



## A CASE STUDY: CUSTOMERS' SATISFACTION TOWARDS SERVICES PROVIDED BY COMMERCIAL BANK OF ETHIOPIA-AXUM BRANCH

<sup>1</sup>Shanmugapriya G., <sup>2</sup>Sethuraman R.

<sup>1</sup>Research Scholar, A. Veeriyar Vandayar Memorial Sri Pushpam College, Thanjavur, Tamilnadu, India

<sup>2</sup>Aksum University, Aksum, Ethiopia.

### ABSTRACT

The structures of banking differ from country to country. It depends on the economic conditions, traditions and political conditions in the country concerned. Customer confidence and trust on the services delivered determines profitability of a bank. A full-fledged service delivery to the customer secures survival of a bank. The Commercial Bank of Ethiopia (CBE) is the largest commercial bank in Ethiopia which is run by the government. The major objective of this study is to analyze customer satisfaction of banking services provided by commercial bank of Ethiopia in Axum town, Ethiopia. Moreover, it tries to investigate the relationship between service quality, customer Satisfaction and loyalty

**KEYWORDS:** Customers' Satisfaction, Electronic-Banking, Modern Banking Services, Commercial Bank of Ethiopia, Loans & Deposits.

### INTRODUCTION

"A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favor by serving him. He is doing us a favor by giving us an opportunity to do so."

#### Mahatma Gandhi

For the effective banking transaction the banks should have

- (i) Good communication
- (ii) Soft skill must need.
- (iii) The bank management need to educate the employees for the banking activities and process universal banking procedure can help the customer for the better transaction

#### **Customer focus over the decades:**

Customer are now demanding multiple channels through which they can interact with their providers including

- (i) Face to face contact.
- (ii) Phone.
- (iii) Websites, e-mail & mobile device etc.

Which has forced the banking sector to explore new distribution channels, so that ordinary customer which have more information about multiple banking products than even before. This is aimed not only to present the customer from taking their business elsewhere but also to ensure that they are offered the product and services that are most appropriate and most likely to result in new revenue for the bank. There is a phenomenal change and paradigm shift towards customer focus over the past five decades. The banking business found standing on the pillars of customer's satisfaction it is pertinent that policy

makers and branch manager think over the problem on priority basis.

#### **Role of banks in new economics**

From the economy point of view the major tasks of banks and other financial institution is to

- Act as an intermediate
- Channeling savings to investment
- Consumption through them, the investment requirements of savers are reconciled with the credit needs of investors and consumers.

In this process of transaction is to be carried out efficiently, it is absolutely essential that the banks be involved. Ethiopian banking has aided the economic development in an effective way in recent years. The banking sector has shown remarkable responsiveness to the needs of the planned economy. It has brought about a considerable progress in its efforts at deposits mobilization.

It has taken a number of measures in the recent past to accelerate the rate of growth of deposits. To achieve these goals commercial banks have taken various steps such as

- Opening new branches
  - a) Urban
  - b) Semi urban
  - c) Rural areas
- Introduced a number of attractive schemes
- Free services to customer attract more customers.

#### **Domestic Banking Operations**

The domestic banking operations include the accepting of various deposits such as saving, demand and time deposits, the local transfers, check clearance and others. Syed and Guruswamy (2007) found that word of mouth is the crucial type of marketing present to retail banks. A considerable number of customers looking for services from bank make their choices depending up on other customers' recommendations. The following table no- 5 depicts the ratings on extent of speedy services to open

new accounts by customers. The opening of accounts is the first step for all customers to establish customer-banker relationship. There are various accounts. They include saving accounts, which for the most part aimed at the encouragement of the thrift habit of the people. Current accounts which are mostly maintained by business people or traders who have to make a number of transactions. The other account is the fixed time account which is the occasionally transacted account. This account attracts a huge amount of deposit as the interest rates are bargained between the customer and the bank. However, most of the time this account is maintained by few individuals and companies.

