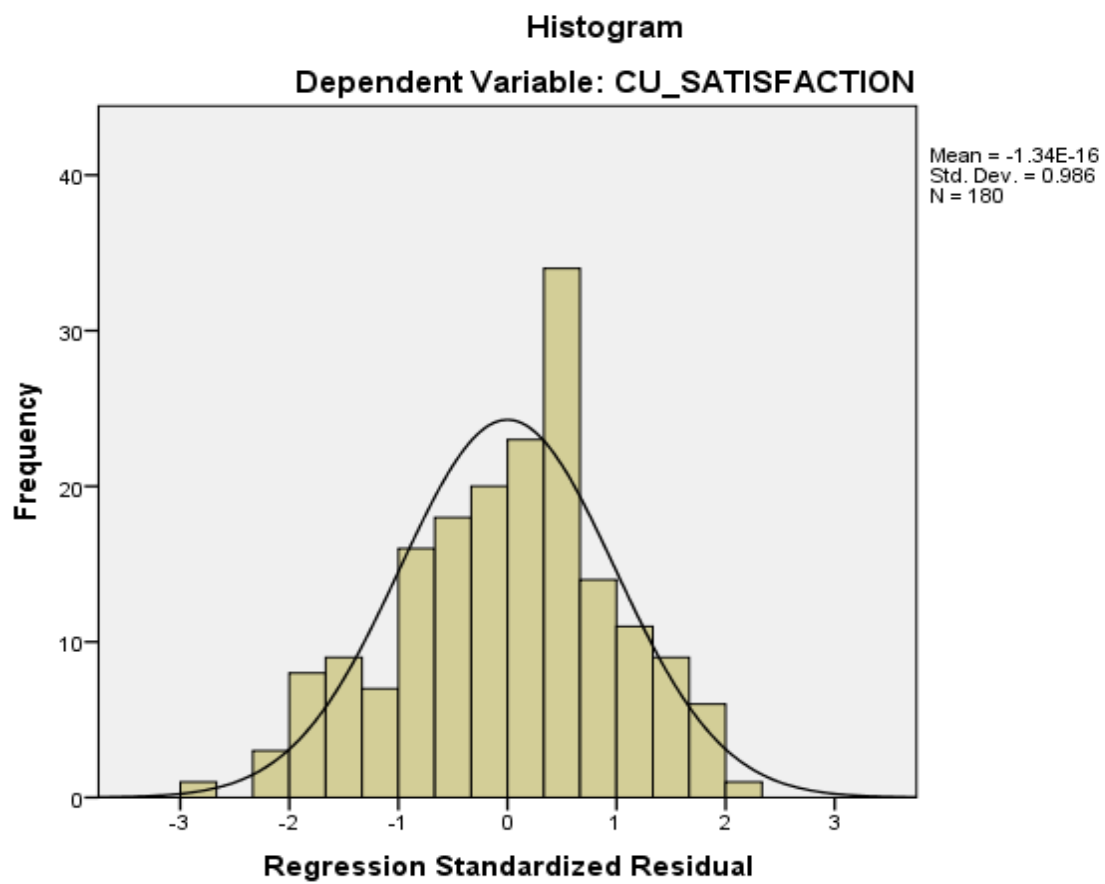
Appendix 12: Normal P –P plot of regression standardized residual Observed cub prob (CU_SATISFACTION)

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: CU_SATISFACTION
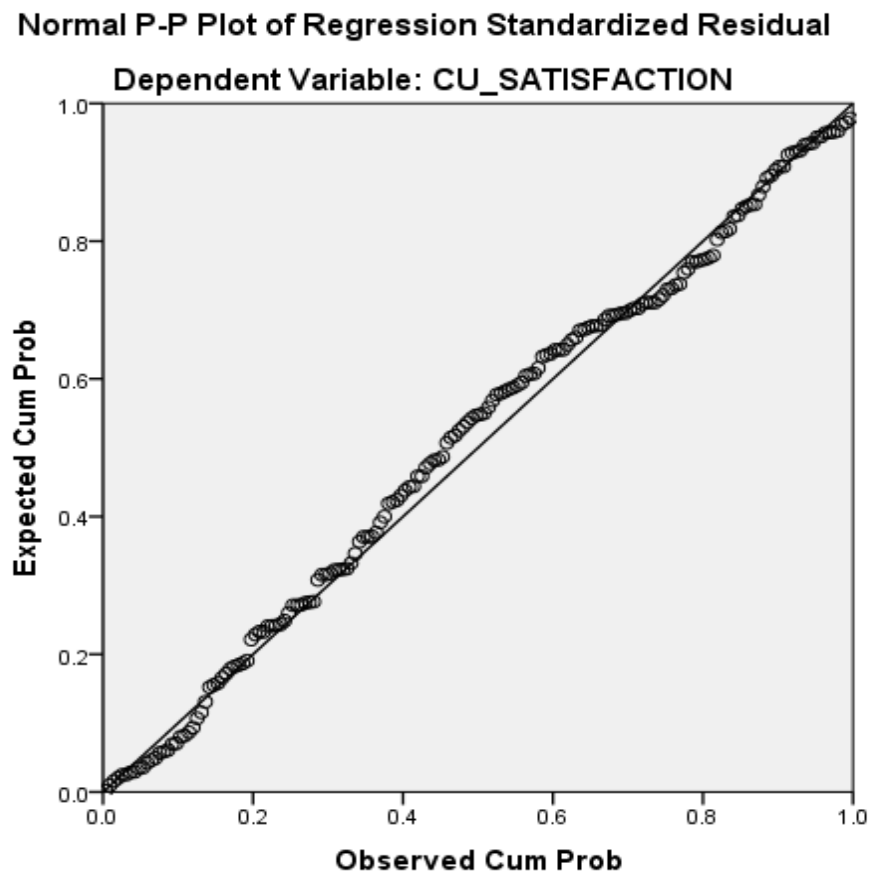
Appendix 13: Scatterplot Regression Standardizaed Predicted value (CU_SATISFACTION)