#### **Loan Operations and customer satisfaction**

Banks provide various types of loans to their customers. Commercial Bank of Ethiopia grants credit services to the various sectors of the economy including domestic trade, industry, construction, hotel, transport and other sectors. The loans provided may be short term loans, medium term loans, merchandise loans, overdraft facilities and the like. The table- 9 reveals the various credit procedures and the replies obtained on the extent of their time consumption. Credit request originates from the customers themselves. In the process of granting credits documents should be presented by the customers as regards their collaterals and their trade license if they are traders or any identifying evidences for their work.

#### **REVIEW OF LITERATURE**

According to Shekhar (1998), the primary function of a commercial banker is that of a broker and a dealer in money. A commercial bank may also act as a trustee, executor, administrator and attorney (Paul, 2002). Banks operating in Ethiopia is consequently put into lot of pressures due towards increase in competition. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level. Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage (Ahmossawi, 2001).

In addition, service quality has a significant impact on a bank's success and performance (Mouawad and Kleiner 1996). Nowadays, service quality has received much attention because of its obvious relationship with costs, financial performance, customer satisfaction, and customer retention. Faraz (2005) stated that customer satisfaction is the situation when customer expectations have been fulfilled to the fullest capacity when using the product or service. The capacity to fulfill customer expectation consequently brings about strong loyalty to the product or services of a company. On the other hand, Murthy (2010) stipulated that banks have to be efficient in dealing with individual customers, traders and companies. It is also necessary for banks to strive hard to retain the existing customers in the face attracting new customers. PrernaDawar (2013) on her study found factors affecting satisfaction are staff knowledge, behaviour, online banking-channel management & support system, amount charges, and language information

Fathi, MarjanAjji,(2011) has done their research on customer satisfaction of the banking customer in Isfahan

city. Results were technical knowledge and environment of the bank are main factors which creates dissatisfaction in Isfahan City. Ghosh and kailash (2010) has strongly argued that customer's knowledge is also one of the most important factor which can affect satisfaction.

#### **Scope of the study**

The scope of the study is confined to the Commercial Bank of Ethiopia in Axum town in terms of customer satisfaction. The study has been undertaken on the basis of sample survey.

#### **Limitations of the study**

The study is geographically restricted to Axum Town Ethiopia only. Findings are based on sample survey through questionnaire method.

#### **STATEMENT OF THE PROBLEM**

There are a number of problems hindering the smooth delivery of the banking services. The network problem for instance is the major obstacle in the check clearing operations. Besides, in the loan operations the delays of the loan approval is the problem. In the electronic banking services, customers responded that the benefits they obtained are limited as the bank's investment in the modern banking technologies is low. In addition, the temporary failures in the electronic banking services are not corrected immediately. It is obvious that if customers do not have a trust on the banking services it is meaningless to talk about the good will of the bank. Therefore, the bank should handle its customers so well to achieve its organizational aims.

The procedures laid down at the banks are lengthy and also it was not easy to follow by them. The present customer services systems lacks motivation and initiatives, these adversely affect the customer service.

#### **OBJECTIVES OF THE STUDY**

1. To verify the customer satisfaction towards the services given by banks.
2. To analyze the recent banking technology and its repercussions on the quality of customer services.
3. To analyze the problems involved in banking transactions.
4. To suggest suitable remedial measure to improve their banking services.
5. To analyze the expectations of consumers.
6. To offer suggestions based on the findings of the study

#### **RESEARCH DESIGN**

A research design work is a specified framework for controlling the data collection. It is the basic plan, which guides the data collection & analysis phases of the research project. This study is based on analysis of data so that the present work is basically an analytical study, which tries to analyze the view of the customers using the information collected from them. To achieve the objectives of this study, the researcher collected the data from the customers and then analysis was done.

In social science there are two outstanding research methods:

- a) Primary data
- b) Secondary data .

This study is based on both primary and secondary data.

**Sampling unit**

Customers of commercial bank in Axum town constitute population of the present study.

**Sampling size and sampling technique**

In this survey the sample size was determined as 200 arbitrarily. The researcher has adopted convenient sampling for the purpose of the study.