Scatterplot

Dependent Variable: CU_SATISFACTION
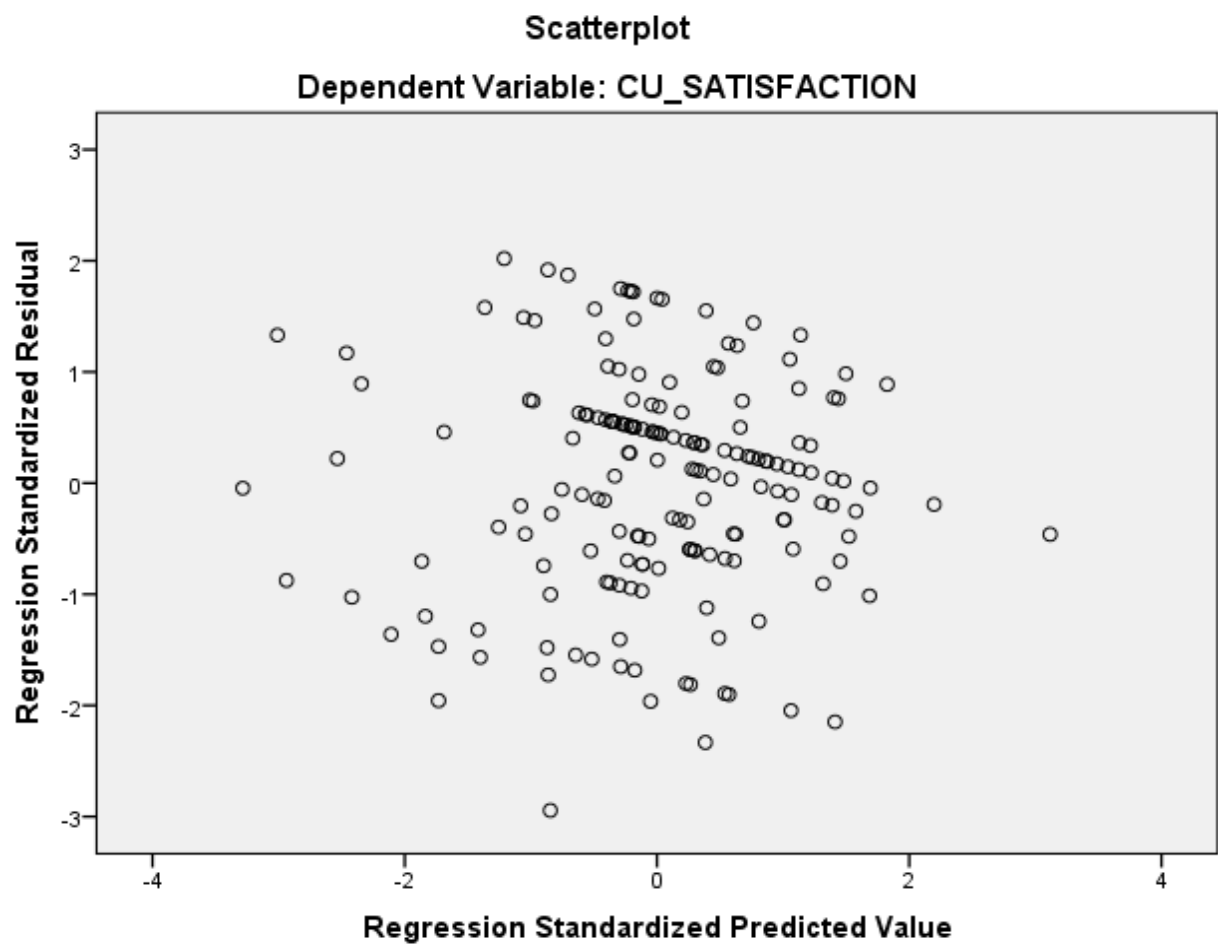
Appendix 14: Histogram Regression Standardized Residual (CU_SATISFACTION)

Histogram

Dependent Variable: CU_SATISFACTION

Mean = -1.70E-15
Std. Dev. = 0.986
N = 180
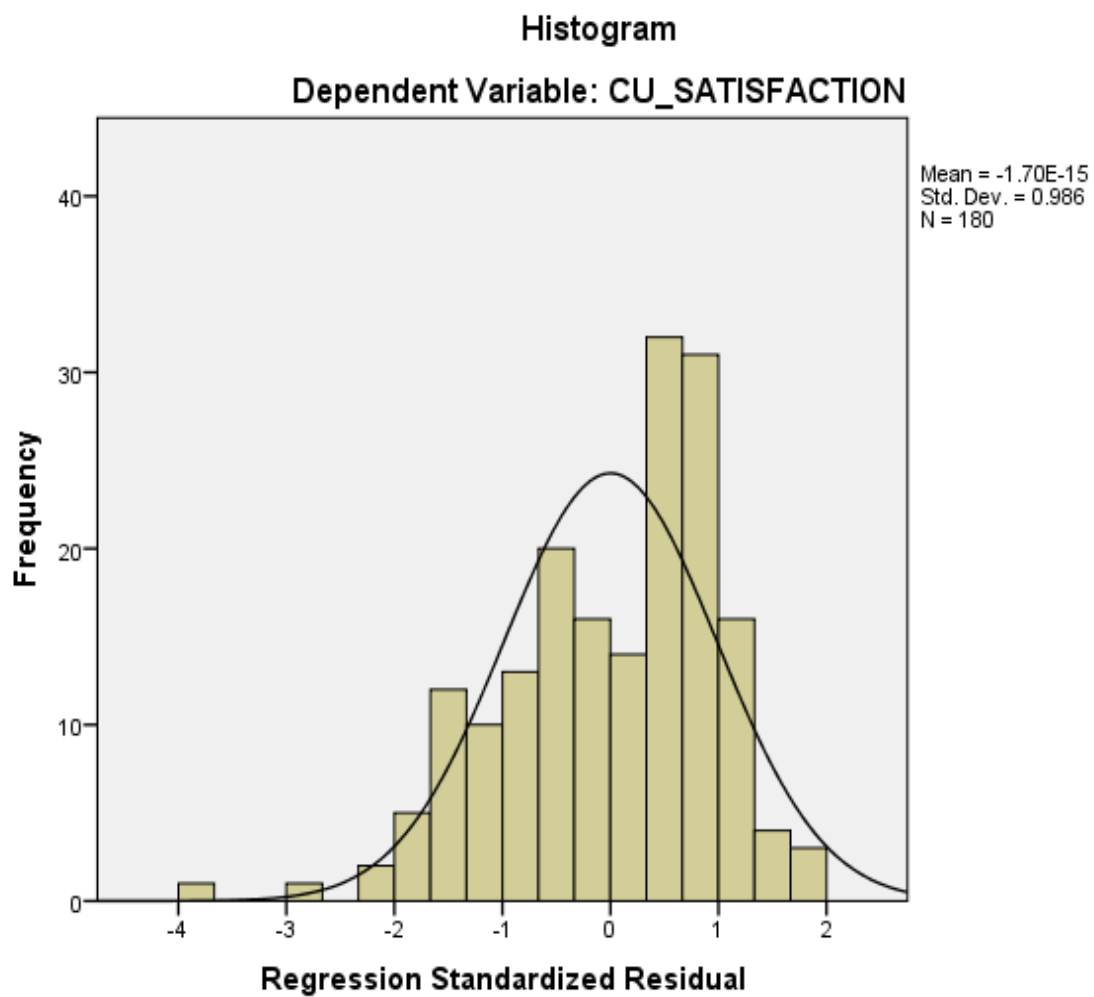
Appendix 15: Normal P –P plot of regression standardized residual Observed cub prob (CU_SATISFACTION)

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: CU_SATISFACTION
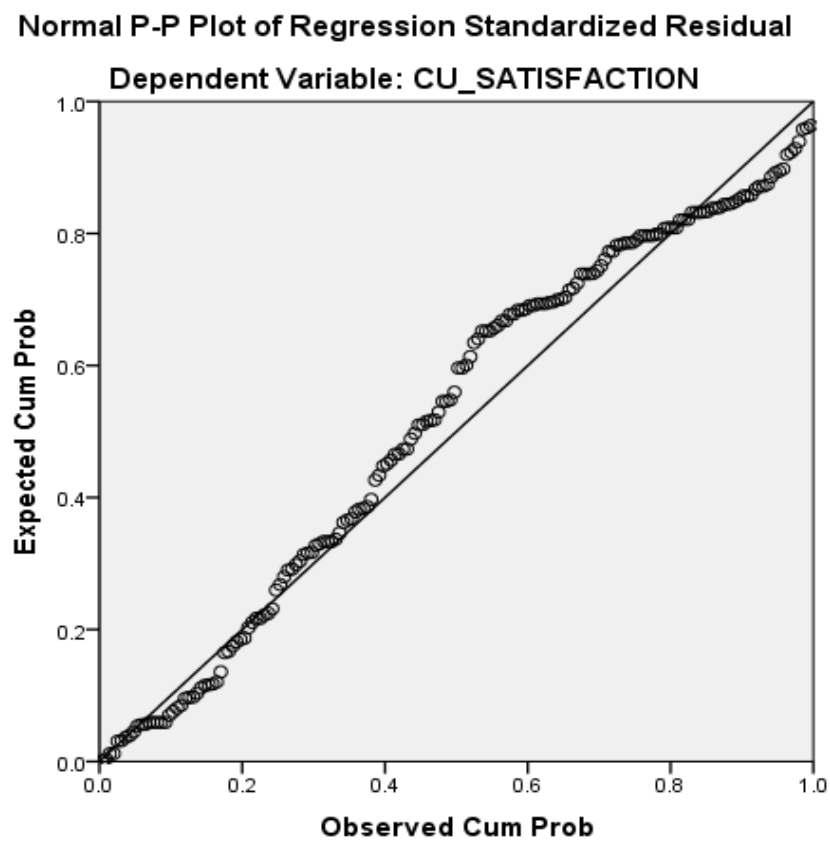
Appendix 16: Scatterplot Regression Standardized Predicted value (CU_SATISFACTION)