**Area of the study**

Axum is where Ethiopia and Eritrea's culture, history, civilization and spirituality originate from. The Capital City of the Queen of Sheba, the origin of the Solomonic Imperial Dynasty, the home of the Ark of the Covenant, the origin of Ethiopian Orthodox Christianity, the birth place of Ge'ez (Africa's only written language) and many of the culture and custom that shaped present day Ethiopia and Eritrea trace their roots to Axum.



Aksum has got touristattractio n sites called obelisks, also called stelae, are known to be the tallest single pieces of stone ever quarried and erected in the ancient world.

Their age and use is a complete mystery. Some scholars, extrapolating from ancient coins found at the base of the giant pillars, suggest that they may have been carved and erected around the beginning of the 4th century AD. Due to their proximity to nearby tombs, the obelisks may possibly have been used as memorials to deceased kings and queens, but this is only a speculation. The tallest of the monoliths, now fallen and broken into six massive pieces, was 33.3 meters tall and weighed an estimated five tons (the largest Egyptian obelisk is that of King Tutmosis, 32.16 meters high and now standing in Rome). The tallest obelisk still standing at Axum today is 23 meters. Precisely carved upon its sides (and upon the sides of many others nearby stelae) are what seem to be representations of multiple stories with floors between them.

**Population of Axum town in Ethiopia.**

S. No	Sex	No. of People
1.	Male	30293
2.	Female	26283
Total		56576

Ref: Central Statistical Agency of Ethiopia (CSA)

The 2007 national census showed that the town population was 44,647, of whom 20,741 were males and 23,906 females). The majority of the inhabitants said they practiced Ethiopian Orthodox Christianity, with 88.03% reporting that as their religion, while 10.89% of the population were Muslim. 1994 national census reported a total population for this city of 27,148, of whom 12,536 were men and 14,612 were women. The largest ethnic group reported was the Tigrayan (98.54%) and Tigrinya

was spoken as a first language by 98.68%. The majority of the population practiced Ethiopian Orthodox Christianity with 85.08% reported as embracing that religion, while 14.81% were Muslim.

**Profile of Commercial Bank of Ethiopia**

The Commercial Bank of Ethiopia (CBE) is the largest commercial bank in Ethiopia as of June 2011, it had about 86.5 billion birr in assets and held approximately 63.5% of deposits and about 38% of all bank loans in the country. The bank has around 8,000 employees, who staff its headquarters and its over 500 branches positioned in the main cities and regional towns. The latter include 45 branches in the national capital Addis Ababa. With the opening of a branch in gechi the illubabor zone of the oromia region, CBE's banking network has reached 550 branches.



The leading bank in Ethiopia, established in 1942. Pioneer to introduce modern banking to the country. It has 547 branches stretched across the country. A leading African bank with assets of birr 114 billion as on June 30<sup>th</sup> 2011. Plays a catalytic role in the economic progress & development of the country. The first bank in Ethiopia to introduce ATM service for local users. Currently CBE has more than 2 million account holders. It has strong correspondent relationship more than 50 renowned foreign banks and a swift bilateral arrangement with 500 others. CBE combines a wide capital base with more than 10,000 talented and committed employees. Pioneer to introduce western union money transfer services in Ethiopia. CBE has reliable and long-standing relationships with many internationally acclaimed banks throughout the world. The CBE, the Axum branch is established in 21.12.1967.

**DATA ANALYSIS & INTERPRETATION**

The researcher has interviewed the different gender group of people, age group and education viz the table shows the classification of the respondents

**Table-1 Demographic profile.**

**A. Sex**

Variables	No. of Respondents	% of Respondents
Male	130	65
Female	70	35
Total	<b>200</b>	<b>100</b>

**B.Age**

18 to 25 years	44	22
25 to 35 years	66	33
35 to 45 years	52	26
45 above	38	19
Total	<b>200</b>	<b>100</b>

**C.Education**

HSC	34	17
Graduate	66	33

Post Graduate	70	35
Doctorate	30	15
<b>Total</b>	<b>200</b>	<b>100</b>

**Source: Primary data**

**Inference:** The demographic profile of the respondents was presented in Table 1. It is clear from the table, that out of 200, 65% are male and 35% are female and most of the respondents (33%) belong to 25-35 age groups. Regarding education most of the customers are qualified.