Scatterplot
Dependent Variable: CU_SATISFACTION
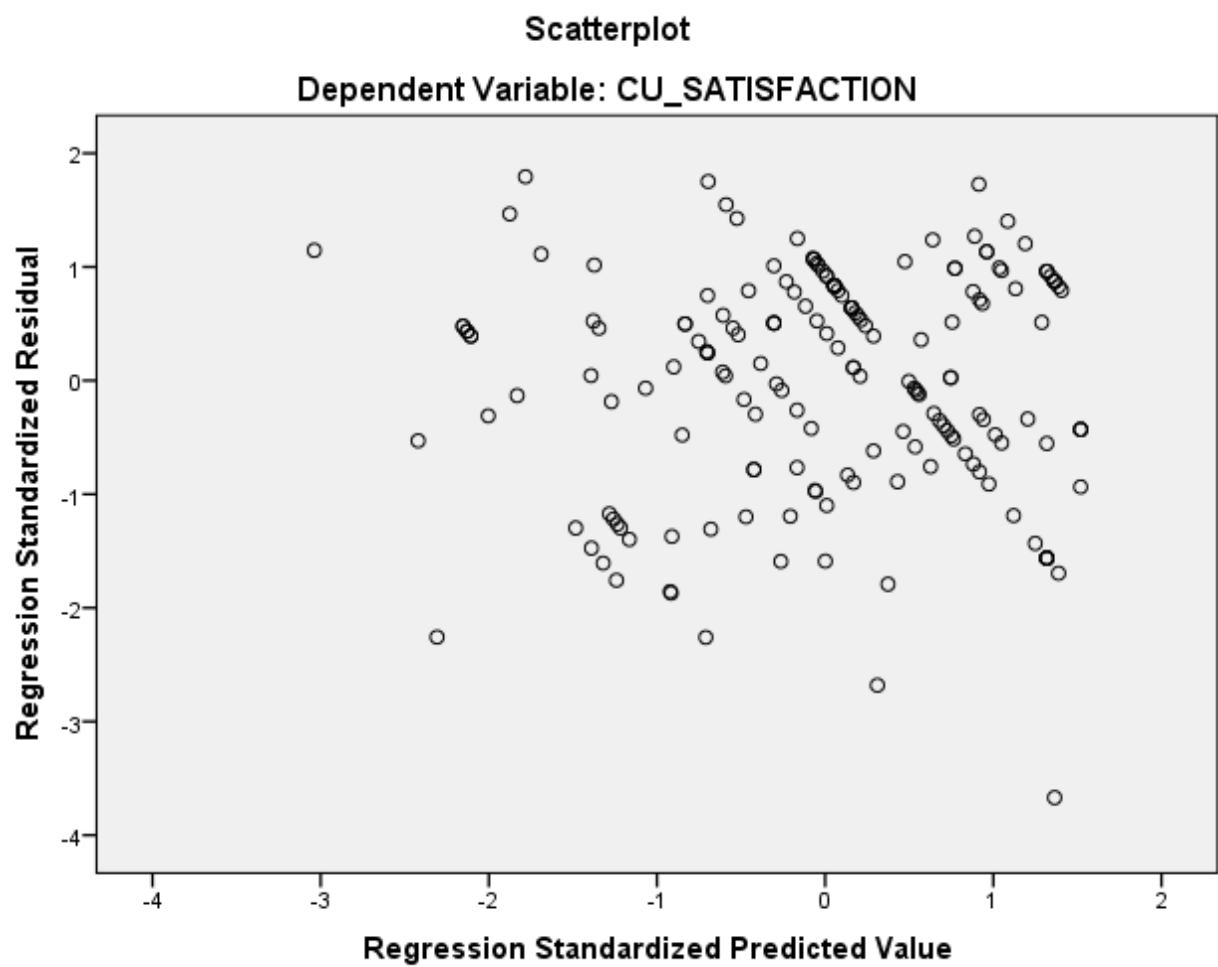
Appendix 17: Histogram Regression Standardized Residual (CU_LOYALITY)