**Table -2:Occupational Distribution**

<b>Variables</b>	<b>No. of Respondents</b>	<b>% of Respondents</b>
Students	56	28
Self Employed	50	25
Professional	60	30
House wife	34	17
<b>Total</b>	<b>200</b>	<b>100</b>

**Source: Primary data**

**Inference:** Occupational distributions of the respondents were shown in table 2. Results revealed that out of total respondents 28% are students, 25% are self employed. 30% are professionals where as 17% are belong to the house wife group.

**Monthly income**

Income is the consumption and savings opportunity gained by an entity within a specified time frame, which is generally expressed in monetary terms. However, for households and individuals, "income is the sum of all the wages, salaries, profits, interests' payments, rents and other forms of earnings received in a given period of time". Simply we can say income is the reward of four facto of production that is land, labour, capital and organization. The following table explains the monthly income of respondents.

**Table –3 Monthly income of the respondents:**

<b>Monthly Income (Income in Birr)</b>	<b>No. of Repondents</b>	<b>Percentage of Respondents</b>
Below 2000	26	13
2000 – 4000	64	32
4000 – 6000	60	30
6000 – 8000	30	15
Above 8000	20	10
<b>Total</b>	<b>300</b>	<b>100</b>

**Source: Primary data**

**Inference :**From the above table it was inferred that 13% of the respondents belong to the income group of below 2000 followed by 32% of the respondents belong to the income group of be 2000 – 4000, followed by 30% of the respondents belong to the income group of 4000–6000,15% of the respondents belong to the income group of 6000– 8000and followed by 10% of the respondents belong to income group of above 8000.

**Regularly using services:**

Bank provide number of services to the customer but the customers were using limited services because lake of time, complex procedure and technical problem in the

computer. This is may create problem to the customer. The following table explains the customer regularly using services.

**Table –4 Regularly using services**

<b>Regularly using services</b>	<b>No. of Respondents</b>	<b>Percentage of Respondents</b>
Deposit cash	90	45
Withdraw money	56	28
Demand draft	26	13
Fund transfer	16	8
Collection of cheque	12	6
<b>Total</b>	<b>200</b>	<b>100</b>

**Source: Primary data**

**Inference:** The above table explains that 45 percent of respondents deposit their cash in a bank it shows that deposit cash in a bank one way it helps to the bank to mobilize fund and another way the customer with draw money in a bank are ATM during the need of cash. The study indicates that 28 per cent of respondents with draw money from the bank and 13 percent of respondents get demand draft for the different purposes. Only meager amount of respondents were transferring their funds and collecting cheque.

**Table-5 Extent of speedy services to open new accounts**

<b>No. of Items</b>	<b>No. of Respondents</b>	<b>Percentage of respondents</b>
Very quick	80	40
Fast	60	30
Fair	50	25
Very slow	10	5
<b>Total</b>	<b>200</b>	<b>100</b>

**Source: Primary data**

**Inference:** From the above table it was inferred that 40% of the respondents said very quick followed by 30% of the respondents said fast, followed by 25% of the respondents said fair, 5% said very slow process services to open a new account.

**Table-6 Problems encountered on check clearing operations**

<b>No. of Items</b>	<b>No. of Respondents</b>	<b>Percentage of respondents</b>
Delay Occurrences	30	15
Network problems	140	70
Bureaucratic work problems	14	7
Others	16	8
<b>Total</b>	<b>200</b>	<b>100</b>

**Source Primary data**

**Inference:** From the above table it was inferred that 15% of the respondents said delay Occurrences followed by 70% of the respondents said network problems, followed by 7% of the respondents said Bureaucratic work

problems, and 8% of the respondents said other problems encountered on checking operations.

**Table –7 ATM User and Non User**

Variables	No. of Respondents	Percentage of respondents
User	136	68
Non- User	64	32
Total	200	100

**Source: Primary data**

**Inference:** The Table-7 reflects that the respondents' classification based on user and non user criteria. Out of total respondents, 136 respondents (68%) are using ATM in their day today life and 64 customers (32%) are the non users of ATM.