Histogram

Dependent Variable: CU_LOYALITY

Mean = -1.11E-15
Std. Dev. = 0.986
N = 180
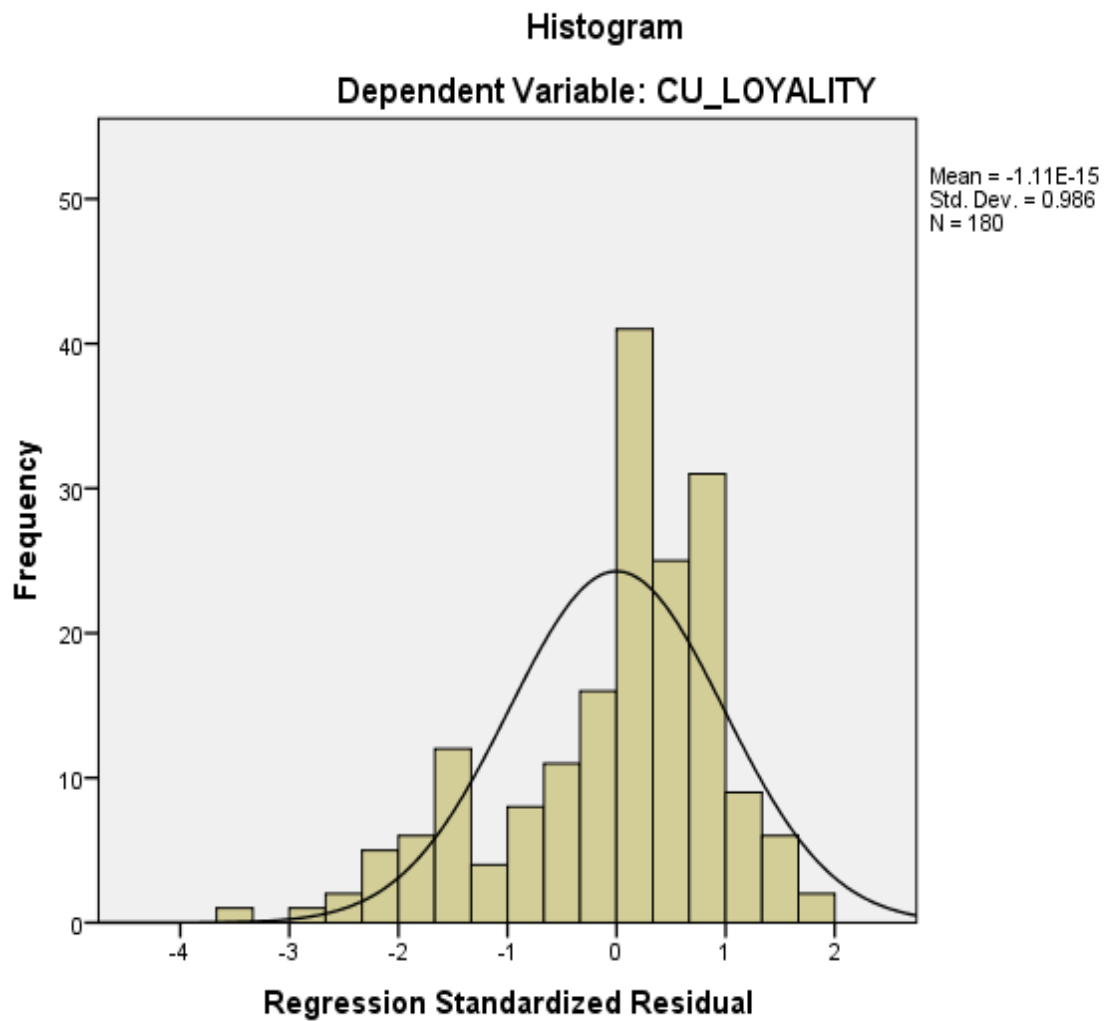
Appendix 18: Normal P –P plot of regression standardized residual Observed cub prob (CU_LOYALITY)

Normal P-P Plot of Regression Standardized Residual
Dependent Variable: CU_LOYALITY
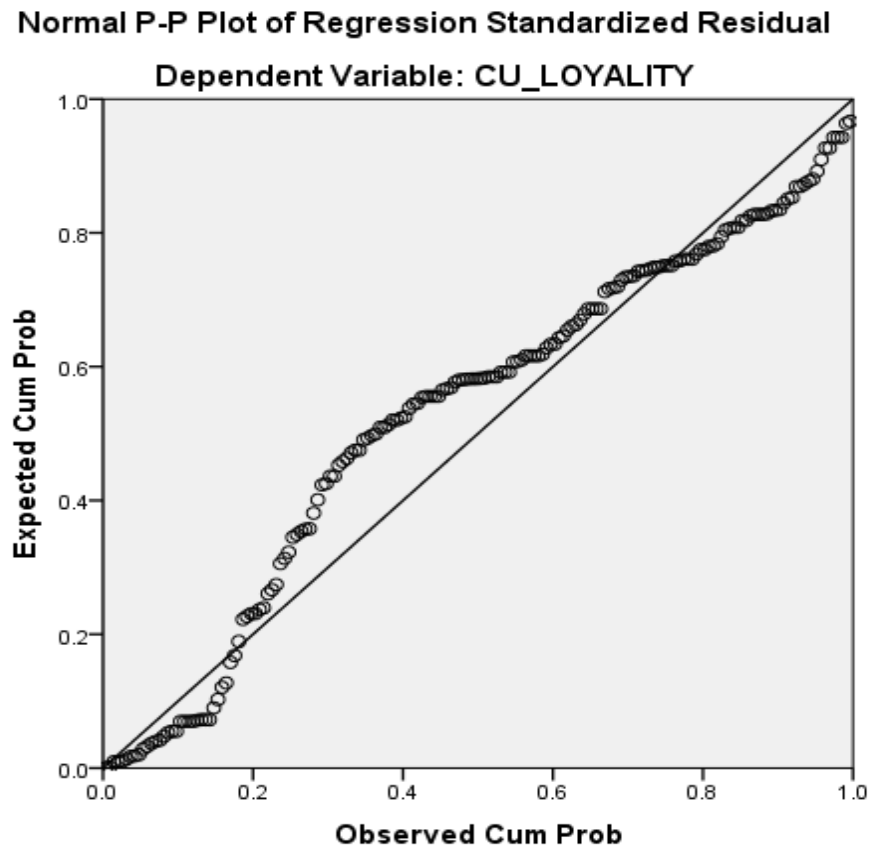
Appendix 19: Scatterplot Regression Standardized Predicted value (CU_LOYALITY)

Scatterplot

Dependent Variable: CU_LOYALITY
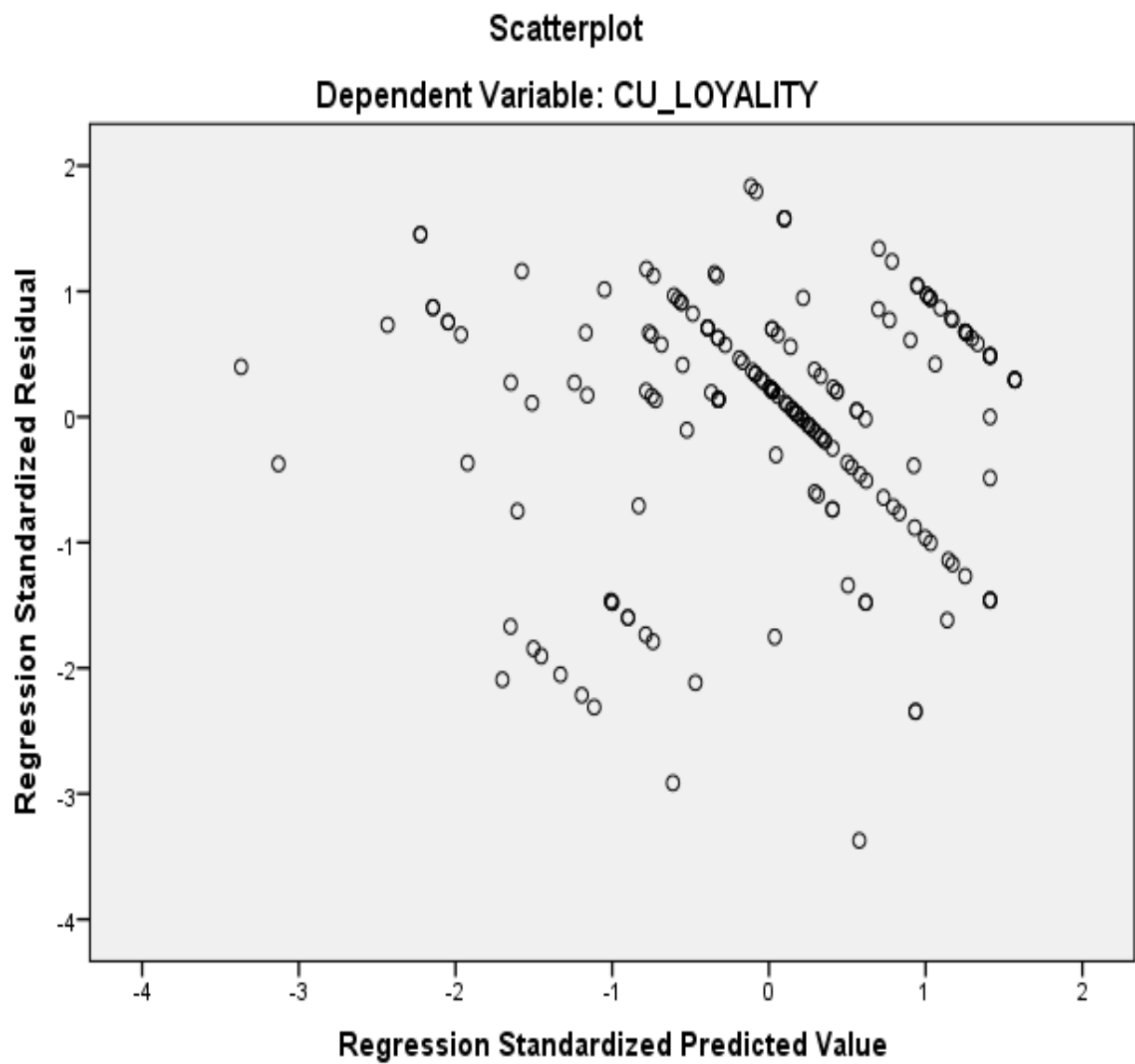
Appendix 20: List of Banks in Ethiopia

| Item	Bank name	Year of establishment	Number of branches
1	Abay Bank S.C.	2010	79
2	Addis International Bank	2011	18
3	Awash International Bank	1994	131
4	Bank of Abyssinia	1996	93
5	Berhan International Bank	2010	46
6	Bunna International Bank	2009	65
7	Commercial Bank of Ethiopia*	1963	844
8	Construction and Business Bank*	1983	106
9	Cooperative Bank of Oromia	2005	73
10	Dashen Bank	1995	139
11	Debub Global Bank	2012	32
12	Development Bank of Ethiopia*	1909	43
13	Enat Bank	2013	5
14	Lion International Bank	2006	39
15	Nib International Bank	1999	90
16	Oromia International Bank	2008	109
17	United Bank	1998	84
18	Wegagaen Bank	1997	98
19	*Zemen Bank*	2009	1
	Total		

Source: National Bank of Ethiopia; * implies public banks

Appendix 21: Summary of the inter item correlations of internal marketing attributes and the correlation of internal marketing attributes with employee job satisfaction: (N=180)