**Table-8 Time consuming credit procedures**

Variables	No. of Respondents	Percentage of respondents
Document Analysis	60	30
Loan approval	120	60
Disbursements	20	10
Total	200	100

**Source: Primary data**

**Inference:** From the above table it was inferred that 30% of the respondents said more time consuming on Document analysis, followed by 60% of the respondents on loan approval and followed by 10% of the respondents on disbursements.

**Table-9 Important reason to contact the branch:**

For the many reason the customer visiting to the bank. The following table shows the most important reason customer conducting the branch.

Important Reason	Number of Respondents	Percentage
Loan Enquiry	22	11
Complaints	20	10
Confirming Fund Transfer	80	40
Enquiries about debit Card	40	20
Other reasons	38	19
Total	200	100

**Source: Primary Data**

**Inference:** Among the 200 respondents 40 % of them to contact the branch to confirming their funds transfer, 20% of the respondents contact branch to enquire about the debit card details, 19% of the respondents contact the bank to the purpose of other reason, followed by 11% of the respondents to enquire the loan details and 10% of the respondents contact the bank to give some complaints.

#### **Overall quality of service in bank.**

Quality itself has been defined as fundamentally relational quality is the ongoing process of building and sustaining relationship by assessing, anticipating and fulfilling stated

and implied needs. This following table has shown the quality of services in bank.

**Table -10 Quality of Services in bank:**

Quality of Service	Number of Respondents	Percentage
Excellent	80	40
Very Good	64	32
Good	40	20
Average	8	4
Poor	8	4
Total	200	100

**Source: Primary Data**

**Inference:** It is clear that from the above table the majority of the respondents were told the banking services are excellent. The table exhibit that the 32 percent respondents were told the banking activities is very good. Most of them accepted the banking services are good.

#### **SUMMARY OF FINDINGS**

After a detailed analysis of the study researcher could arrive at the following findings. These findings will help the researcher to give proper suggestions to the bank for better functioning

- 33% of the respondents belong to the age group of 25-35.
- 65% of the respondents are male.
- From the Survey the customers are well educated in Axum town. 35% of the respondents are post graduates.
- 30% of the respondents are professional.
- 32% of the respondents belong to the income group of 2000 –4000.
- 45% of the respondents deposit the money to using the bank.
- 40% of the respondents said very quick process to open a new account.
- 70% of the respondents said network problem occurred on checking operations.
- 68% of the respondents using the ATM card.
- 60% of the respondents feel loan approval has taking more time consuming.
- 40% of the respondents contact the reason to bank confirming Fund transfer.
- 40% of the respondents said excellent quality of service.

#### **SUGGESTIONS**

- Programme at least 6 month once to educate the bank up dating.
- Customers expect the bank prospect in order to know the bank procedure.
- Effective use of communication net work by the bank
- 32% of the customer not using the ATM card facilities. So the bank should do some demo for uneducated customers.
- If the bank introduces new bank scheme the notice board should display in front of the bank.

- Customers prefer Electronic Banking, Mobile Banking and Internet Banking. So, the bank will apply facilities for all people as soon as possible.

### CONCLUSION

The banking sector has undergone many changes the new economic policy based on privatization, globalization and liberalizations adopted by government of Ethiopia. Customer is the king in the present day banking. Today the customer services preference keep on changing at a rapid speed and their demands. The aim of the bankers is to make the customers comfortably and happy to achieve their targets. Overall the customers of the main branch Commercial Bank of Ethiopia in Axum town responded that they are satisfied by the quality of services provided though it is with considerable reservations. There are a number of problems hindering the smooth delivery of the banking services. The network problem for instance is the major obstacle in the check clearing operations. Besides, in the loan operations the delays of the loan approval is the problem. In the electronic banking services, customers responded that the benefits they obtained are limited as the bank's investment in the modern banking technologies is low. In addition, the temporary failures in the electronic banking services are not corrected immediately. It is obvious that if customers do not have a trust on the banking services it is meaningless to talk about the good will of the bank. Therefore, the bank should handle its customers so well to achieve its organizational aims. Finally, it is worthy to affirm that customers are the key for any business organizations.

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