		EMSAT	RLS	SB	WC	CRD
EMSAT	Pearson Correlation	1.000				
RLS		.889	1.000			
SB		.664	.413	1.000		
WC		.727	.500	.466	1.000	
RLW		.638	.513	.518	.367	1.000
Sig. (2-tailed)		.000	.000	.000	.000	.000
N		180	180	180	180	180

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

Appendix 22: Summary of the correlations of internal service quality attributes/employee satisfaction and customer service quality:(N=180)

		SQ*	WC	CRD	RLS	RLW	SB
SQ*	Pearson Correlation	1.000					
RLS		.015	1.000				
SB		.077	.413	1.000			
RLW		.034	.513	.200	1.000		
WC		.220	.500	.466	.367	1.000	
CRD		.229	.596	.518	.415	.543	1.000
	N	.	.420	.153	.325	.002	.001

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

Appendix 23: Summary of the correlations of internal service quality attributes/employee satisfaction and customer satisfaction: (N=180)

		CUSAT	WC	CRD	RLS	RLW	SB
CUSAT	Pearson Correlation	1.000					
RLS		.026	1.000				
SB		-.005	.413	1.000			
RLW		.075	.513	.200	1.000		
WC		.179	.500	.466	.367	1.000	
CRD		.188	.596	.518	.415	.543	1.000

*. Correlation is significant at the 0.05 level (2-tailed).

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

Appendix 24: Summary of the inter-item correlations of customer service quality dimensions and the correlation of customer service quality with customer satisfaction: (N=180)

		cusat	Tangibles	Reliability	Responsiveness	Assurance	Empathy
CUSAT	Pearson Correlation	1.000					
TA		.592	1				
REL		.674	.648	1			
RES		.806	.658	.691	1		
AS		.831	.605	.727	.805	1	
EM		.821	.607	.584	.721	.846	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.
	N	180	180	180	180	180	180

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

Appendix 25: Summary of the correlation of customer service quality dimensions with customer loyalty: (N=180)

		cusat	Tangibles	Reliability	Responsiveness	Assurance	Empathy
CL	Pearson Correlation	1.000					
TAN		.617	1.000				
REL		.656	.648	1.000			
RES		.679	.658	.691	1.000		
ASSURANCE		.704	.605	.727	.805	1.000	
EMPATHY		.687	.607	.584	.721	.846	1.000
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.
	N	180	180	180	180	180	180

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

Appendix 26: Summary of the correlation of customer satisfaction dimensions with customer loyalty:(N=180)

		CL	CS2	CS3	CS4	CS5	CS6
CL	Pearson Correlation	1					
CS2	Pearson Correlation	.795**	1				
CS3	Pearson Correlation	.612**	.571**	1			
CS4	Pearson Correlation	.610**	.623**	.626**	1		
CS5	Pearson Correlation	.661**	.626**	.608**	.837**	1	
CS6	Pearson Correlation	.606**	.616**	.848**	.595**	.680**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	

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

Appendix 27: Multiple regression analysis of internal service quality dimensions and employee satisfaction in public and private banks:

Variable	Coefficient		Std. error		Beta		T		Sig.	
	Pub.	Priv.	Pub.	Priv.	Pub.	Priv.	Pub.	Priv.	Pub.	Priv.
(Constant)	-2.263	-1.099	1.695	1.816			-1.335	-.605	.188	.546
RLS	1.119	1.116	.056	.030	.488	.581	19.995	36.948	.000	.000
SB	1.090	1.246	.090	.059	.231	.314	12.060	21.057	.000	.000
WC	1.321	1.152	.118	.069	.226	.271	11.174	16.769	.000	.000
RLW	1.126	1.098	.093	.087	.234	.191	12.057	12.582	.000	.000
R	.995[d]	.989[b]								
R Square	.990	978								
Adjusted R Square	..989	.977								
Probability	..000[d]	.000[c]								
Std. Error of the Estimate	1.749	1.699								
F	1225.27	1333.78								
Durbin-Watson	1.814	2.043								

Appendix 28: Multiple regression analysis showing internal service quality dimensions and customer service quality in public and private banks:

Variable	Coefficient		Std. error		Beta		T		Sig.	
	public	Private	Public	Private	Public	Private	public	Private	Public	Private
(Constant)	-31.621	-21.626	10.862	16.290			-2.911	-1.328	.005	.187
RLS	-.884	-.384	.368	.287	-.527	-.143	-2.400	-1.339	.020	.183
SB	-.846	-.034	.575	.567	-.246	-.006	-1.472	-.060	.147	.952
RLW	.698	-1.212	.599	.786	.198	-.151	1.167	-1.542	.249	.126
WC	1.001	1.544	.797	.628	.234	.261	1.256	2.458	.215	.015
CRD	2.499	1.459	.882	.821	.559	.204	2.833	1.776	.007	.078
R	.502^a	.328^a		.						
R Square	.252	.108								
Adjusted R Square	.177	.070								
Probability	.011^c	.018^c								
Std. Error of the Estimate	11.0195	15.2206								
F	3.361	2.853								
Durbin-Watson	1.761	2.013								

Appendix 29: Multiple regression analysis showing internal service quality dimensions and customer satisfaction in public and private banks:

Variable	Coefficient		Std. error		Beta		T		Sig.	
	Public	Private	Public	private	public	private	Public	Private	Public	Private
(Constant)	12.431	18.869	3.478	4.638			3.574	4.068	.001	.000
RLS	-.144	-.091	.118	.082	-.265	-.123	-1.218	-1.118	.229	.266
SB	-.486	-.114	.184	.162	-.437	-.074	-2.640	-.706	.011	.482
RLW	.269	-.238	.192	.224	.237	-.107	1.405	-1.064	.166	.290
WC	.234	.374	.255	.179	.169	.227	.916	2.090	.364	.039
CRD	.722	.311	.282	.234	.501	.156	2.556	1.331	.014	.186
R	.512[a]	.250[a]								
R Square	. .262[a]	. .063[a]								
Adjusted R Square	.189	.023								
Probability	.008	.171								
Std. Error of the Estimate	.3.52846	4.33374								
F	3.558	1.580								
Durbin-Watson	1.699	2.005								

Predictors: (Constant), CRD, RLW, SB, WC, RLS; Dependent Variable: CU_SAT

Appendix 30: Multiple regression analysis table showing customer service quality dimensions and customer satisfaction in public and private banks:

Variable	Coefficient		Std. error		Beta		T		Sig.	
	public	private	public	private	Public	Private	public	Private	Public	private
(Constant)	22.086	23.349	.663	.298			33.306	78.348	.000	.000
TA	-.292	-.046	.233	.105	-.119	-.028	-1.250	-.440	.217	.607
REL	.076	.189	.150	.095	.054	.134	.504	1.988	.617	.113
RES	.546	.355	.161	.092	.482	.279	3.398	3.859	.001	.000
AS	.186	.205	.216	.112	.146	.176	.861	1.831	.393	.043
EM	.319	.398	.134	.076	.309	.430	2.378	5.231	.021	.000
R	.836[a]	.911[a]								
R Square	.699	.830								
Adjusted R Square	.669	.823								
Probability	.000	.000								
Std. Error of the Estimate	.2.255	1.847								
F	23.185	115.006								
Durbin-Watson	1.931	1.811								

Predictors: (Constant), EM, REL, TA, RES, AS; Dependent Variable: CU_SAT

Appendix 31: Multiple regression analysis table showing customer service quality dimensions and customer loyalty in public and private banks:

Variable	Coefficient		Std. error		Beta		T		Sig.	
	Public	Private	Public	Private	public	private	Public	Private	Public	Private
(Constant)	-.134	19.184	.093	.310			-1.432	61.927	.158	.000
TA		.247	.121			.199		2.267		.025
REL		.369	.142			.349		3.735		.000
RES	.407	.068	.159	.121	.431	.072	3.354	.715	.001	.476
AS		.033				.039		.288		.774
EM	.374	.185	.133	.142	.339	.267	2.640	2.332	.011	.021
R	.700[a]	.819[a]								
R Square	.490	.671								
Adjusted R Square	.471	.657								
Probability	.000	.000								
Std. Error of the Estimate	.2.237	..1.920								
F	25.54	48.09								
Durbin-Watson	1.890	1.959								

Predictors: (Constant), EMP, REL, TAN, RES, ASS; Dependent Variable: CU_LO

Appendix 32: Multiple regression analysis table showing customer satisfaction dimensions and customer loyalty in public and private banks:

Variable	Coefficient		Std. error		Beta		T			Sig.	
	public	Private	public	private	public	private	Public	private		Public	private
(Constant)	4.446	3.755	1.243	.715			3.578	5.253		.001	.000
CS 2	1.161	2.803	.301	.258	.390	.826	3.855	10.852		.000	.000
CS 3	1.336	.464	.493	.321	.460	.133	2.713	1.446		.009	.151
CS 4	-.558	-.664	.459	.332	-.181	-.208	-1.216	-1.999		.230	.048
CS 5	1.558	1.025	.600	.340	.450	.284	2.598	3.012		.012	.003
CS 6	-.459	-.407	.494	.292	-.173	-.133	-.930	-1.392		.357	.167
R	.803[a]	.872[a]									
R Square	.645	.761									
Adjusted R Square	.611	.751									
Probability	.000	.000									
Std. Error of the Estimate	.1.875	1.643									
F	18.573	74.443									
Durbin-Watson	2.059	2.013									

a. Predictors: (Constant), CS 6, CS 4, CS 2, CS 3, CS 5;

b. Dependent Variable: C_L

Appendix 33: Multiple regression analysis table showing customer loyalty dimensions and profitability in public and private banks:

Variable	Coefficient		Std. error		Beta		T		Sig.	
	public	Private	public	private	public	private	Public	private	Public	Private
(Constant)	15.733	12.419	1.220	.625			12.901	19.877	.000	.000
CL 1	-.269	.032	.346	.220	-.170	.026	-.778	.143	.440	.886
CL 2	.129	.151	.382	.227	.077	.107	.336	.664	.738	.508
CL 3	-1.263	-.748	.368	.253	-.541	-.463	-3.430	-2.960	.001	.004
CL 4	.657	.414	.326	.210	.353	.324	2.020	1.973	.049	.051
R	.462[a]	.269[a]								
R Square	.213	.072								
Adjusted R Square	.153	.041								
Probability	.000	.000								
Std. Error of the Estimate	.1.479	1.238								
F	3.526	2.300								
Durbin-Watson	2.488	1.392								

a. There are no valid cases in one or more split files. Statistics cannot be computed.

b. Dependent Variable: PROFITABILITY